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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

December 16, 2008 - 1:41 p.m.  
Concord, New Hampshire

RE: DE 08-149  
GRANITE STATE ELECTRIC COMPANY d/b/a  
NATIONAL GRID:  
2009 Retail Rate Adjustment.

PRESENT: Commissioner Clifton C. Below, Presiding  
Commissioner Graham J. Morrison

Jody Carmody, Clerk

APPEARANCES: Reptg. National Grid:  
Alexandra E. Blackmore, Esq.  
  
Reptg. Residential Ratepayers:  
Meredith Hatfield, Esq., Consumer Advocate  
Office of Consumer Advocate  
  
Reptg. PUC Staff:  
Lynn Fabrizio, Esq.

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

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1 P R O C E E D I N G S

2 CMSR. BELOW: Chairman Getz is  
3 preoccupied at the State Emergency Operations Center  
4 today. So, I'll open this hearing in DE 08-149. On  
5 November 20th, Granite State Electric Company, doing  
6 business as National Grid, filed a request for approval of  
7 retail rate adjustments and reconciliations related to  
8 National Grid's Stranded Cost Charge and Transmission  
9 Service Charge for effect with service rendered on and  
10 after January 1, 2009. National Grid calculated an  
11 aggregate impact of the proposed rates for January 1, 2009  
12 on a total bill basis, compared to today's rates, to be an  
13 increase of \$2.83 per month, or 3.64 percent, for a  
14 typical residential customer using 500 kilowatt-hours per  
15 month. This cost -- The stranded cost is to recover the  
16 Contract Termination Charge billed to National Grid by New  
17 England Power Company, and they have -- National Grid  
18 proposed to decrease the uniform Stranded Cost Charge from  
19 0.050 cents per kilowatt-hour to a credit of 0.010 cents  
20 per kilowatt-hour, not including the stranded cost  
21 adjustment factors.

22 And, National Grid's Transmission  
23 Service Charges are implemented through separate  
24 transmission factors for each rate class designed to

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1 recover estimated transmission expenses during the  
2 upcoming calendar year through an adjustment for over or  
3 under recoveries that occurred in the prior period, that  
4 includes that. And, that's been proposed to be a charge  
5 of 1.573 cents per kilowatt-hour, an increase of 0.594  
6 cents per kilowatt-hour over the current rate of 0.979  
7 cents per kilowatt-hour.

8 So, we'll take appearances.

9 MS. BLACKMORE: Good afternoon,  
10 Commissioners. My name is Alexandra Blackmore, and I'm  
11 appearing on behalf of National Grid. Testifying today is  
12 Scott McCabe, who is a Principal Analyst for Regulation  
13 and Pricing in the Electricity Distribution and Generation  
14 Group, and Pamela Viapiano, who is Vice President for  
15 Transmission Finance.

16 CMSR. BELOW: Thank you.

17 MS. HATFIELD: Good afternoon,  
18 Commissioners. Meredith Hatfield, from the Office of the  
19 Consumer Advocate, for residential ratepayers, and with me  
20 from the office is Ken Traum.

21 CMSR. BELOW: Good afternoon.

22 CMSR. MORRISON: Good afternoon.

23 MS. FABRIZIO: Good afternoon,  
24 Commissioners. Lynn Fabrizio, on behalf of Staff, and

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1 with me at the table today is Senior Industry Analyst, Jim  
2 Cunningham.

3 CMSR. BELOW: Good afternoon.

4 CMSR. MORRISON: Good afternoon.

5 CMSR. BELOW: And, have the witnesses  
6 been sworn? Shall we do that?

7 (Whereupon Pamela A. Viapiano and  
8 Scott M. McCabe was duly sworn and  
9 cautioned by the Court Reporter.)

10 MS. BLACKMORE: I think we need to turn  
11 on the microphones.

12 CMSR. BELOW: Okay.

13 MS. BLACKMORE: I just have one exhibit  
14 I'd like to mark for identification. It's the Company's  
15 November 20th, 2008 Rate Adjustment filing, which includes  
16 the testimony and schedules of Mr. McCabe and Ms.  
17 Viapiano.

18 CMSR. BELOW: Okay. We'll mark that for  
19 identification as "Exhibit 1".

20 (The document, as described, was  
21 herewith marked as Exhibit 1 for  
22 identification.)

23 PAMELA A. VIAPIANO, SWORN

24 SCOTT M. McCABE, SWORN

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[WITNESS PANEL: Viapiano|McCabe]

1 DIRECT EXAMINATION

2 BY MS. BLACKMORE:

3 Q. Mr. McCabe, would you please state your full name and  
4 business address.

5 A. (McCabe) Scott McCabe, 201 Jones Road, in Waltham,  
6 Mass.

7 Q. And, what is your position at National Grid?

8 A. (McCabe) I'm a Principal Analyst in the Regulation and  
9 Pricing Group, Department of the Electric Distribution  
10 and Generation Group for National Grid Service Company  
11 USA.

12 Q. And, what are your duties and responsibilities in that  
13 position?

14 A. (McCabe) I perform rate-related services for the New  
15 England retail electric companies for National Grid.

16 Q. Ms. Viapiano, could you please state your full name and  
17 business address.

18 A. (Viapiano) Yes. My name is Pamela Viapiano. I'm at 25  
19 Research Drive, Westborough, Massachusetts.

20 Q. And, what is your position at National Grid?

21 A. (Viapiano) I am Vice President of Transmission and  
22 Finance for National Grid USA Service Company.

23 Q. And, what are your duties and responsibilities in that  
24 position?

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[WITNESS PANEL: Viapiano|McCabe]

1 A. (Viapiano) One of my duties and responsibilities is the  
2 oversight of the administration and development of  
3 transmission tariffs and rates, including in New  
4 England Power Company and Niagara Mohawk Company.

5 Q. I'm going to start with Mr. McCabe. Mr. McCabe, I  
6 believe you have a copy of Exhibit 1 in front of you.  
7 Can you please describe it?

8 A. (McCabe) Sure. It's our Retail Rate filing, which was  
9 filed on November 20th. And, it contains my testimony,  
10 prefiled testimony, as well as the accompanying  
11 schedules.

12 Q. And, do you have any corrections to make to your  
13 testimony?

14 A. (McCabe) No, I do not.

15 Q. Do you adopt the testimony and schedules as your own?

16 A. (McCabe) Yes.

17 Q. Would you please briefly summarize your testimony.

18 A. (McCabe) Sure. My testimony supports the rate  
19 adjustments that the Company is proposing to make for  
20 January 1st, 2009. These rate adjustments are made in  
21 accordance with the Company's tariff provisions,  
22 including the stranded cost adjust -- the stranded cost  
23 provision and the transmission service adjustment  
24 provision. And, they're also made in accordance with

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[WITNESS PANEL: Viapiano|McCabe]

1 the Company's Amended Restructuring Settlement  
2 Agreement in docket DR 98-12.

3 If you could turn to Page 4 of my  
4 testimony, which is on Page 6, Bates stamp, of  
5 Exhibit 1. There's a table at the top of the page,  
6 which summarizes the charges that the Company is  
7 proposing. Commissioner Below touched on the amounts  
8 of the proposed rates. And, the first charge is the  
9 Stranded Cost Charge. That Stranded Cost Charge is --  
10 actually consists of two charges. One is a uniform  
11 charge, a per kilowatt-hour charge that the Company  
12 charges all of its customers, and reflects the Contract  
13 Termination Charge, or the "CTC", that the Company is  
14 billed by New England Power. And, that rate, as was  
15 previously stated, is proposed to decrease from 0.50  
16 cents per kilowatt-hour, to a credit of 0.10 cents per  
17 kilowatt-hour.

18 The charge also includes stranded cost  
19 adjustment factors, which are basically the collection  
20 of any over or under recovery for the previous -- for  
21 the reconciliation period. In this case, it's from  
22 October 2007 through September 2008. And, there are a  
23 few of the rate classes, including Rate D-10, G-2, G-3,  
24 V and M, which is street lighting, that have a very

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[WITNESS PANEL: Viapiano|McCabe]

1 small adjustment factor. But, on average, the Company  
2 average for the adjustment factor is zero. So that  
3 that stranded cost average charge shown on Page 4 of my  
4 testimony of a credit 0.10 is the average charge for  
5 the whole company.

6 And, the next charge, on Line 5, I  
7 guess, reflects both the base Transmission Charge that  
8 the Company is proposing, and the base Transmission  
9 Charge is based on the forecasted transmission expenses  
10 of approximately 12.7 million, which are included in  
11 Ms. Viapiano's testimony in Schedule PAV-1. This base  
12 charge is calculated in Schedule SMM -10, which is on  
13 Page 53, Bates stamp, of the Exhibit 1. And, you can  
14 see that the charge again that we're collecting is  
15 \$12.7 million. And, we take that charge and we  
16 allocate it across our rate classes, based on the --  
17 each rate class's contribution to the Company's load at  
18 the time of New England Power's peak load. We spread  
19 those costs across the rate classes, as you can see on  
20 Line 4 of Schedule SMM-10. And, then, we divide those  
21 costs by our forecasted kilowatt-hour sales for each  
22 rate class and determine a rate-specific base  
23 transmission service rate. And, those are shown on  
24 Line 6. The Company average rate is 1.361. And, to

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[WITNESS PANEL: Viapiano|McCabe]

1 that Company average, we're adding the Transmission  
2 Service Adjustment Factor, which is calculated in  
3 Schedule SMM-9. And, the Company is looking to collect  
4 a Transition Service under collection of \$1,983,018.  
5 And, if you divide that by the forecasted  
6 kilowatt-hours, we have a Transition Service Adjustment  
7 Factor of, well, it's 0.212 cents per kilowatt-hour.  
8 And, if you add the 1.361 for the base charge and the  
9 0.212 adjustment factor, that's the number that is on  
10 Page 4 of my testimony, which is the 1.573 cents per  
11 kilowatt-hour. And, that total rate is an increase of  
12 0.594 cents per kilowatt-hour over the 2008 average of  
13 0.979 cents per kilowatt-hour.

14 Q. Mr. McCabe, it looks as though there's a typo on Page  
15 6. It says "1.573", and then the total says "1.563".  
16 So, I just wanted to point that out to you.

17 A. (McCabe) I'm sorry, Ms. Blackmore. The total --

18 Q. Oh, it's in --

19 A. (McCabe) That includes the stranded cost credit factor.

20 Q. Oh, I understand. Okay. Sorry.

21 A. (McCabe) Okay. And, so, those are the two rates that  
22 we're proposing collection or for approval. And, if  
23 approved by the Commission, the net effect of these  
24 changes for a 500 kilowatt-hour Default Service

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[WITNESS PANEL: Viapiano|McCabe]

1 customer receiving -- well, a Default Service customer,  
2 is a bill increase of \$2.83, or 3.6 percent. The net  
3 effect for an average residential customer, which is  
4 calculated based on the Rate D, Domestic rate class,  
5 for the average bill for the last 12 months, most  
6 recent 12 month period, is a bill increase of \$3.73, or  
7 3.6 percent. And, that's -- the size of that customer  
8 is a 661 kilowatt-hour customer.

9 Q. And, are these adjustments the same adjustments that  
10 Granite State typically makes at this time of year?

11 A. (McCabe) Yes, they are.

12 Q. Thank you. I'd like to turn now to Ms. Viapiano. Ms.  
13 Viapiano, I believe you also have a copy of Exhibit 1  
14 in front of you. Can you please describe it?

15 A. (Viapiano) Yes. It's a copy of our November 20th Rate  
16 Adjustment filing, containing my -- it contains my  
17 testimony and accompanying schedules.

18 Q. And, do you have any corrections to make to your  
19 testimony?

20 A. (Viapiano) Yes, I do. I have three. If you refer to  
21 Exhibit Page 68, --

22 CMSR. BELOW: I'm sorry, what was that?

23 WITNESS VIAPIANO: Exhibit Page 68.

24 Page 68 of the exhibit, or Page 6 of my testimony.

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[WITNESS PANEL: Viapiano|McCabe]

1 BY THE WITNESS:

2 A. (Viapiano) On Line 17, it should read "each month  
3 primarily based on Granite State's proportionate  
4 share". Also, on Line -- on Page 78 of the exhibit,  
5 Line 1 of my testimony, the sentence should read "for  
6 the approximately 31 million of capital additions  
7 forecasted for 2009."

8 And, finally, I'd just like to note that  
9 the transmission owners' PTF capital additions  
10 in-service as forecasted in PAV-7 has been updated  
11 slightly. The NSTAR number -- The NSTAR number  
12 provided to us has been increased by approximately  
13 60 million. However, because this does not have a  
14 significant rate impact, National Grid is not proposing  
15 to update its forecast at this time.

16 BY MS. BLACKMORE:

17 Q. And, do you adopt the testimony and schedules as your  
18 own?

19 A. (Viapiano) Yes, I do.

20 Q. Could you please describe generally the three types of  
21 charges that make up your forecast of 2009 transmission  
22 expenses for Granite State?

23 A. (Viapiano) Yes. There are three types of charges all  
24 charged in accordance with ISO-New England's FERC

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[WITNESS PANEL: Viapiano|McCabe]

1 approved Transmission, Markets and Services Tariff.  
2 First, there are local network service charges for  
3 non-pool transmission facilities, that additionally  
4 include charges for metering, transformation, and  
5 specific distribution facility charges. Second are ISO  
6 -- or, regional charges. These are Pool Transmission  
7 facilities, and include charges for things like Black  
8 Start, Reactive Power, Scheduling and Dispatch, and  
9 Load Response. Third are ISO-New England  
10 administrative charges. These are the means by which  
11 ISO collects the revenues necessary to carry out its  
12 administrative functions. The types of charges that  
13 Granite State incurs are ISO specific Scheduling and  
14 Dispatch administrative charges, annual -- FERC annual  
15 charges that are passed through to New England Power  
16 Company, and NESCOE charges.

17 Q. And, "NESCOE" is the "New England States Committee on  
18 Electricity"?

19 A. (Viapiano) That's correct.

20 Q. Okay. For 2009, does your forecast of transmission  
21 expenses reflect an increase as compared with the 2008  
22 forecast?

23 A. (Viapiano) Yes. The estimated 2009 Granite State  
24 transmission expenses represent a net increase of 4

[WITNESS PANEL: Viapiano|McCabe]

1 million over the 2008 forecast.

2 Q. And, which of the three types of charges that you just  
3 described previously is driving the increase for the  
4 transmission expenses?

5 A. (Viapiano) The increase is being primarily driven by an  
6 increase in the regional charges or PTF charges.

7 Q. And, have there been any changes to the methodology for  
8 forecasting plant investments going forward as a result  
9 of the significant increase in the regional rates?

10 A. (Viapiano) Yes, there has. In prior years, estimates  
11 for the PTF plant investment that impacts the regional  
12 rates were based on solely the Regional System Plan as  
13 distributed by the ISO. This year, the transmission  
14 owners agreed to review the capital expenditures and  
15 provide a more comprehensive estimate of the total PTF  
16 transmission facilities expected to be placed  
17 in-service during the calendar year 2009. The goal of  
18 this effort was to provide a more accurate estimate of  
19 2009 transmission rates by (1) including the most  
20 current project cost forecasts; (2) refining the timing  
21 of the project spending and proposed in-service dates,  
22 rather than just referring to cash incentives; and (3)  
23 capturing any projected PTF capital expenditures that  
24 are not included in the ISO-New England RSP.

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[WITNESS PANEL: Viapiano|McCabe]

1 MS. BLACKMORE: Thank you. I have no  
2 further questions.

3 CMSR. BELOW: Ms. Hatfield.

4 MS. FABRIZIO: Commissioner Below, we  
5 agreed previously that Staff would go first.

6 CMSR. BELOW: Oh. Okay. Fine.

7 MS. HATFIELD: We get to go last. Thank  
8 you.

9 MS. FABRIZIO: Just by way of  
10 background, I wanted to note that in Granite State's  
11 November 20th filing they refer to a separate report to be  
12 filed no later than December 1st, and that, in fact, was  
13 filed on November 22nd. And, the Contract Termination  
14 Charge that is proposed in the November 20th filing will  
15 be investigated in more depth through a separate  
16 proceeding in docket DE 08-155. So, we will not address  
17 in detail the CTC charges proposed in the November 20th  
18 filing today.

19 CROSS-EXAMINATION

20 BY MS. FABRIZIO:

21 Q. But I'd like to ask the panel, just generally, in the  
22 event that an adjustment is required upon further  
23 investigation of the filing, how will Granite State  
24 implement that adjustment in the future?

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[WITNESS PANEL: Viapiano|McCabe]

- 1 A. (McCabe) Typically, if there is an adjustment that  
2 needs to be made, it will be made in next year's  
3 filing. Historically, I can't recall where we have had  
4 the need for an adjustment. But, certainly, this is  
5 reconcilable, and any adjustments will be reflected.  
6 Depending on the size of the adjustment, we could  
7 certainly do it sooner than next year's filing.
- 8 Q. We'll expect to see it next November.
- 9 A. (McCabe) Yes.
- 10 Q. Great. Thank you. I'd like to turn to what we refer  
11 to as the "yellow volume", the November 20th filing.  
12 And, I have a few questions for Ms. Viapiano. On your  
13 testimony, on Page 64 of your testimony, and I'm  
14 looking at the Bates stamp numbers in the lower right  
15 corner. According to your testimony here, on Lines 14  
16 through 22, transmission expenses are forecasted to be  
17 up \$4 million from 2008 to 2009 as you actually  
18 mentioned earlier. And, you also mentioned that the  
19 increase is caused primarily by the impact of regional  
20 transmission investments in New England.
- 21 A. (Viapiano) That's correct.
- 22 Q. Could you tell us what amount of regional transmission  
23 is estimated for the year 2009?
- 24 A. (Viapiano) Regional transmission is estimated in PAV-4

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[WITNESS PANEL: Viapiano|McCabe]

1 -- if you refer to PAV-1, on Line 3, we're forecasting  
2 7 million or 7.6 million of PTF. That is what I'm  
3 referring to, and that is what's seeing the bulk of the  
4 increase, from 2008 to 2009.

5 Q. And, how does that number relate to PAV-7, where you  
6 have a forecast of RNS rate impacts?

7 A. (Viapiano) If you refer to PAV -- if you refer to  
8 PAV-6, I'll step you through how that PTF figure was  
9 estimated. I apologize, not PAV -- it's PAV-3. There  
10 are two rates that are used in calculating that  
11 \$7.6 million figure. The first is the actual effective  
12 RNS rate as shown on Line 1 of PAV-3 of \$43.87 per  
13 kilowatt-year. Effective June of each year, that rate  
14 is updated, and by all of the New England transmission  
15 owners. Each transmission owner provides an update of  
16 its existing historical calendar year revenue  
17 requirement, as well as a forecast of what is expected  
18 in-service for the calendar period 2009. So, in June  
19 of 2009, each of the transmission owners will be  
20 providing an updated investment schedule of what they  
21 expect to be placed in-service in 2009, as well as  
22 showing the ISO what their actual 2008 revenue  
23 requirement is.

24 In an effort to estimate what that June

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[WITNESS PANEL: Viapiano|McCabe]

1 2009 effective rate would be, what National Grid is  
2 doing in this schedule is estimating \$1.3 billion worth  
3 of plant investment in the calendar year 2009, assuming  
4 an average 18 percent carrying charge, that carrying  
5 charge is based on the historical carrying charges that  
6 were filed in the 2008 filing that the ISO made. So,  
7 it's basically based on our actual cost. And, dividing  
8 that by the actual network load, to come up with a rate  
9 impact of 11. And, we're adding that to the actual  
10 rate that's currently in effect. So, we're trying to  
11 get the impact of what the new investment will be on  
12 the PTF transmission rate that is reflected in Line 3  
13 of PAV-1.

14 If you want to see how those rates are  
15 actually applied, you would refer to PAV-2, where each  
16 of those rates are applied to Granite State's "Monthly  
17 PTF kW Load", in Column 1, to arrive at, in Column 2,  
18 the "PTF Demand Charge". Does that answer your  
19 question?

20 Q. Thanks.

21 A. (Viapiano) Would you like --

22 Q. That's a lot of numbers to keep straight. In PAV-7,  
23 you have what looks like a summary of projected  
24 regional investments throughout New England?

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[WITNESS PANEL: Viapiano|McCabe]

1 A. (Viapiano) Correct.

2 Q. And, how do you -- how is that total number allocated  
3 to Granite State?

4 A. (Viapiano) That total number is allocated to Granite  
5 State based on its average load in comparison to the  
6 total load across New England. So, that investment is  
7 ultimately -- is we calculate what the impact of the  
8 revenue -- what the actual annual revenue requirement  
9 associated with that 1.3 million is, and then it's  
10 allocated to Granite State on the basis of the rate,  
11 and the rate is allocated on load.

12 Q. Okay. Great. Thank you. Now, again, on PAV-7, this  
13 chart indicates that National Grid's investment in PTF  
14 is expected to be 156.2 million in 2009. Could you  
15 tell us what major projects are included in that  
16 figure?

17 A. (Viapiano) I'm actually going to refer you --

18 WITNESS VIAPIANO: Can I -- I answered a  
19 data response that I could refer her?

20 MS. BLACKMORE: Sure.

21 BY THE WITNESS:

22 A. (Viapiano) In response to Data Request 1-9, the  
23 response asked for a list of projects that -- and how  
24 National Grid came up with the 156 million that's

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[WITNESS PANEL: Viapiano|McCabe]

1 reported in PAV-7. If you refer to Schedule 4, it  
2 gives you a list of the projects. I just wanted to  
3 point out in this schedule that, because we do our  
4 planning on a fiscal year basis, and there's a whole  
5 list of schedules in this exhibit that ultimately  
6 translated from its fiscal year to PTF, and then  
7 ultimately gets you to the 156 million, you really  
8 should be referring to "Fiscal Year 10 Capital  
9 Forecast", in the first set of columns in Schedule 4,  
10 Page 1. And, when you're referring to the codes on the  
11 far left, the company code "Company 10" is New England  
12 Power Company and the "Company 49" is Narragansett  
13 Electric Company. And, you can see that some of the  
14 major projects, you're seeing refurbishments on lines  
15 being done by New England Power Company. You're also  
16 seeing a major substation, Wakefield Junction, in the  
17 State of Massachusetts. And, I think those are the --  
18 I would argue that those are the primary. Wakefield  
19 Junction in itself is forecasted at 60 million, going  
20 into service in the early part of calendar year 2009.

21 BY MS. FABRIZIO:

22 Q. And, the refurbishments that you referred to by NEP,  
23 are those occurring in New Hampshire?

24 A. (Viapiano) I believe the ones identified here are --

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[WITNESS PANEL: Viapiano|McCabe]

1 I'd have -- they're identified by "Line G33, "Line  
2 E205", there's also the T7 Line. Most, I believe, are  
3 in the State of Massachusetts. Anything being  
4 identified as "Company 49" is in the State of Rhode  
5 Island.

6 Q. Thanks. And, is the New England East/West Solution  
7 Project included in this forecast?

8 A. (Viapiano) Yes. When referring to Schedule 4, the New  
9 England East/West Solution is commonly referred to as  
10 "NEEWS", N-E-E-W-S. Many of these projects identified  
11 in this list will refer to that in that "acronym". Any  
12 of those projects, there are multiple projects, with  
13 not a tremendous amount of projects estimated to have a  
14 significant spend in Fiscal Year 11, 12, and 13, but  
15 you will see some expenditures starting up in Fiscal  
16 Year 10, as well as in calendar year 2009. So, the  
17 spend is starting, but the majority of the spend will  
18 be in the out years.

19 Q. And, you said a number of projects on this schedule  
20 that you provided in the data response are separate  
21 components of the NEEWS Project itself?

22 A. (Viapiano) The NEEWS component is made up of multiple  
23 projects broken down and illustrated in the total  
24 project, when you add them altogether over the period

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[WITNESS PANEL: Viapiano|McCabe]

1 is about \$630 million.

2 Q. And, where is that project being built?

3 A. (Viapiano) About 450 million of the 630 is being built  
4 in the State of Rhode Island, with the remainder being  
5 built in Massachusetts.

6 Q. So, Massachusetts and Rhode Island?

7 A. (Viapiano) Yes. It is providing regional benefits,  
8 creating a flow from central Mass. into the southern.  
9 It's increasing capacity across the region.

10 Q. Is there any component in Connecticut in the future?

11 A. (Viapiano) Not completed by National Grid. The NEEWS  
12 Project is a combined project with Northeast Utilities.  
13 Northeast Utilities does have a component of NEEWS.  
14 And, I'm going to be honest with you, I'm not sure if  
15 there's a component in Connecticut. But I know that  
16 Northeast Utilities is building a portion in  
17 Massachusetts.

18 Q. Okay. Thanks. And, with respect to the NEEWS Project,  
19 could you tell us what return on equity was proposed by  
20 Grid?

21 A. (Viapiano) The return on equity effective November of  
22 this year, as a result of a recent FERC order, allowed  
23 a 125 basis point incentive adder, putting the return  
24 at 13.14 percent.

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[WITNESS PANEL: Viapiano|McCabe]

1 Q. 13.14?

2 A. (Witness Viapiano nodding affirmatively).

3 Q. Now, were there any other incentive adders included in  
4 the total project approval?

5 A. (Viapiano) Yes. In addition to the 125 basis points  
6 adder, we received 100 percent CWIP recovery,  
7 Construction Work In Progress, as well as abandoned  
8 plant recovery. To the extent that the project is  
9 terminated as a result of the ISO direction or delays  
10 or issues, we're allowed to recover the investment that  
11 has already been made.

12 Q. And, those adders are reflected in the investment  
13 figures that you've then translated into your  
14 Transmission Service Charge?

15 A. (Viapiano) The 125 basis points adder is only applied  
16 when the actual project is placed in service. Much of  
17 the project is not yet placed in service. It is just  
18 beginning the initial construction phase. So,  
19 therefore, there is no estimate of the 125 basis points  
20 adder. In addition, the CWIP recovery, while it will  
21 begin next year, we believe it's small, and it was,  
22 because we just received the order in November, we were  
23 not able to include it in the estimate. But, again, I  
24 don't believe it will be significant this year.

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[WITNESS PANEL: Viapiano|McCabe]

- 1 Q. In 2009?
- 2 A. (Viapiano) In 2009, yes.
- 3 Q. Thanks. Now, and again looking at PAV-7, --
- 4 A. (Viapiano) Yes.
- 5 Q. -- you've indicated that Grid's investments in PTF will
- 6 be 156.2 million. Could you tell us what levels
- 7 National Grid is forecasting for post 2009 years?
- 8 A. (Viapiano) I don't. I'd have to take a record request.
- 9 I was just seeing if --
- 10 Q. I think you did refer to them in the data -- the same
- 11 data request you were just looking at.
- 12 A. (Viapiano) Yes. If you refer to --
- 13 Q. Attachment 1.
- 14 A. (Viapiano) If you refer to Data Request 1-9, I didn't
- 15 realize I had given you all the years, in Data Request
- 16 1-9, Attachment 1, Schedule 1, it provides you a
- 17 forecast for calendar year '09 through calendar year
- 18 '13, of which you will see, in the later years, as the
- 19 increase -- the investment starts to increase. One of
- 20 those reasons is the project we were just discussing,
- 21 NEEWS.
- 22 Q. And, could you recite those numbers for 2010 through
- 23 '13?
- 24 A. (Viapiano) Certainly. The current projection, and it

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[WITNESS PANEL: Viapiano|McCabe]

1 is current projection, is 247.9 million; 363.9 million  
2 for calendar year '11; and, for calendar year '12,  
3 260.4 million; and, for calendar year '13,  
4 365.3 million.

5 Q. Thank you. And, can we expect to see those numbers  
6 reflected in next year's filing?

7 A. (Viapiano) Revised forecasts are looked at annually.  
8 The transmission owners have taken on an obligation to  
9 work together to continue to refine the estimate. But,  
10 yes, we hope that a similar estimate will be reflected  
11 for calendar year '10 next year.

12 Q. Great. Thanks. And, just again on those numbers, is  
13 that primarily the NEEWS project that is reflected in  
14 those numbers or are there other major investments?

15 A. (Viapiano) There are other major -- There are other  
16 major investments again listed in Schedule 4. This is  
17 not solely the NEEWS project. But NEEWS is built in  
18 there.

19 Q. So, again, those would be the refurbishments and the  
20 Wakefield Substation?

21 A. (Viapiano) When you refer to Schedule 4, you'll start  
22 to see -- again, I think you just need to refer to  
23 Schedule 4 where it lists out each of the projects.  
24 There are multiple projects, anywhere from, you know,

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[WITNESS PANEL: Viapiano|McCabe]

1 Auburn Street Area Upgrade to --

2 Q. Are there any other big ones coming down the pike?

3 A. (Viapiano) There's nothing that I know of as big as  
4 NEEWS.

5 Q. Okay.

6 A. (Viapiano) That I'm aware of.

7 Q. Okay. And, my final question is for both witnesses.

8 Could you sort of explain for us how the various  
9 components that you each have laid out come together to  
10 comprise the Transmission Service Charge? I'm looking,  
11 in particular, at PAV-1, and also Page 52 of SMM-9.  
12 Explain generally how those numbers correlate with each  
13 other, if at all.

14 A. (McCabe) Actually, the number in Ms. Viapiano's  
15 Schedule PAV-1, the 12.7 or "12,701,293", is actually  
16 included in Schedule SMM-11 -- I'm sorry, SMM-10, which  
17 is the 2009 base Transmission Service Charge's  
18 calculation. And, if you look on Line 1 of Schedule  
19 SMM-10, you'll see that \$12.7 million number. And,  
20 that is the number that we use to calculate our base  
21 Transition Service Rate. Now, when you refer to  
22 Schedule SMM-11 -- I'm sorry, Schedule SMM-9, which is  
23 on Page 52, that is the Transition Service Adjustment  
24 Factor for the most recent period undercollection. So

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[WITNESS PANEL: Viapiano|McCabe]

1 that, with our Transition Service Rate consists of two  
2 components. One is the Transition Service base rate,  
3 which is based on Ms. Viapiano's forecasted number, and  
4 the Transition Service Adjustment Factor that's based  
5 on the undercollection from the previous reconciled  
6 period.

7 MS. FABRIZIO: Great. Thanks. I think  
8 that actually concludes my questions.

9 CMSR. BELOW: Okay. Ms. Hatfield.

10 MS. HATFIELD: Thank you. Mr. Traum is  
11 going to ask the OCA's questions.

12 MR. TRAUM: Thank you. And, generally,  
13 I'll just address my questions to the panel, but I'm going  
14 to start with a couple of specifics.

15 BY MR. TRAUM:

16 Q. And, first, Mr. McCabe, I'm not sure if I misheard you  
17 or you misspoke. So, I want to just clarify that the  
18 Stranded Cost Charge and the transmission charges are  
19 applied to all customers, not just Default Service  
20 customers, is that correct?

21 A. (McCabe) They apply to all customers. I think, when I  
22 was giving the example for a typical bill, I was just  
23 doing the calculation for a Default Service customer,  
24 just because I know what their Default Service rate is.

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[WITNESS PANEL: Viapiano|McCabe]

1 The bill impact on a competitive service customer might  
2 be different. But they both apply to all delivery  
3 customers.

4 Q. Okay. Thank you. And, Ms. Viapiano, as I understand  
5 it, there is a change this year in terms of how you  
6 estimate capital additions for 2009, and that change  
7 differs from last year. And, what you are doing, as  
8 far as how you calculate the transmission rate for  
9 Granite State customers, you're including additional  
10 estimated 2009 expenses at the New England level in  
11 there?

12 A. (Viapiano) I'm not sure I agree with the word  
13 "additional". It's just being done differently. For  
14 example, in the Regional System Plan, there is a single  
15 in-service date for an entire project, very large  
16 project. Whereas the estimates that we're trying to  
17 put together is to better accurately estimate the  
18 phasing in of the individual components of that large  
19 project, which may go into service earlier or in  
20 separate phases. So, when you look at the Regional  
21 System Plan for 2009, certain projects may have a full  
22 in-service date, you know, full amount projected to be  
23 in service in 2009. However, a component of it may  
24 have already gone into service in 2008. So, that's one

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1 piece of it. Because, again, it's not when you spend  
2 the money, it's when the project is or a portion of  
3 that project is useful enough to be placed into service  
4 and allowed to earn a return. So, that's one component  
5 of the revised estimate. The second component is the  
6 RSP does not reflect 100 percent of all transmission,  
7 PTF transmission being built. Refurbishments in kind,  
8 replacement of the exact same facility, is not  
9 reflected in the Regional System Plan. This is only  
10 new or enhancement-type projects that are reflected in  
11 the RSP. So, again, it's just supposed to bring it to  
12 a better level, so that we don't have a significant  
13 variance between what actually is put in place when the  
14 rate is determined in June, versus when we forecast in  
15 January.

16 Q. Okay. And, my concern is how this fits in with the New  
17 Hampshire specific Anti-CWIP statute. And, I can  
18 understand that, if it's a FERC approved rate, then we  
19 don't have an issue. But I believe what you're doing  
20 in this filing is you are including cost estimates  
21 that, in effect, are above the FERC approved rate for  
22 2009. Am I missing something?

23 A. (Viapiano) What I'm doing is I am including the FERC  
24 approved rate, and I'm also forecasting effective June

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[WITNESS PANEL: Viapiano|McCabe]

1 of 2009 what the FERC approved rate will be. And,  
2 there's no Construction Work In Progress forecasted in  
3 that 1.3 million. That's plant in service.

4 Q. But, for the assumed costs that will go into effect  
5 July of '09, there's -- those are simply assumed, and  
6 there's no FERC order approving those at this point in  
7 time?

8 A. (Viapiano) There is no FERC order required under the  
9 formula rate. The ISO-New England tariff automatically  
10 updates in an informational filing. Under formula  
11 rates, FERC approves a recipe of sorts, that allows for  
12 the full recovery of costs, as defined under that  
13 formula. What this is doing or what my projection is  
14 doing is effective June 1st, what is that revised  
15 formula going to yield.

16 Q. Thank you for that clarification. Putting aside this  
17 updating of 2009 costs, is there any change in the  
18 methodology used in this filing as last approved by the  
19 Commission?

20 A. (Viapiano) Yes. Again, the revised -- in PAV-7, where  
21 I forecasted the PTF demand charges, I have revised how  
22 we've estimated the June -- the PTF rate effective  
23 June 1st.

24 Q. I was saying, if I set that aside, are there any other

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[WITNESS PANEL: Viapiano|McCabe]

1 methodological changes?

2 A. (Viapiano) Not for the transmission expenses.

3 Q. Mr. McCabe?

4 A. (McCabe) For the Transmission Service Adjustment  
5 Factor, and I touch upon it in my testimony, let me  
6 just -- just want to make sure I get you to the right  
7 page. Page 12 of my testimony, which is on Bates stamp  
8 Page 14 of Exhibit 1. Typically, with our  
9 reconciliations, we reconcile only actual expenses  
10 versus actual revenues. Since we've incurred a  
11 significant undercollection through September of 2008,  
12 and we anticipate that that undercollection is going to  
13 continue, and I think, actually, right above, on the  
14 top of Page 12, I talk about the fact that the Regional  
15 Network Service rates that went into effect June 1st,  
16 2008 were higher than we had anticipated in 2000 --  
17 when we had the forecast at this time last year. We're  
18 anticipating that we'll continue to undercollect for  
19 the remainder of calendar year 2008.

20 So, we have proposed to include this  
21 forecasted under recovery in the adjustment factor for  
22 2009. Now, certainly, if we do not under recover to  
23 the extent that we think we will, then this money would  
24 be given back to customers. And, if we under recover

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[WITNESS PANEL: Viapiano|McCabe]

1 by more than that amount, then that would be reflected  
2 in next year's Transition Service Adjustment Factor.

3 So, that is a methodology which is  
4 different than we have used in the past. We haven't  
5 typically had undercollections or overcollections to  
6 the extent that we have this year. And, we don't have  
7 any reason to believe that it's going to continue. For  
8 the same reasons that Ms. Viapiano has explained why  
9 the 2009 forecast has increased.

10 Q. Thank you.

11 A. (McCabe) You're welcome.

12 Q. If I take a step back and look at the costs that you're  
13 seeking recovery for here, which of those costs are  
14 actually subject to the jurisdiction of this  
15 Commission? What costs here could the Commission say  
16 "no" to? If any?

17 A. (McCabe) Our adjustment provisions of our tariff enable  
18 us, for instance, our Transmission Service Adjustment  
19 provision, allows us to recover any costs that we incur  
20 billed to us by New England Power, as well as by  
21 ISO-New England, and any other transmission service  
22 provider. So, I'm not sure to the extent that those  
23 are subject to Commission approval, inasmuch as they're  
24 FERC approved costs. And, the same holds for our

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[WITNESS PANEL: Viapiano|McCabe]

1 stranded costs, CTC charges that were billed by New  
2 England Power.

3 Q. That was what I was expecting. And, the biggest cost  
4 driver in the filing is transmission costs. And, as I  
5 understand it, when I dig into transmission costs, the  
6 driver there is Granite State's use on the system peak,  
7 is that correct?

8 A. (Viapiano) Transmission costs are billed based on their  
9 coincident peak. So, yes. But I don't -- I'd have to  
10 review, but I don't believe that Granite State's peak  
11 has changed significantly or is the cost driver for the  
12 increase in the transmission expenses. The increase in  
13 transmission expenses is a result of the costs rising.

14 Q. Okay. What steps is Granite State taking to reduce its  
15 peak load and system peak?

16 A. (Viapiano) I'd have to take that as a record request.

17 Q. I believe Granite State is participating in the ISO-New  
18 England Load Response Program?

19 A. (McCabe) Yes, it is. Yes. And, we currently have --  
20 we report in docket 03-013 on a quarterly basis what  
21 the participation levels are in the ISO-New England  
22 Load Response Programs.

23 MR. TRAUM: Okay. I guess I will ask  
24 for a record response, in terms of what steps Granite

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[WITNESS PANEL: Viapiano|McCabe]

1 State is taking to reduce its peak, if any, beyond  
2 participating in the ISO Load Response Program. I don't  
3 want it to delay any Commission order in this proceeding,  
4 though.

5 CMSR. BELOW: So, we'll mark a record  
6 request as "Exhibit 2".

7 (Exhibit 2 reserved)

8 MR. TRAUM: Thank you.

9 BY MR. TRAUM:

10 Q. I think the last item I have is, Ms. Viapiano, on Page  
11 11, Line 4, of your testimony, you've mentioned some  
12 specific distribution facilities that I believe are  
13 located in Massachusetts. And, I assume they're part  
14 of the Mass. Electric distribution system, is that  
15 correct? It's Page 73 of the filing.  
16 A. (Viapiano) 73. Yes. Yes, that's true. A certain area  
17 within Granite State relies on the use of Mass.  
18 Electric's distribution facilities. These are FERC  
19 jurisdictional specific distribution charges that I  
20 guess, at a high level, what happens is Mass. Electric  
21 allows NEP, New England Power Company, to use its  
22 facilities for purposes of wholesale transmission to  
23 serve Granite State. And, as a result, NEP compensates  
24 Massachusetts for the use of those distribution

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[WITNESS PANEL: Viapiano|McCabe]

1 facilities, and, in turn, Granite State is charged a  
2 specific distribution charge.

3 Q. And, that charge is regulated by FERC?

4 A. (Viapiano) Yes.

5 MR. TRAUM: Okay. Thank you. I have  
6 nothing further.

7 CMSR. BELOW: Okay.

8 CMSR. MORRISON: No questions.

9 BY CMSR. BELOW:

10 Q. I have a question, on Page 89, PAV-3 schedule, the Line  
11 3, the "Revenue Requirement to Plant Ratio", I think  
12 you said that was based on historic experience. Is  
13 that for -- Is that typical for a full year or is there  
14 some adjustment that has in it some assumption about  
15 when the calendar year '09 plant additions on Line 2  
16 are placed in service, for instance, mid year?

17 A. (Viapiano) To answer your question directly, no, that  
18 is an annual carrying charge, based on the historical  
19 calendar year 2007 PTF revenue requirements. However,  
20 the FERC approved tariff does not take into account the  
21 phase-in of construction in service. The way it's  
22 calculated effective June, when it's calculated  
23 effective June 1st of each year, it looks at a balance  
24 as of -- you know, an expected annual ending December

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[WITNESS PANEL: Viapiano|McCabe]

1 year-end plant-in-service figure. So, that's how the  
2 rates are calculated. There is an automatic lag, if  
3 you think about it, the rates, while we're using a  
4 calendar year 2009 forecast for RNS rates, it doesn't  
5 go into service until June of 2009, and it will go  
6 through June of 2010 --

7 Q. Or the end of May?

8 A. (Viapiano) I'm sorry?

9 Q. The end of May 2010?

10 A. (Viapiano) May 2010, correct.

11 Q. Right. So, for transmission plant that's placed in  
12 service, say, at the end of January '09, the revenue  
13 requirement for that wouldn't start until this June 1,  
14 2009 RNS tariff?

15 A. (Viapiano) Correct. Correct.

16 Q. Okay. So, presumably, FERC has some annual  
17 reconciliation that looks at the actual --

18 A. (Viapiano) Yes.

19 Q. -- balances, in much the same we do?

20 A. (Viapiano) Each year, there's a -- yes.

21 CMSR. BELOW: Okay. Any redirect?

22 MS. BLACKMORE: No.

23 CMSR. BELOW: Ms. Fabrizio, did you want  
24 to mark that Data Request 1-9 as an exhibit or not?

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[WITNESS PANEL: Viapiano|McCabe]

1 MS. FABRIZIO: I think we -- we had  
2 discussed this earlier, and didn't see the need to file  
3 the full document, because I think the important  
4 information was relayed on the stand.

5 CMSR. BELOW: Okay.

6 MS. FABRIZIO: Unless you would like to  
7 see it in more detail?

8 CMSR. BELOW: I think maybe we would.  
9 So, why don't we mark that as "Exhibit 3". And, I should  
10 have said, on Mr. Traum's data request, we'll reserve  
11 Exhibit 2 for that data response.

12 MS. CARMODY: And, who's going to  
13 provide the exhibit?

14 MS. BLACKMORE: We'll file that as a  
15 record request under the "Exhibit 3". Staff 1-9, is that  
16 -- yes.

17 MS. CARMODY: And, the record request,  
18 though?

19 MS. FABRIZIO: No.

20 MS. BLACKMORE: Oh. I don't believe we  
21 have copies, I don't believe we have sufficient copies of  
22 the response to Staff 1-9 right now.

23 CMSR. BELOW: Okay. So, we'll reserve  
24 Exhibit 3 as a data request response to provide Staff Data

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1 Request 1-9.

2 (Exhibit 3 reserved)

3 CMSR. BELOW: Okay. Anything else? Any  
4 closings?

5 MS. FABRIZIO: I have an extra copy, if  
6 you'd like to just submit it.

7 MS. BLACKMORE: How many copies do you  
8 need?

9 MS. CARMODY: If we have one, I can mark  
10 it and provide it, make copies for the Staff and the  
11 Commission.

12 CMSR. BELOW: Okay.

13 MS. BLACKMORE: Great. Okay. We're  
14 ready.

15 CMSR. BELOW: So, we'll reverse course  
16 on Exhibit 3 and go ahead and mark it as "Exhibit 3".

17 MS. CARMODY: Okay.

18 (The document, as described, was  
19 herewith marked as Exhibit 3 for  
20 identification.)

21 CMSR. BELOW: Okay. We can move to  
22 closing comments, if there's nothing else to come first.  
23 Or, the witnesses are excused. We'll strike the  
24 identifications and mark the exhibits as full exhibits in

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[WITNESS PANEL: Viapiano|McCabe]

1 evidence. Get that part over with.

2 Okay. Now, the witnesses are excused.

3 And, we'll move to closings. Ms. Hatfield.

4 MS. HATFIELD: Thank you, Mr. Chairman.

5 While the OCA is concerned about the proposed rate  
6 increase, we do understand that many of these cost items  
7 are FERC approved, and, therefore, the OCA does not object  
8 to the Company's proposal.

9 CMSR. BELOW: Okay. Ms. Fabrizio.

10 MS. FABRIZIO: Thank you, Commissioner.

11 Staff recommends conditional approval of the proposed  
12 Stranded Cost Charge, subject to the in-depth review that  
13 will be undertaken in docket number DE 08-155. And, in  
14 the event that an adjustment is required, that adjustment  
15 will be reflected in the Company's CTC reconciliation  
16 account in future CTC filings.

17 With respect to the Transmission Service  
18 Charge, as we've heard today, the major driver of this  
19 charge is a significant amount of transmission investment  
20 currently going on in the New England region, much of it  
21 outside New Hampshire, and the resulting revenue  
22 requirements, which reflect generous incentive adders  
23 granted by the FERC of the region's transmission owners.  
24 And, with the observation that FERC does retain

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[WITNESS PANEL: Viapiano|McCabe]

1 jurisdiction over retail transmission costs and rates,  
2 Staff recommends approval of the proposed Transmission  
3 Service Charge.

4 CMSR. BELOW: Thank you. Ms. Blackmore.

5 MS. BLACKMORE: Thank you. National  
6 Grid is respectfully requesting the Commission approve the  
7 proposed rates by the end of December, so that the  
8 proposed rates can become effective for usage on and after  
9 January 1st, 2009. Thank you.

10 CMSR. BELOW: Thank you. We'll close  
11 the hearing and take the matter under advisement.

12 (Whereupon the hearing ended at 2:37  
13 p.m.)

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