

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

September 20, 2012 - 10:06 a.m.
Concord, New Hampshire

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RE: DE 12-023
GRANITE STATE ELECTRIC COMPANY
d/b/a LIBERTY UTILITIES:
*Default Service for the period
November 1, 2012 through
January 31, 2013 for the Large
and Medium Customer Group, and
November 1, 2012 through
April 30, 2013 for the Residential
and Small Commercial Customer Group.*

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
Susan W. Chamberlin, Esq., Consumer Advocate
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

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

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 DANIEL L. MAHONEY

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 12-023, which is Granite State
4 Electric Company's default service rate filing. This is
5 one of a series of hearings that occur over the course of
6 a year for solicitations for different portions of the
7 default service portfolio. And, today, we are hearing the
8 petition regarding three months supply for November 1,
9 2012 through January 31, 2013, for the Large and Medium
10 Commercial/Industrial Customer Group, and the Residential
11 and Small Commercial Customer Group for the six month
12 period November 1, 2012 through April 30, 2013. And, also
13 hearing issues regarding the loss study report previously
14 filed with the Commission.

15 So, let's begin with appearances please.

16 MS. KNOWLTON: Good morning,
17 Commissioners. My name is Sarah Knowlton. I'm here today
18 on behalf of Granite State Electric Company. And, with me
19 today from the Company are the Company's two witnesses,
20 John Warshaw and Daniel Mahoney. And, also sitting with
21 me is Meera Reynolds and Chico DaFonte.

22 CHAIRMAN IGNATIUS: Welcome.

23 MS. HOLLENBERG: Good morning. Happy
24 Thursday. My name is Rorie Hollenberg. I'm here on

1 behalf of the Office of Consumer Advocate. And, I'm
2 pleased to introduce Susan Chamberlin, who is our new
3 Consumer Advocate.

4 MS. CHAMBERLIN: Good morning.

5 CHAIRMAN IGNATIUS: Good morning, and
6 welcome.

7 MS. AMIDON: Good morning. Suzanne
8 Amidon, for Commission Staff. With me is Grant Siwinski,
9 an analyst from the Electric Division.

10 CHAIRMAN IGNATIUS: Good morning. And,
11 I see your witnesses are seated, which is a good thing.
12 Are there any procedural matters, before we begin with
13 evidence?

14 MS. KNOWLTON: Yes. I propose to mark
15 for identification as "Exhibit 5" the confidential version
16 of the Company's Default Service filing that was made on
17 September 14th, 2012. And, as "Exhibit 6", the redacted
18 version. And, I have copies, if the Commissioners need
19 copies.

20 CHAIRMAN IGNATIUS: That's fine. Do you
21 have both of those for the file?

22 MS. DENO: Yes, I do.

23 CHAIRMAN IGNATIUS: Good. I think I
24 only have the confidential with me. But I assume that

[WITNESS PANEL: Warshaw~Mahoney]

1 will be all right. And, if we have -- it will be fine.
2 If it was the reverse, we'd have a problem. But I think
3 it's okay if we have just confidential. And, obviously,
4 any confidential matters can be excised from the public
5 transcript, in accordance with our practice.

6 All right. If there's nothing else,
7 then we will mark those as Exhibits 5 and 6 for
8 identification, the confidential being Exhibit 5.

9 (The documents, as described, were
10 herewith marked as **Exhibit 5** and
11 **Exhibit 6**, respectively, for
12 identification.)

13 CHAIRMAN IGNATIUS: And, Mr. Patnaude,
14 if you'll swear the witnesses.

15 (Whereupon *John D. Warshaw* and
16 **Daniel L. Mahoney** were duly sworn by
17 the Court Reporter.)

18 CHAIRMAN IGNATIUS: Please proceed.

19 **JOHN D. WARSHAW, SWORN**

20 **DANIEL L. MAHONEY, SWORN**

21 **DIRECT EXAMINATION**

22 BY MS. KNOWLTON:

23 Q. Good morning. Mr. Warshaw, I will start with you.

24 Would you please state your full name for the record.

[WITNESS PANEL: Warshaw~Mahoney]

- 1 A. (Warshaw) John D. Warshaw.
- 2 Q. And, by whom are you employed?
- 3 A. (Warshaw) Liberty Energy Utilities New Hampshire Corp.
- 4 Q. What is your position with the Company?
- 5 A. (Warshaw) I'm a Manager of Electric Supply.
- 6 Q. How long have you been with Liberty?
- 7 A. (Warshaw) Since November of 2011.
- 8 Q. And, were you employed previously to that?
- 9 A. (Warshaw) Yes.
- 10 Q. In what capacity?
- 11 A. (Warshaw) Previous to that, I worked for NSTAR as a
12 consultant. And, before that, I was at National Grid
13 for over ten years.
- 14 Q. And, what did you do while you were at National Grid?
- 15 A. (Warshaw) At National Grid, among my responsibilities
16 was procuring default service and renewable portfolio
17 energy certificates for meeting Granite State's default
18 service and RPS requirements.
- 19 Q. Mr. Mahoney, would you please state your full name for
20 the record.
- 21 A. (Mahoney) Daniel L. Mahoney.
- 22 Q. By whom are you employed?
- 23 A. (Mahoney) Liberty Utilities.
- 24 Q. And, what is your position with the Company?

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[WITNESS PANEL: Warshaw~Mahoney]

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

2 Q. And, how long have you been with Liberty?

3 A. (Mahoney) Since October of 2011.

4 Q. Were you previously employed?

5 A. (Mahoney) Yes.

6 Q. And, by whom?

7 A. (Mahoney) National Grid.

8 Q. And, in your last position with National Grid, before
9 joining Liberty, what was your position?

10 A. (Mahoney) I was a Lead Project Manager, and I managed
11 large construction projects.

12 Q. Mr. Warshaw, are you familiar with the Company's
13 default service filings that are marked for
14 identification as "Exhibits 5" and "6"?

15 A. (Warshaw) Yes.

16 Q. And, what was your role in -- did you have a role in
17 preparing those filings?

18 A. (Warshaw) Yes.

19 Q. And, would you describe what you did with regard to
20 them?

21 A. (Warshaw) I was responsible for developing the RFP that
22 was issued in August. And, worked with the suppliers
23 to ensure that we got -- that they were compliant with
24 our requirements, including having master power

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[WITNESS PANEL: Warshaw~Mahoney]

1 agreements executed prior to the receipt of indicative
2 bids. I reviewed both the indicative bids and the
3 final bids, and, with management, we selected winning
4 suppliers, and executed contracts with the suppliers,
5 and made the filing last week.

6 Q. Do you have any corrections to your testimony?

7 A. (Warshaw) None that I'm aware of.

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

10 A. (Warshaw) Yes, they would.

11 Q. Now, Mr. Warshaw, are you familiar with the legal
12 requirements that govern Granite State Electric's
13 procurement of default service?

14 A. (Warshaw) Yes.

15 Q. Did National Grid have any role in this procurement?

16 A. (Warshaw) Yes. We used National Grid as a support for
17 this, for this procurement. They reviewed all of the
18 documents that we prepared and all of the analyses that
19 were completed, to ensure that we were choosing the
20 least cost suppliers, and that we were consistent with
21 previous solicitations.

22 Q. Based on the Company's review of the bidders, who were
23 the winning suppliers in this case?

24 A. (Warshaw) The two winning suppliers is NextEra Energy

[WITNESS PANEL: Warshaw~Mahoney]

1 and Dominion.

2 Q. What are the proposed default service rates today?

3 A. (Warshaw) Those I don't have in front of me.

4 Q. I can direct you to, if you look at Bates Page 151, in
5 Exhibit 5, that's the number on the bottom right-hand
6 of the page.

7 A. (Warshaw) Yes. And, for the Large Customer Group, the
8 proposed default service rates is 6.521 cents per
9 kilowatt-hour in November, 7.697 cents per
10 kilowatt-hour in December, and 8.925 cents per
11 kilowatt-hour in January. And, for the Small Customer
12 Group, the proposed rates are 6.545 cents per
13 kilowatt-hour for the period November 1st, 2012 through
14 April 30th, 2013.

15 Q. And, have you determined what the rate impact will be
16 on the average residential customer based on those
17 proposed rates?

18 A. (Warshaw) Yes. The average impact would be
19 approximately an increase of 13.4 percent for a
20 customer using 665 kilowatt-hours in a month. And,
21 that would be a residential customer.

22 Q. And, is that the average usage for a Granite State
23 Electric residential customer?

24 A. (Warshaw) That is my understanding, yes.

[WITNESS PANEL: Warsaw~Mahoney]

1 Q. And, have you calculated what the rate impact would be
2 on a customer using 500 kilowatt-hours?

3 A. (Warshaw) Yes. On 500 kilowatt-hours, it would be a
4 13.6 percent increase, \$8.21 a month, on average.

5 Q. Is the Company proposing any change to the RPS adder?

6 A. (Warshaw) Yes, it is.

7 Q. Would you walk us through what that proposed change is
8 please.

9 A. (Warshaw) Yes. We are proposing to increase the --
10 change the RPS adder as of November 1st, 2012 to 0.387
11 cents per kilowatt-hour for all customers taking
12 default service. And, then, in 2013, beginning
13 January 1st, the rate would be 0.428 cents per
14 kilowatt-hour. And, the RPS rates were included in the
15 default service rates that I quoted previously.

16 Q. What is the basis for determining the RPS adder?

17 A. (Warshaw) The RPS adders are based on the broker
18 information that we received during the RFP process.

19 Q. So, were those market-based rates?

20 A. (Warshaw) And, that would be market-based rates, yes.

21 Q. Okay. And, that's as opposed to a rate that's based on
22 making an ACP?

23 A. (Warshaw) Yes. These are -- our rates are lower than
24 an ACP rate.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. And, when is the Company going to go out to bid again
2 for RECs?

3 A. (Warshaw) We would be going out to bid late
4 September/early October.

5 Q. Mr. Mahoney, I'll turn to you now. You prepared the
6 Loss Factor Report, is that correct?

7 A. (Mahoney) Yes, I did.

8 Q. Okay. And, that is the report that's attached as
9 "Exhibit DLM-1" to your and Mr. Warshaw's joint
10 testimony?

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

12 Q. Do you have any corrections to your testimony today?

13 A. (Mahoney) No.

14 Q. Okay. And, you, I think this is implicit in your
15 answer, but the part of the testimony that relates to
16 the Loss Factor Study was prepared by you or under your
17 direction?

18 A. (Mahoney) Yes.

19 Q. And, if I were to ask you the questions in your
20 testimony today, would the answers be the same?

21 A. (Mahoney) Yes.

22 Q. Would you describe the process that you followed to
23 prepare this loss factor investigation.

24 A. (Mahoney) Yes. The first thing I did was I looked at

[WITNESS PANEL: Warshaw~Mahoney]

1 how default service losses were calculated. I looked
2 at how losses on a distribution system are calculated.
3 And, basically, losses on a distribution system are
4 just wholesale load divided by the metered retail load.
5 And, that gives you total losses. And, then, I tried
6 to apply that -- or look at how that applied to the
7 default service group.

8 I then looked at the transmission and
9 distribution systems, to see how wholesale load was
10 delivered to Granite State Electric and how it was
11 metered. I looked at the distribution system to see
12 how current flowed through the system and where losses
13 were likely to be found. We identified several areas
14 that improvements could be realized. We identified
15 three metering points on the Mass./New Hampshire
16 border, between Granite State and Massachusetts
17 Electric, that NEP agreed to install new metering
18 equipment. We also identified -- we looked at the
19 transmission system and how NEP serves Granite State
20 Electric. And, we agreed and are currently working to
21 establish a new metering domain that would meter
22 Granite State's load at its delivery points, at its
23 substations. This process is being done with National
24 Grid and ISO-New England and Granite State. And, we

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[WITNESS PANEL: Warshaw~Mahoney]

1 expect to have this new meter domain implemented by the
2 fall of 2013.

3 We also identified an area where service
4 agreements were required. And, currently, Granite
5 State Electric and Massachusetts Electric are
6 developing service agreements that would allow Granite
7 State to collect revenues from Massachusetts customers
8 that are currently being served from Granite State's
9 system. So, this is the -- this is the process that
10 was -- that I used to develop the report. Certainly,
11 there's several other areas that we looked at, metering
12 investigation we did. We looked at all the metering
13 points, the wholesale metering points currently used.
14 And, several other things that would help to identify
15 the issues.

16 Q. Mr. Mahoney, as far as the loss factor is concerned,
17 how long will it take before the Company has further
18 clarity about the impacts of those efforts that you
19 described, you know, the impact that they may have on
20 the loss factor that's used for purposes of default
21 rates, default service rates?

22 A. (Mahoney) As I explained, some of these changes that
23 we're implementing will take time. The new meters that
24 NEP will install will likely take two years. The new

[WITNESS PANEL: Warshaw~Mahoney]

1 meter domain that we're currently working on will not
2 be implemented until we have Liberty Energy or Granite
3 State has all our new systems up and running. And,
4 that's not likely to happen until the Fall of 2013.
5 So, it will take maybe two years before we can get
6 enough data in front of us to see how these changes
7 will affect the loss factor.

8 Q. The Commission, in its last order in the Company's
9 default service proceeding, asked the Company to
10 compare its default service rates -- excuse me, its
11 loss factor to that of Unitil, as well as that of Mass.
12 Electric. Can you describe what that comparison
13 showed?

14 A. (Mahoney) Yes. The losses -- Granite State's default
15 service losses compared to Unitil Energy were similar.
16 When we compare those losses to Massachusetts Electric,
17 they're slightly higher. And, we contribute that to
18 the types of distribution systems that are being
19 served. Unitil Energy is more similar to Granite State
20 than Massachusetts Electric is. Massachusetts Electric
21 is a more urban area. Their customers are more
22 centrally located. Their circuits are shorter. Their
23 customers are larger. Their transformation is less
24 than what we would experience. Where Unitil Energy and

[WITNESS PANEL: Warshaw~Mahoney]

1 Granite State serve more rural areas. And, so, those
2 two systems are more similar, and that agrees with the
3 results.

4 Q. Mr. Warshaw, for purposes of determining the loss
5 factor that was used for this filing, was it calculated
6 in the same manner that it was for the last default
7 service filing for Granite State?

8 A. (Warshaw) Yes. It was calculated in the same manner.
9 We just used additional information that was available.

10 MS. KNOWLTON: I don't have any further
11 questions for the witnesses.

12 CHAIRMAN IGNATIUS: Thank you.

13 Ms. Hollenberg.

14 MS. HOLLENBERG: Thank you.

15 **CROSS-EXAMINATION**

16 BY MS. HOLLENBERG:

17 Q. Mr. Warshaw, if you could turn to Bates Page 183
18 please, of the Exhibit 5, which is the confidential
19 version of your filing. Would you agree that this is a
20 Customer Migration Report?

21 A. (Warshaw) Yes.

22 Q. And, I just want to make sure that I am -- I understand
23 part of what this report is saying. And, is this
24 report saying generally, and if you look at the column

[WITNESS PANEL: Warshaw~Mahoney]

1 -- the first column under the "Competitive Service"
2 major column. Do you see that on the right-hand side
3 of the page?

4 A. (Warshaw) Yes.

5 Q. And, all the way down the last row there, which is a
6 "Total" row, it indicates "3 percent". Do you see that
7 amount?

8 A. (Warshaw) Yes.

9 Q. So, is this saying that the percentage or 3 percent of
10 the Company's customers are participating in
11 competitive service?

12 A. (Warshaw) Yes.

13 Q. Okay. Thank you. And, another question that I had.
14 Do you -- do the purchased power costs in this filing
15 include an allowance for cash for working capital?

16 A. (Warshaw) I believe it does, but I'm not the individual
17 that actually does that calculation. It was done as
18 part of the annual reconciliation that is filed yearly
19 with the Commission.

20 Q. Uh-huh.

21 A. (Warshaw) But we can --

22 Q. So, if I have a question, you would be willing to take
23 a request for me and answer it as a record request?

24 A. (Warshaw) Yes, I would.

[WITNESS PANEL: Warshaw~Mahoney]

1 MS. HOLLENBERG: With the Commission's
2 permission, if I could just ask the Company to, similar to
3 the questions that I had asked of Unitil's at yesterday's
4 default service, if I could get a confirmation that the
5 Company uses a lead/lag study for purposes of calculating
6 its cash working capital?

7 CHAIRMAN IGNATIUS: And, maybe the
8 witness can answer that question.

9 MS. HOLLENBERG: Okay.

10 BY MS. HOLLENBERG:

11 Q. Are you familiar with that or would you be comfortable
12 confirming that the Company uses a lead/lag study to
13 calculate its cash for working capital for default
14 service rates?

15 A. (Warshaw) I do know that they use a lead/lag study.
16 But exactly how it is used and in what fashion, I
17 couldn't go any further.

18 MS. HOLLENBERG: Okay. Okay, I think
19 that's sufficient, actually, for my purposes.

20 CHAIRMAN IGNATIUS: All right.

21 MS. HOLLENBERG: Thank you. I don't
22 have any other questions.

23 CHAIRMAN IGNATIUS: All right.

24 Ms. Amidon.

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[WITNESS PANEL: Warshaw~Mahoney]

1 MS. AMIDON: Thank you. Good morning.

2 WITNESS MAHONEY: Good morning.

3 WITNESS WARSHAW: Good morning.

4 BY MS. AMIDON:

5 Q. Mr. Warshaw, when you referred to your Schedule 8,
6 which is at Bates stamp 157, regarding the Small
7 Customer Group, I wanted to ask you if you could
8 explain the differences in that schedule, between the
9 number on Line 18 and number on Line 20. And, having
10 said that, I just want to say, in the bill impact
11 section, the default service rate that's used in that
12 section is the number at Line 20. So, I just want to
13 make sure what I understand to be the rate for the
14 small customers?

15 CHAIRMAN IGNATIUS: Can you -- we missed
16 it. The pages that you're comparing?

17 MS. AMIDON: Okay. I apologize. I'm
18 looking at Bates stamp 157, and, one moment, looking at
19 the Schedule JDW-9, at Bates stamp 161.

20 CHAIRMAN IGNATIUS: Thank you.

21 BY MS. AMIDON:

22 Q. The numbers at the bottom that say "Supplier", on that
23 particular exhibit, at Bates stamp 161, it shows the
24 present default service cost of 5.884 cents per

[WITNESS PANEL: Warshaw~Mahoney]

1 kilowatt-hour, with a proposed rate 7.525 cents per
2 kilowatt-hour. So, going back to Bates stamp 157, I'm
3 trying to understand the significance or difference
4 between the numbers at -- or, the cents per
5 kilowatt-hour portrayed at Line 18 and Line 20.

6 A. (Warshaw) Line 20 is actually the residential rate. I
7 just, when I glanced down, I used -- at the time used
8 the wrong value.

9 Q. Okay. I just wanted to make sure that that was clear
10 in the record. Thank you.

11 A. (Warshaw) It's small type. I apologize.

12 Q. Could you -- what is the purpose of the calculation at
13 Line 18?

14 A. (Warshaw) The purpose of the calculation at Line 18 is
15 just to pull in the base rates and not the complete
16 rate.

17 Q. Thank you. Going back to the RPS adder, I just wanted
18 to satisfy my understanding. Granite State does not
19 offer its small customers a fixed RPS adder over the
20 six-month period, is that fair to say?

21 A. (Warshaw) No. It changes at the -- from 2000 -- when
22 we move from calendar year 2012 to calendar year 2013.

23 Q. Okay. So, what you do is you look what the -- you
24 estimate the RPS compliance costs for the new

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[WITNESS PANEL: Warshaw~Mahoney]

1 compliance year and calculate the RPS adder
2 accordingly?

3 A. (Warshaw) Correct.

4 Q. And, with respect to the REC prices or the RPS
5 compliance costs, did the Company rely on market
6 prices, prior purchases, or broker quotes to establish
7 its estimates?

8 A. (Warshaw) I used -- I utilized the broker quotes. I
9 felt that the previous purchases were a little stale.

10 Q. Okay. Thank you. And, one final question for you,
11 Mr. Warshaw, is the resulting rates appear to be
12 market-based, however there appears to be also, if you
13 look at the bill impacts, the increases in the bills,
14 they seem to be rather unusual and higher than one
15 would anticipate. Do you have any reason for why, for
16 example, the bill impacts for G-1 customers goes up as
17 much as it does?

18 A. (Warshaw) The reason that the prices have gone up as
19 much as they have in this period is due to the fact
20 that New England has become significantly dependent on
21 natural gas in its electric generation supply. And,
22 natural gas prices naturally rise in the winter, as
23 opposed to during the summer period. So, the issue is
24 that we have been comparing prices that were arrived at

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[WITNESS PANEL: Warshaw~Mahoney]

1 prior to the summer, when natural gas prices are
2 naturally very low. And, moving into the winter
3 period, natural gas prices do rise significantly. I
4 have noted that the natural gas prices that are
5 forecast for this winter are lower than the prices
6 forecast for the same period last year. And, as a
7 result, the rates are lower than they were at this time
8 last year.

9 Q. And, it goes without saying that Granite State doesn't
10 use a portfolio for its small customers, for example,
11 you go to the market and buy 100 percent procurement
12 for six months, correct?

13 A. (Warshaw) Yes, that is correct.

14 Q. And, there are winter months, obviously, in this
15 particular solicitation?

16 A. (Warshaw) Yes. Winter months for both the Industrial
17 Customer Group -- the Large Customer Group and the
18 Small Customer Group.

19 Q. Thank you. And, Mr. Mahoney, I have several questions
20 for you. And, I understand, from your testimony, that
21 the investigation of the loss factor is kind of, I
22 don't know if the right word is iterative or
23 incremental process, but it sounds like it's something
24 where you see several events having to occur over a

[WITNESS PANEL: Warshaw~Mahoney]

1 period of time in order to correct some of the issues
2 that you saw when you did your investigation, is that
3 fair to say?

4 A. (Mahoney) My investigation identified several areas
5 that could possibly result in a benefit towards a
6 decrease in losses. But, at this time, some of these
7 changes are significant. And, at this time, it's a
8 little early to tell how they will affect the loss
9 factor. I think -- I think we're going to need a solid
10 year's worth of data to look at to examine, while we
11 implement these changes, and then we'll have a better
12 answer.

13 Q. Based on the review that you did, I don't know if you
14 have answers to these questions, but do you know
15 whether the cross border customer situation, where
16 there are 200 customers or so in Massachusetts that are
17 served off the New Hampshire tie-in, is that the
18 correct terminology, the "New Hampshire tie-in"?

19 A. (Mahoney) No. These customers are currently served
20 from a New Hampshire circuit --

21 Q. Circuit, okay.

22 A. (Mahoney) -- that dips below the Mass. border.

23 Q. Okay.

24 A. (Mahoney) And, it serves approximately 200 customers

[WITNESS PANEL: Warshaw~Mahoney]

1 from that circuit.

2 Q. So, does that contribute to the loss factor? Do you
3 have any idea whether that --

4 A. (Mahoney) Yes, I believe it does contribute to the loss
5 factor. If we look at how the losses are calculated,
6 we basically compare the wholesale load to the retail
7 load. So, if we include those Massachusetts customers,
8 who are currently served off our system, as retail
9 customers, it would decrease the loss factor a small
10 amount.

11 Q. A small amount, okay.

12 A. (Mahoney) Uh-huh.

13 Q. Is Granite State losing any revenue as a result, any
14 kilowatt-hour -- or, I guess, energy revenue as a
15 result of this particular situation?

16 A. (Mahoney) Yes. At this time, customers are served off
17 of Granite State's system that are metered by another
18 utility. So, at this time, there is some revenue that
19 is being lost.

20 Q. And, is that the reason why you're attempting to have
21 what you talked about, a service agreement?

22 A. (Mahoney) Yes, that's correct. Currently, we're in the
23 process of developing service agreements with
24 Massachusetts Electric, identifying customers, and both

[WITNESS PANEL: Warshaw~Mahoney]

1 companies need to verify this, and then we have to
2 develop a process to collect these revenues. And,
3 that's still in the process now.

4 Q. And, --

5 A. (Mahoney) I'm sorry.

6 Q. No, I'm sorry. I interrupted you.

7 A. (Mahoney) All right. We expect that process to take
8 two or three months before we can really understand how
9 it's all going to work.

10 Q. So, at this point, is it fair to say that you don't
11 know how much revenue is implicated by this?

12 A. (Mahoney) At this point, it's too early to tell. We're
13 still trying to identify all the customers. And, we
14 need to get agreement from Massachusetts Electric.
15 And, it's still too early to tell at this point.

16 Q. Okay. Does -- and, who has -- I think you indicated in
17 your testimony also that you were working with was it
18 ISO on some of these issues?

19 A. (Mahoney) Yes.

20 Q. And, would they have any jurisdiction or say in the
21 revenues that were lost to the Mass. Electric? Would
22 they have any role to play in that? Or, is it governed
23 by a FERC tariff, for example?

24 A. (Mahoney) That would be governed by a FERC tariff.

[WITNESS PANEL: Warshaw~Mahoney]

1 Q. Okay. Is it -- once you've completed your review, and
2 I know you said it would take a couple -- a month or
3 more for you to understand what was going on. Does
4 Granite State intend to go back and, in this service
5 agreement, and attempt to recover some of the lost
6 revenues retroactively or is it too early for you to be
7 able to tell us what the Company plans to do?

8 A. (Mahoney) It's still too early for us to determine what
9 we're going to do at this point. We're looking at
10 options, but we haven't made any decisions yet.

11 Q. And, I think this goes without saying, but you plan to
12 keep this Commission informed on your progress with
13 respect to resolving these border issues with Mass.
14 Electric?

15 A. (Mahoney) Yes, we will.

16 Q. Okay. Thank you.

17 MS. AMIDON: One moment please.

18 (Atty. Amidon conferring with Mr.

19 Siwinski.)

20 BY MS. AMIDON:

21 Q. Okay. I just have one final question, if you're able
22 to answer it, because this would be going back in time.
23 Are you aware whether there were any spikes in 2011 New
24 Hampshire loss factors for Small and Large Customers

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[WITNESS PANEL: Warshaw~Mahoney]

1 that were reflected in prior default service filings?

2 A. (Mahoney) Yes. I believe I can recall a chart. And, I
3 remember that there was a spike somewhere early 2011.

4 Q. Okay. And, so, you're also looking at the prior
5 filings to determine whether any of that information is
6 useful to you in your investigation, is that fair to
7 say?

8 A. (Mahoney) Yes. I've been working with National Grid,
9 and they have provided a lot of information to us, you
10 know, regarding previous information, and some of the
11 things that have been done in the past. So, I know
12 there was a spike. And, I know -- I'm not 100 percent
13 sure what they did, so I really don't feel comfortable
14 describing that.

15 MS. AMIDON: Okay. Thank you. Thank
16 you very much. I know that the loss factor is an ongoing
17 process. And, it's not necessarily something the
18 Commission needs to act on, and certainly within the time
19 frame that this order needs to come out. So, I very much
20 appreciate your time explaining those things this morning.
21 Thank you.

22 CHAIRMAN IGNATIUS: Commissioner
23 Harrington, questions?

24 CMSR. HARRINGTON: Yes. Good morning.

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[WITNESS PANEL: Warshaw~Mahoney]

1 I have a few questions. I just wanted to -- I'm kind of
2 going through the testimony.

3 BY CMSR. HARRINGTON:

4 Q. But one question. It was stated that they used -- that
5 you used National Grid to support the review of the
6 bids. Is this something that's just a transition
7 policy or will this be something long term that you
8 will be looking to them for technical support on these
9 things?

10 A. (Warshaw) No. This was just as part of the transition
11 service agreement and the transition from National Grid
12 to Liberty.

13 Q. Okay. And, just sort of going along in the testimony,
14 I guess whoever is more appropriate should answer the
15 questions please. On Page 17, you mention that there's
16 some changes being proposed to the Renewable Portfolio
17 Standard adder. You talk about decreasing the adder,
18 and then -- for both Small and Large Customers, and
19 then, on Page 18, you talk about proposing to increase
20 the adder for Small and Large Customers. Can you just
21 give a little explanation as to what's causing the
22 changes or what you anticipate the reason for that?

23 A. (Warshaw) Yes. Excuse me. I propose to make a change
24 in 2012 to reflect broker sheets. And, in 2013, the

[WITNESS PANEL: Warshaw~Mahoney]

1 increases is mostly attributable to the increasing
2 obligation that all distribution companies and other
3 load-serving entities in New Hampshire have to meet the
4 increasing responsibilities in the RPS legislation.

5 Q. Okay. And, then, on Page 19, I guess my first question
6 would be, when you talk about the Small Customer Group,
7 it says "the load-weighted average of...the Small
8 Customer Group is 6.545 cents per kilowatt-hour
9 compared to...4.923." But, on Page 161, you have a
10 default service rate or present rates, I guess, of
11 "0.5884". So, I must be reading something wrong. What
12 am I not getting?

13 A. (Warshaw) No. The values in my testimony are
14 describing the actual base rates, without any of the
15 additional adders that are put onto the basic, the
16 default service rates.

17 Q. Okay. So, on Page 161, everything below the point --
18 the "\$1.36" [\$4.36?] is part of those adders?

19 A. (Warshaw) Correct.

20 Q. Okay. That's how you get to the other rates. So,
21 okay. And, these are fairly substantial increases.
22 You know, the Large Customers, about 45 percent, just
23 on that base rate, and the Small Customers, 33 percent.
24 Now, you state later on in your testimony, on Page 23,

[WITNESS PANEL: Warshaw~Mahoney]

1 that most of this is due to the high dependence on
2 natural gas and the higher price of natural gas in the
3 wintertime. Given that, should we be expecting now to
4 see lower per kilowatt-hour costs in the summer than we
5 do in the winter?

6 A. (Warshaw) Yes.

7 Q. Even though the demand is much higher? The natural gas
8 factor is that significant?

9 A. (Warshaw) Yes.

10 Q. Okay. Interesting. Okay. And, let me see. Turning
11 to the loss study on Page 190. This has to do with
12 this borderline customer issue. And, I'll just ask a
13 few questions about that. This, obviously, has been
14 going on for some time. Was it, in the past, was this
15 sort of just not taken into account because both of the
16 companies were owned by National Grid?

17 A. (Mahoney) This, in my job at National Grid, I didn't
18 really get involved in this type of a study, and this
19 type of analysis. I wasn't really familiar with this
20 area. So, I really can't answer the question as to how
21 long it's gone on. I think, if they realized this,
22 they would have corrected it.

23 Q. Okay. But, potentially, it's been there for some time?

24 A. (Mahoney) Yes.

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[WITNESS PANEL: Warshaw~Mahoney]

1 Q. And, you'll be looking into that as part of your future
2 system for this issue?

3 A. (Mahoney) Yes. We'll try to identify that. And, there
4 are a number of customers there that were -- that have
5 been there for different -- differing periods of time.
6 So, it may be difficult to track down exactly how long
7 it's been going on.

8 Q. And, so, just to make sure I'm clear on this process,
9 there's customers that are in close proximity to the
10 New Hampshire border in the Granite -- near the Granite
11 State distribution system, where it's, just for
12 practical matters, it's much simpler, and, in
13 accordance with the FERC tariff, for Granite State to
14 deliver that power to their houses, even though the
15 houses physically reside outside your franchise
16 territory and are, in fact, in Massachusetts?

17 A. (Mahoney) Yeah, that's correct. And, really, the
18 decision is made based on cost. You know, if it's
19 impractical for Massachusetts Electric to purchase
20 easements through properties to come through the woods
21 to serve those customers, it's likely they would opt to
22 have Granite State serve those at a much lower cost.

23 Q. Okay. And, I guess this is where my curiosity gets
24 piqued. I would think that, at the time that that was

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[WITNESS PANEL: Warshaw~Mahoney]

1 done, it would have had to have been, you know, a
2 conscious decision for someone on the part of Granite
3 State to say "Okay, we're going to run our distribution
4 lines across the state line into another state outside
5 of our franchise area." At that point, there was no
6 attempt made or to the best of your knowledge there was
7 no attempt made to then say, "Okay, we have to enter
8 into an agreement with the other utility that's going
9 to be collecting the revenues on this, because now
10 we're supplying the power"?

11 A. (Mahoney) Well, I don't know how the decision-making
12 process went at the time. But I can tell you that the
13 lines are run along the side of the street. And, the
14 street just -- the street meanders where it goes, and
15 that street happens to cross the line and come back
16 over. And, so, the poles and wires on that side of the
17 road are owned by Massachusetts Electric, but the
18 current that flows through those lines comes in to
19 Granite State's system. And, it's an unusual
20 situation.

21 Q. And, just so I have that correctly. What happens is
22 the power actually comes out of the Granite State
23 system, goes into that small isolated section, I guess,
24 of Mass. Electric distribution lines, and goes to the

[WITNESS PANEL: Warshaw~Mahoney]

1 houses or residences, I would assume they are, and then
2 a meter reader from Mass. Electric comes out and reads
3 the meter. And, whatever power is there, they bill
4 for?

5 A. (Mahoney) That's correct.

6 Q. Well, now, do they also bill for distribution and
7 transmission costs?

8 A. (Mahoney) Their bill would be the entire bill for those
9 customers, yes.

10 Q. So, then, the Granite State would not only be losing
11 the -- as you estimate 1.2 million kilowatt-hours, not
12 just the energy costs associated with that, but the
13 collateral distribution and transmission costs that you
14 would have otherwise collected for delivering that
15 amount of electricity?

16 A. (Mahoney) Yes.

17 Q. Okay. So, that will all be looked at in this truing of
18 this as you go forward?

19 A. (Mahoney) Yes, it will.

20 Q. Okay. And is there anything that this could happen
21 going in the other direction? I mean, do we have
22 things where Granite State is a recipient of the
23 largess of Mass. Electric in a similar way?

24 A. (Mahoney) There are a couple, a few residential

[WITNESS PANEL: Warshaw~Mahoney]

1 customers that this happens to, in Pelham, on the
2 southern side of some of the lakes, for example. So,
3 yes.

4 Q. And, has this more or less just been looked at as, I
5 mean, you talk about 1.2 million kilowatt-hours per,
6 which --

7 (Court reporter interruption.)

8 BY CMSR. HARRINGTON:

9 Q. 1.2 million kilowatt-hours per year, and even -- and
10 that's a fairly minor amount. So, is it just -- is
11 that potentially the reason this hasn't been pursued in
12 the past or --

13 A. (Mahoney) No. I just think, and, again, I don't want
14 to speak for National Grid, but I believe this
15 happened, and people were unaware of the consequences.

16 Q. Okay.

17 A. (Mahoney) But, again, I can't speak for National Grid.

18 Q. And, one final question. We've seen very significant
19 swings here in the -- I guess you call it the "base
20 energy costs", before all the adders. So, it does tend
21 to get dampened, when you take all the adders and put
22 it on. And, then, of course, you have to add on
23 distribution costs and the transmission and the system
24 benefit charge and everything else. So, in the case of

[WITNESS PANEL: Warshaw~Mahoney]

1 residential, where we are looking at a 35 percent
2 increase in the base cost, it gets dampened out to
3 somewhere in the 13 percent. Would you think that
4 maybe changing you're bidding strategy to increase the
5 length of time, might make this more efficient? Or, do
6 you think, having the shorter bidding period, gives you
7 overall, I mean, there's going to be ups and downs,
8 but, on average, would result in the total of an annual
9 lower cost?

10 A. (Warshaw) Keeping relatively close to the market keeps
11 the prices at the lowest cost. There's a tension
12 between what the distribution company does for its
13 default service customers and how that interacts with
14 competitive suppliers and how they're able to sell and
15 sign up customers for their service. And, one of the
16 issues is, is if we start -- if we go down the path of
17 reducing, you know, the volatility of default service
18 customer rates, it puts -- it does put competitive
19 suppliers in a disadvantage, in that, at times of
20 rising prices, they would find that our rates would be
21 lower because of signing up for longer term contracts.
22 And, they would be -- it would become uncompetitive for
23 them to sell against.

24 And, then, on -- and, that's mostly the

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[WITNESS PANEL: Warshaw~Mahoney]

1 residential, and also on some side, the industrial.
2 For the industrial customers, if they're uncomfortable
3 with a volatile price that's relatively close to
4 market, is we're going out four times a year for them.
5 They have access to the competitive marketplace where
6 they could actually sign up for a supply that reduces
7 that volatility, one year, two year fixed prices.

8 Q. So, you feel that the method you're using right now is
9 probably the most efficient way of doing it then?

10 A. (Warshaw) That was a long way of saying "yes".

11 CMSR. HARRINGTON: Okay. Thank you.

12 That's all I had.

13 CHAIRMAN IGNATIUS: Commissioner Scott.

14 CMSR. SCOTT: Thank you. And, again,
15 whoever feels most able to answer the question, feel free
16 please.

17 BY CMSR. SCOTT:

18 Q. Along -- following up on the same conversation. So, if
19 I understand right, in the RPS adder, you have a
20 decrease starting 1 November, and then an increase 1
21 January, that's correct?

22 A. (Warshaw) Correct.

23 Q. And, I guess I'd ask the same question. Is there some
24 thought of leveling that to reduce the -- you already

[WITNESS PANEL: Warshaw~Mahoney]

1 know that there's a -- you're planning on a decrease
2 and then you're planning on an increase. If you
3 blended those together, would that not reduce some rate
4 shock?

5 A. (Warshaw) There is the possibility of changing the
6 rates to adjust it to some small amount. But I don't
7 think it would be a -- I've not done that analysis, so
8 I couldn't tell you how that would impact the ultimate
9 rates.

10 Q. Okay. But it sounds like it would be a similar answer.
11 You find that type of pricing is more advantageous to
12 your ratepayers. Does that sound right?

13 A. (Warshaw) On RPS?

14 Q. Yes. Well, just -- similar as you do for default
15 service, I don't want to put words in your mouth on
16 asking that, I guess?

17 A. (Warshaw) Yes.

18 Q. The short answer, okay. Thank you. Going back to the
19 loss study. Obviously, you're going to look towards
20 the future and fixing the issue, on the border issue,
21 I'm sorry. Will there be some kind of -- are you
22 anticipating some kind of reconciliation going
23 backwards? I mean, you've now identified the problem.
24 The problem is not, today, reconciled yet. Are you

[WITNESS PANEL: Warshaw~Mahoney]

1 going to look some time frame going back to even the
2 books between the two utilities?

3 A. (Mahoney) We're still looking at our options with FERC,
4 to see if we have any means to collect past revenues.
5 But it's still too early to tell at this time.

6 Q. But that is something you'll be looking at, is that
7 correct?

8 A. (Mahoney) Yes.

9 Q. Okay. And, again, on the loss study itself, can you
10 elaborate a little bit on the -- it's already been
11 alluded to, this is kind of a work in progress. What
12 are the next steps moving forward on that?

13 A. (Mahoney) Well, the next steps will be to, one, is
14 implement the three -- implement the three new metering
15 points. NEP is in the process of designing and
16 installing three new metering points on the Mass.
17 border. And, what that will do is help to -- help in
18 the level of precision of the wholesale load delivered
19 into Granite State Electric. Again, they have -- they
20 have committed to two years, it's now less than two
21 years to have that done. We are going to continue to
22 work with NEP and the ISO to develop the new meter
23 domain for Granite State Electric. And, that's a
24 significant improvement. And, what that will do is it

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1 will improve the precision level of that wholesale load
2 delivered to Granite State. And that, again, we expect
3 to have implemented by the fall. So, what we'll do is,
4 during these time frames, we will be collecting data
5 and we will be monitoring these loss values. And, the
6 same process will be used with these borderline
7 customers. Once we can identify the process, and
8 include that in our settlement process, then we'll be
9 able to see how these changes affect the loss factor.
10 And, we'll be happy to keep the Commission apprised of
11 those results.

12 Q. Okay. So, is it fair to say, even after the meters are
13 installed, you'll be continuing to monitor it, so you
14 can judge what's going on?

15 A. (Mahoney) Yes. And, you know, to really get a good
16 feel, we really need to compare whole periods of time.
17 So, one month is probably not a good measure. We're
18 probably going to need a year's worth of data. And,
19 even at a year's worth of data, you need to look at
20 what type of year was it, you know? Are they similar?
21 Can you really make a good assumption? I expect that
22 these changes that we've identified will help to reduce
23 the loss factor, but it's hard to say how much at this
24 time.

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1 Q. And, I think, finally, for me, you've given a time
2 frame, what's the cost of all this extra metering?
3 Because it sounds like it's worthwhile, so we know
4 what's going on, obviously, but what's the cost?

5 A. (Mahoney) The cost for each -- the estimated cost for
6 the three wholesale meters is in the range of \$200,000
7 that NEP has agreed to install. The cost for the
8 metering -- the meter domain changes that we've talked
9 about on the wholesale side are less. It's really
10 going to be a different process. We're going to be
11 looking at different meters to develop that. So, I'm
12 sure there's a cost associated with it, but it's hard
13 to put a price on it.

14 The borderline customers, we're still
15 trying to determine exactly how many customers there
16 are. So -- and, that cost is really broken down
17 between, you know, transmission, distribution, and the
18 generation components. So, it's, at this time, it's
19 hard for me to nail down an exact cost there.

20 Q. And, back to the metering, I assume, and you've alluded
21 to the time frame, you know, some will be done this
22 fall, some a little bit longer, that has to do with an
23 engineering lag and getting -- deciding what needs to
24 be done first, is that correct?

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[WITNESS PANEL: Warsaw~Mahoney]

1 A. (Mahoney) That's correct.

2 CMSR. SCOTT: Thank you.

3 CHAIRMAN IGNATIUS: A couple more
4 questions.

5 BY CHAIRMAN IGNATIUS:

6 Q. On the loss study itself, looking at Page 189, you have
7 a comparison between Unitil and your system for three
8 years. And, in the testimony, you stated that the
9 rates, on Page 24, that "the losses were comparable
10 between Unitil and Granite State." And, I was struck
11 with that, because it seemed to me that they were not
12 that comparable. Particularly, if you look at the
13 trend from 2009 to 2011, UES seems to have a very
14 significant drop in loss, and Granite State has a
15 significant increase. So -- and looking at the Large
16 Customer Group. It's not that way for Unitil's Small
17 Customer Group, they actually have an increase, and so
18 do you. So, can you explain, first of all, why you see
19 the increase in the last three years, rather than
20 looking at the average, at the increase, in the two
21 groups, and then, secondly, why you think that's
22 comparable to Unitil's patterns?

23 A. (Mahoney) This, the data that we have, was provided by
24 Unitil. So, background information we don't have. So,

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1 I look at the Large Customer Group data, and I say -- I
2 see one percent. I don't know where that number came
3 from. It seems like it's low to me. But that's just
4 my perception. Now, I made that statement based on
5 comparing all the data. And, the Unitil data is
6 similar to National Grid -- I mean, I'm sorry, to
7 Granite State Electric, and it does vary up and down in
8 each one of the categories. And, a three-month window
9 is tough to compare loss data. You really need to have
10 a year's worth of data so you can see what it is in
11 each period of time. And, these values will move up
12 and down. So, --

13 Q. But these are three years' worth of data here?

14 A. (Mahoney) That's right. That's right. But these are
15 just one, an average of the three years' worth of data.
16 It would be easier to compare if I had monthly data
17 that showed loss factors for each month. Then, I could
18 say, you know, "you can see trends here." And, in this
19 type of data, we can just make the assumption that the
20 loss factors are similar.

21 Q. Well, for your company, I guess we'll leave Unitil out,
22 if you don't know the source of their numbers and don't
23 know if you trust them. I'm a little struck you put
24 that in a report if you're not sure you trust the

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1 numbers. But, if you know your numbers, and I presume
2 you do, why do you have an increase 2009, it drops in
3 2010, and then it increases in 2011, for the Large
4 Customer Group?

5 A. (Mahoney) This is an average over the -- over the
6 entire year. It's difficult to say exactly why the
7 number comes out at exactly what it is. It's not
8 something that you can really identify. It's not
9 something quantitative that you can identify.

10 Q. Then, why did you include these numbers at all?

11 A. (Mahoney) Because they do represent an average loss
12 factor that you can -- that can be calculated based on
13 the energy delivered to the group, and then the energy
14 metered by the group. So, you can calculate that loss
15 factor. But, you know, why those loss factors are
16 greater in some months, are less in some months, I'd be
17 making assumptions saying -- to try to give you an
18 answer to that.

19 A. (Warshaw) Part of the reason why we did include these
20 values is that that was part of the order that we
21 received from the Commission, to actually look and
22 compare our -- the Granite State values to Unitil. So,
23 that's why that information is there.

24 The other thing is that, prior to

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1 December of 2011, National Grid was in the process of
2 installing a new metering system at the Tewksbury
3 substation. And, that was something that was
4 identified as a need to improve the data back in 2009.
5 So, during the period of time from 2009 and 2011,
6 National Grid was operating the system without the new
7 metering equipment that they were installing in the
8 Tewksbury station.

9 Q. And, on the customers that are being served by Granite
10 State's power supply, but under Mass. Electric's
11 distribution lines, correct, do we know that they're
12 all residential customers or is that something you're
13 still checking on?

14 A. (Mahoney) We're still trying to identify all the rate
15 classes for each customer. But, right now, we believe
16 there are residential and commercial customers in that
17 area.

18 Q. And, on Page 190, you refer to them "being billed by
19 adjacent utilities", plural, on 191, it says they're
20 being "served by Mass. Electric". So, are there more
21 than one utility at issue here?

22 A. (Mahoney) No, just one. It's Granite State Electric
23 and Massachusetts Electric.

24 CHAIRMAN IGNATIUS: Well, I'd encourage

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[WITNESS PANEL: Warshaw~Mahoney]

1 you to keep getting definition on it and seeking recovery
2 of lost revenues, if at all possible, and if it's
3 cost-effective to do it, obviously, not spend a fortune to
4 chase down a few dollars. But, just sort of rough
5 calculations I made, you know, based on very rough
6 estimates, it seems to me you're looking at at least
7 \$100,000 a year, and possibly more. That's even assuming
8 you're splitting half of it to go to -- Mass. Electric
9 keeping for their distribution lines and services. And,
10 so, if this has been going on year after year after year,
11 then that's real money and is worth pursuing.

12 Another question, Commissioner
13 Harrington.

14 CMSR. HARRINGTON: Yes.

15 BY CMSR. HARRINGTON:

16 Q. Just to follow up on that loss factor on 189, I should
17 have looked at this earlier a bit closer. That, when
18 you show the Unitil one, that's really a loss factor,
19 the average for an entire year for the Large customers
20 is "1 percent", is that what that's saying?

21 A. (Mahoney) Yes.

22 Q. Do you find that physically possible? Do they have
23 some new type of cable that I don't -- I've never heard
24 of or --

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[WITNESS PANEL: Warshaw~Mahoney]

1 A. (Mahoney) Yes, I would be speculating on how that
2 number was generated.

3 Q. Which does strike as being extremely low?

4 A. (Mahoney) Yes.

5 Q. Considering like the ISO uses for capacity calculations
6 and such, somewhere a loss factor in the vicinity of
7 10 percent for DR?

8 A. (Mahoney) Yes. I think that's low. Yes.

9 CMSR. HARRINGTON: Okay. Yes. Really
10 low. Okay. Thank you.

11 CHAIRMAN IGNATIUS: Commissioner Scott.

12 CMSR. SCOTT: Thank you.

13 BY CMSR. SCOTT:

14 Q. On the same discussion, so, if I -- I don't want to
15 paraphrase you wrong, but the chart on the bottom of
16 189, I think what I'm hearing from you is that's of
17 limited use for you, and you did it at the direction of
18 us saying "we'd like to compare you to the other
19 utilities", is that a correct statement?

20 A. (Mahoney) Yes.

21 Q. Is there a better way for you to compare yourselves to
22 other utilities, to get a feel for your loss factors in
23 the range?

24 A. (Mahoney) Well, when we compared ourself to

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1 Massachusetts Electric, we had more data.

2 Massachusetts Electric/New England Power Company was --
3 provided the data that -- all the data that we
4 requested, and we can do a good comparison there. It
5 shows monthly data, you can see trends, you can see
6 charts, and we can graph that.

7 With Unitil, they provided us with a
8 limited amount of data. And, so, we did the best we
9 could to compare that data to like data for our losses.

10 CMSR. SCOTT: Thank you.

11 CHAIRMAN IGNATIUS: All right. Is there
12 any redirect?

13 MS. KNOWLTON: I have none.

14 CHAIRMAN IGNATIUS: All right. Then,
15 you're excused. Thank you. Though, it's probably easier
16 just to stay put where you are for right now.

17 MS. AMIDON: Yes, there's no room for
18 you.

19 CHAIRMAN IGNATIUS: That's right. We're
20 a little cozy in here. So, I guess we have the question
21 of identification. Is there any objection to striking
22 identification and making Exhibits 5 and 6 full exhibits?

23 MS. AMIDON: No thank you.

24 CHAIRMAN IGNATIUS: Seeing none, we will

1 do that. Then, unless there's anything further, we have
2 opportunity for closings. Ms. Hollenberg.

3 MS. HOLLENBERG: Thank you. The Office
4 of Consumer Advocate has no objection to implementing the
5 default service rates as proposed by the Company.

6 With regard to the issue of the
7 borderline customers, however, the Office of Consumer
8 Advocate would ask that perhaps, and not maybe within the
9 same time period that the company needs a response to its
10 default service issues, but, if the Commission could
11 direct the Company and give it a reasonable deadline to
12 provide an update, at some point in the near future, I was
13 thinking 30 to 60 days, I guess. Now that we do know that
14 these are losses going forward, setting aside what's
15 happened in the past with regard to National Grid, we
16 would like to see this advance as quickly as possible,
17 particularly in light of the fact that there has been some
18 -- there have been comments today about not knowing
19 whether or not it would be a reconciling adjustment going
20 back. And, so, particularly in light of that, I think
21 that time is of essence to resolve. I would like to know,
22 in particular, just a quantification generally of what the
23 losses are and the status of the discussions with Mass.
24 Electric at some point in the near future. And, I'll

1 leave that to the Commission's discretion. Thank you.

2 CHAIRMAN IGNATIUS: Thank you.

3 Ms. Amidon.

4 MS. AMIDON: Thank you. The Staff has
5 reviewed the filing. And, based on its analysis, we
6 believe that the Company complied with the default service
7 procurement process established by the Commission in Order
8 24,577, as it may have been subsequently modified by
9 order. And, we believe that Granite State followed the
10 bid solicitation, evaluation, and selection process as
11 directed by the Commission, and that the resulting rates
12 are market-based.

13 And, in addition, we believe that the
14 Company correctly asserted that the information, which it
15 redacted from its public filing, is confidential within
16 the meaning of Puc 201.06 and 07. And, so, therefore, we
17 believe that the Commission should approve the filing.

18 As to the loss factor, we are looking --
19 Staff takes a more broader view of this than as was
20 offered by the OCA. We understand that this is a
21 deliberative process that requires the consultation with
22 FERC and with other parties. What we recommend is that
23 the Commission ask the Company to provide within, you
24 know, on a six-month basis, beginning, say, with six

1 months from today, in other words, in its March filing, an
2 update describing whatever it has accomplished in that
3 past period in attempting to resolve these problems, and
4 including any further calculations or negotiations that
5 can be disclosed, and any other progress they have made in
6 resolving this issue.

7 It seems to me that one of the first
8 things that the Company intends to do is try to identify
9 those customers. And, my guess is that would be --
10 require, for example, they would probably have to walk
11 that line to find out if they were commercial customers or
12 residential customers. So, I'm just mindful that the task
13 involves a deliberative process, and would recommend that
14 they modify this every six months and give us an update.
15 Thank you.

16 CHAIRMAN IGNATIUS: Thank you.
17 Ms. Knowlton.

18 MS. KNOWLTON: Thank you. Liberty
19 Utilities is pleased to be here today presenting its first
20 default service filing for the Commission's consideration
21 and, hopefully, approval. As Mr. Warshaw testified, the
22 proposed rates are market-based rates that were developed
23 consistent with the procurement process that the
24 Commission has previously approved. We believe that the

1 proposed rates are -- reflect the actual cost of procuring
2 default service to serve the Company's customers, and ask
3 that the Commission approve the rates as proposed.

4 With regard to the loss factor study, I
5 wanted to step back for a minute and put some context
6 around this. None of us from Granite State Electric
7 Company that are here in the room today were here when
8 this issue was discussed at the last default service
9 proceeding. You may recall, and I've learned because I
10 now have been able to read the confidential transcript
11 since the closing occurred. That, when this issue was
12 discussed and it came up, there was one person from the
13 Company that was here in the room, you know, this was
14 pre-closing, and he was asked to leave the room because it
15 was confidential.

16 So, what we learned, once the order came
17 out, was that this study was required. And, actually, a
18 couple of days after that order was issued, the closing
19 occurred on July 3rd, and Liberty Utilities became the
20 owner of Granite State Electric Company. And, so, I'd
21 like the Commission to know that, since July 3rd, the
22 Company has been working very diligently and in earnest to
23 take a fresh look at this issue, and that's what Mr.
24 Mahoney has done in putting together this loss factor

1 report. He decided, you know, to, you know, engage in his
2 own analysis, which was much more broad in its reach, you
3 know, than just looking at, you know, the issue of the
4 Tewksbury meter and how the data had evened out.

5 So, I want to assure the Commission that
6 this has been a very high priority from the Company's
7 perspective, really, from closing forward. And, it's
8 something that is -- we're very much involved in ongoing
9 consideration and discussion of the best way to proceed to
10 resolve this issue.

11 We are very glad to keep the Commission
12 and its Staff and the OCA apprised of the status that we
13 make. I am a little bit concerned that we're not going to
14 have much to report in 30 to 60 days. There is a process,
15 you know, even with regard to the borderline customers, to
16 bring that to conclusion. And, believe me, it is in our
17 interest as well to resolve that as soon as possible.
18 And, we are, you know, we are working hard to do that,
19 because we want to realize those revenues as soon as we
20 can.

21 So, I just want to provide that
22 assurance to the Commission. And, also just, you know, to
23 let you know that this is a high priority. But we are,
24 you know, we are looking at this differently, and I think

1 that's a good thing.

2 So, with that, I'll close. And, thank
3 you for your time today.

4 CHAIRMAN IGNATIUS: All right. Am I
5 right that the order by our protocol for these types of
6 hearings is due out by the 21st, tomorrow?

7 MS. KNOWLTON: Yes. Or, I'm sorry, not
8 the 21st, by Tuesday.

9 MS. AMIDON: Tuesday.

10 MS. KNOWLTON: Which is the 25th --
11 24th. No, 25th, I'm sorry.

12 MS. AMIDON: The reason for that. Madam
13 Chairman, is because they were able, and I appreciate it,
14 getting their filing in ahead of time. Usually, the
15 filing comes in much closer to the day the order is due.
16 So, we got a copy a few days ahead of time. And, thus,
17 yes, it's true, that we have to turn the order around
18 quickly after this hearing, but it is due on Tuesday, no
19 later than Tuesday next week.

20 CHAIRMAN IGNATIUS: All right. I
21 thought we counted five business days from the filing
22 date, which I thought was on the 14th, got us to this
23 Friday.

24 MS. KNOWLTON: I can confirm that with

1 Mr. Warshaw.

2 WITNESS WARSHAW: I think it's five
3 business days from the filing. I'm looking at that right
4 now, I apologize.

5 MS. KNOWLTON: Normally, we make the
6 electronic filing on the Friday, and we make the hard copy
7 on Monday. But we were trying to be good, and we got it
8 in on -- a hard copy, so it was officially filed on the
9 14th. So, you may be correct about that.

10 MS. HOLLENBERG: While the witness is
11 looking that up, I just wanted to mention that, as far as
12 the 30 to 60 day request, I'm not -- I recognize that the
13 Company is in transition, and that this may be something
14 that they have only learned about as a result of the
15 merger. So, I just wanted -- it seemed like there were a
16 few questions that were "I don't know", "I don't know"
17 today. And, it would be helpful, now that we do know,
18 that there is a loss going on, that we just hasten our
19 attention. And, I appreciate the Company's attention to
20 this.

21 CHAIRMAN IGNATIUS: Thank you.

22 MS. HOLLENBERG: Uh-huh.

23 MS. KNOWLTON: If I might approach the
24 witness?

1 CHAIRMAN IGNATIUS: Please.

2 (Atty. Knowlton handing document to
3 Witness Warshaw.)

4 WITNESS WARSHAW: Yes. The requirement
5 is Friday. It is on the -- it is our confirm that we have
6 executed with both suppliers, and we've used previously in
7 the filings for default service, is the fifth business day
8 after, but not including, the buyer's submission of the
9 default service retail rates to the New Hampshire PUC.
10 So, that would be --

11 CMSR. HARRINGTON: It's Friday.

12 CMSR. SCOTT: Friday.

13 MS. AMIDON: Friday.

14 MS. KNOWLTON: I apologize. Our
15 diligence in trying to get the hard copy in earlier has
16 turned out to not be a good thing. So, I apologize to the
17 Commission and the Staff for creating the pressure of
18 having this come out this way.

19 MS. AMIDON: She told me Tuesday.

20 WITNESS WARSHAW: We're still learning
21 to count.

22 CHAIRMAN IGNATIUS: All right. Well, we
23 will make it happen. It's only 11:15 right now. All
24 right. Unless there's anything else, we will take all of

1 this under advisement. And, I appreciate your efforts
2 this morning. Thank you.

3 (Whereupon the hearing ended at
4 11:15 a.m.)

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