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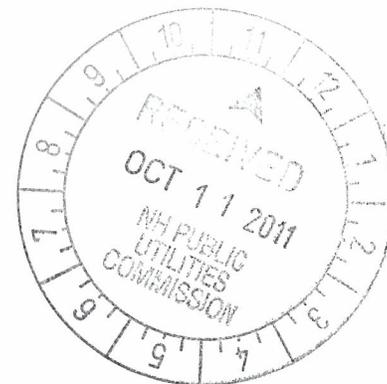
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October 6, 2011

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429



Re: DG 10-041; National Grid NH Integrated Resource Plan

Dear Ms. Howland:

I am writing in response to the October 4, 2011 letter from the Commission staff (“Staff”) regarding information provided to Staff at its request to demonstrate that the source code for the Company’s SENDOUT® model had been corrected. As the Commission is aware, the SENDOUT® model is the computer program used by the Company to model the use of supply and demand side resources in preparing its integrated resource plan (“IRP”).

Staff’s letter incorrectly characterizes the information provided by the Company to Staff on August 23 as having been provided in response to the fifth recommendation set forth in the testimony of George McCluskey (see pages 6-7 of Mr. McCluskey’s prefiled direct testimony for his list of five recommendations to the Commission). The two issues—correction of the resource mix analysis and compliance with Mr. McCluskey’s fifth recommendation—are completely separate. The Company is concerned that, by collapsing the two issues into one, Staff may have inadvertently created additional confusion regarding the issues before the Commission in this proceeding.

By way of background, as indicated in the Company’s prefiled rebuttal testimony and at the hearing on July 14, 2011, the Company committed to rerunning the resource mix analysis initially provided in its IRP after the source code for the SENDOUT® model used to generate the analysis was corrected by Ventyx, the third party vendor of the model. See, e.g., Exhibit 2 (Company rebuttal testimony) at 12. The Company made this commitment separate and apart from its statements that it was prepared to accept the five recommendations set forth in Mr. McCluskey’s testimony.

During cross examination of the Company's witnesses, the Staff's attorney specifically asked whether the Company intended to file a corrected version of its resource mix analysis to correct the errors in the source code.

Q. I'm referring to Page 13 of your rebuttal testimony. And Line 15 talks about the inaccuracies because of the flawed model. Is it then the Company's position that it is not going to file a corrected version of this analysis for the 2010 IRP?

A. (By Mr. Poe) When the Company met with Staff back in May for its settlement negotiations, we were still...at that point awaiting a code fix for the model. At that time, it was envisioned that we could rerun the 2010 data to validate the code fix and to make sure that the numbers that we had been anticipating, which is what gave it away that there was an inaccuracy, that the code has been fixed properly. It wasn't until approximately a week ago that the Company received the second of two fixes and is evaluating it presently. So right now we are at the point where we believe that the model is now fixed and could potentially be used.

Transcript (July 14, 2011) ("Tr.") at 36-37. Although there was no discussion of the timing for providing the corrected run of the resource mix analysis, the Company believed it had committed to file the corrected analysis as soon as it had been performed and the accuracy of the results had been confirmed. That was the purpose of the Company's August 23 submissions to Staff and the Commission. There was no intention to combine that submission with the changes described in Staff's fifth recommendation, which was wholly unrelated to the source code error.

Mr. McCluskey's fifth recommendation was set forth on page 7 of his prefiled testimony, where he stated that he recommends that the Commission:

(5) Direct the Company to file, within six months of the date of the final order in this proceeding, an updated resource mix analysis that: (i) incorporates the recommend [sic] methodological changes contained in this testimony; and (ii) identifies the least cost mix of supply- and demand-side resources.

Not only did the recommendation explicitly state a timeframe for making the methodological changes being recommended, the Staff's attorney specifically asked Company witness Leo Silvestrini whether the Company would agree to make the proposed changes sooner than the timeframe contained in Mr. McCluskey's recommendation.

Q. In the recommendation there is a six-month lead time for satisfying this recommendation. And given that this testimony is almost like nine months old, would the Company be amendable to providing this update within two months of the Commission issuing its order?

- A. (By Mr. Silvestrini) As I said earlier, it takes about six months to prepare a filing. And it's our opinion that we should wait until the February '12 filing. It will take us about six months to do that, which puts the clock back at September, as I said earlier. I mean, it's not the case where we've been working for four months to prepare this thing and we're only two months away from finalizing the analysis. We haven't started the analysis yet. And, as Mr. Poe said, we would need to wait and find out what the conditions are coming out of this proceeding before we begin that proceeding—begin that analysis.

Tr. at 35-36. While the proximity of this exchange to the one with Mr. Poe regarding the source code error (they occurred sequentially during cross examination) may have resulted in some confusion for Staff, they were entirely separate questions to separate witnesses and involved separate changes to the Company's IRP analysis. One, which involved a correction to a computer program to be performed by an outside vendor with subsequent confirmation by the Company, could be performed fairly quickly. The other, for which Staff had specifically set forth a timing recommendation in its testimony, involved very substantive changes to the Company's modeling process. In fact, the Company had made clear in its rebuttal testimony that it was willing to accept all of Staff's recommendations (see Ex. 2 at 5), but then learned for the first time during the hearing that Staff appeared to want to change the fifth recommendation to expedite the filing of the requested analysis, a proposal that the Company's witness indicated he could not agree to.

For the reasons explained at the hearing, the Company is not in a position to make the changes requested by Staff on an expedited basis, nor does it make sense to order that such changes be made to the 2010 IRP when the 2012 IRP is now expected to be filed within four months. The Company is concerned that, at this point, continuing to litigate the timeframe for implementing Staff's recommendations—particularly given that the Company has accepted those recommendations as set forth in Staff's original testimony—would not be productive, would simply add to the cost and length of the current proceeding, and would not be a good use of the Commission's or the Company's resources.

Sincerely,



Steven V. Camerino