

Granite State Electric Company
d/b/a National Grid

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N.H.P.U.C. Case No.	JE 11-016
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Witness	Margaret M. Janzen
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Default Service

For the Period Beginning
August 1, 2011

Testimony and Schedules
of
Margaret M. Janzen

June 14, 2011

Submitted to:
New Hampshire Public Utilities Commission
Docket No. 11-016

Submitted by:

nationalgrid

Testimony of
Margaret M. Janzen

Granite State Electric Company d/b/a National Grid

Docket DE 11-016

Witness: M. M. Janzen

DIRECT TESTIMONY

OF

MARGARET M. JANZEN

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Margaret M. Janzen, and my business address is 100 East Old Country Road,
4 Hicksville, NY 11801.

5
6 Q. Please state your position.

7 A. I am the Director of Wholesale Electric Supply for National Grid USA Service Company,
8 Inc. I oversee the procurement of energy, capacity and ancillary services, portfolio
9 hedging strategies and other energy supply related activities for National Grid's operating
10 companies, including Granite State Electric Company d/b/a National Grid ("Granite
11 State" or "Company"). For Granite State, these activities include the procurement of
12 power for Default Service as well as the procurement of renewable energy certificates
13 ("RECs").

14

15 Q. Will you describe your educational background and training?

16 A. I graduated from The Cooper Union in 1993 with a Bachelor of Engineering in Civil
17 Engineering. I received a Masters in Business Administration in Finance from Baruch
18 College in 2000.

19

20 Q. What is your professional background?

21 A. In 1989, I joined Brooklyn Union Gas, and have held various positions of increasing
22 responsibility with KeySpan Corporation and National Grid in the areas of Engineering,

1 Strategic Planning, Treasury, Investor Relations, and Regulatory. In March 2008 I
2 assumed my current role as Director of Wholesale Electric Supply.

3
4 Q. Have you previously testified before the New Hampshire Public Utilities Commission
5 (“Commission”)?

6 A. Yes.

7
8 Q. Have you testified before any other state regulatory agencies?

9 A. Yes. I have testified before the Rhode Island Public Utilities Commission regarding
10 electric supply and renewable portfolio procurement activities.

11
12 **II. Purpose of Testimony**

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to request approval of the Default Service rates for the
15 Large and Medium Commercial and Industrial Customer Group (“Large Customer
16 Group”¹) resulting from Granite State’s recent procurement of Default Service power
17 supply. To support this request, I will describe the process used by Granite State to
18 procure Default Service for the Large Customer Group for the three-month period August
19 1, 2011 through October 31, 2011. My testimony presents Granite State’s proposed
20 Default Service rates, including the factor to recover the cost of the Company’s 2011
21 Renewable Portfolio Standard (“RPS”) obligation, for usage on and after August 1, 2011.
22 My testimony will also describe how the Company proposes to meet the RPS obligation.

¹ Customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of

1

2 **III. Bidding Process**

3 Q. Why does Granite State need to procure Default Service for the Large Customer Group
4 for the period beginning August 1, 2011?

5 A. Granite State's currently effective Default Service supply contract for the Large
6 Customer Group expires on July 31, 2011. Therefore, to assure that Default Service will
7 continue to be available to these customers, Granite State requires a new Default Service
8 supply arrangement beginning August 1, 2011.

9

10 Q. Please describe the process Granite State used to procure its Default Service supply.

11 A. Granite State conducted the procurement of Default Service supply in accordance with
12 applicable law including Granite State's Second Amended Restructuring Settlement
13 Agreement ("Restructuring Settlement"), RSA 374-F (the "New Hampshire Act"), and
14 the terms of the Settlement Agreement approved by the Commission pursuant to Order
15 No. 24,577 issued on January 13, 2006 in Docket DE 05-126² (the "Order"). Granite
16 State and its retail distribution affiliates in Massachusetts, Massachusetts Electric
17 Company and Nantucket Electric Company (together "Mass. Electric") (all three
18 companies together "National Grid"), issued a joint request for proposals ("RFP") for
19 certain power supply services (including Granite State's Default Service) from suppliers.
20 The RFP sought a supply for Granite State's Default Service and a portion of Mass.

the Company's Retail Delivery Tariff.

² The Order granted Granite State's August 1, 2005 Petition for Post-Transition Service Default Service Proposal as amended by the Post-Transition Service Default Service Proposal Settlement Agreement filed with the Commission on November 18, 2005 ("Settlement Agreement"). Granite State's original proposal filed August 1, 2005 and the subsequent Settlement Agreement will together be referred to as the "Settlement Agreement" throughout my testimony.

1 Electric's Basic Service supply. This is consistent with the process approved by the
2 Commission in the Order. This process is also consistent with past procurements.³
3

4 Q. Could you describe the nature of the RFP that National Grid issued?

5 A. On May 6, 2011, National Grid issued an RFP to approximately twenty-five potential
6 suppliers soliciting power supplies for the period August 1, 2011 through October 31,
7 2011. National Grid also distributed the RFP to all members of the NEPOOL Markets
8 Committee and posted the RFP on its energy supply website. As a result, the RFP had
9 wide distribution throughout the New England energy supply marketplace. The RFP
10 requested fixed pricing for each month of service on an as-delivered energy basis. Prices
11 could vary by month and by service – that is, the prices did not have to be uniform across
12 the entire service period or between Granite State and Mass. Electric. A copy of the RFP
13 is provided as Schedule MMJ-1.
14

15 Q. Are the Company's Default Service rates consistent with least cost resource planning?

16 A. Yes. While the Company has received a waiver from the Commission regarding its
17 compliance with an Integrated Least Cost Resource Plan for generation issues, the
18 Company has conducted its Default Service RFP process in a manner that is consistent
19 with least cost planning principles. The Company's proposed Default Service rates are
20 the result of a competitive bidding process used to procure the Company's power

³ See e.g., Order No. 24,736 at 10 (March 26, 2007), Order No. 24,764 at 9 (June 22, 2007), Order No. 24,787 at 11 (September 21, 2007), Order No. 24,810 at 10-11 (December 17, 2007), Order No. 24,836 at 11-12 (March 21, 2008), Order No. 24,862 at 9-10 (June 20, 2008), Order No. 24,902 at 12-13 (September 29, 2008), Order No. 24,922 at 13-14 (December 19, 2008), Order No. 24,953 at 12-13 (March 23, 2009), Order No. 24,981 at 11 (June 19, 2009), Order No. 25,013 at 11-12 (September 21, 2009), Order No. 25,055 at 10-11 (December 21, 2009) Order No. 25,083 at 15 (March 22, 2010), Order No. 25,117 at 11 (June 18, 2010), Order No. 25,150 at 11 (September 27,

1 obligations. This is consistent with least cost planning goals, which are to minimize costs
2 in the procurement of energy.

3
4 **IV. Results of Bidding**

5 Q. Did Granite State receive responses to the RFP?

6 A. Yes. Indicative proposals were received on June 1, 2011. Final proposals were received
7 on June 8, 2011. None of the bidders made their provision of Granite State's Default
8 Service contingent upon the provision of any other service. A summary of the RFP
9 process and bid evaluation is included in Schedule MMJ-2.

10
11 Q. How do the current futures prices for electricity and natural gas compare to the futures
12 prices at the time of the December 8, 2010 and March 9, 2011 solicitations?

13 A. The futures market prices for electricity and natural gas at the time of the December 8,
14 2010 and March 9, 2011 solicitations as well as current futures market prices are shown
15 in Schedule MMJ-3.

16
17 Q. Did Granite State select any of those proposals?

18 A. Yes. Granite State evaluated the bids received and selected the supplier that: (i) provided
19 a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the credit
20 requirements described in the RFP, and (iv) passed our qualitative evaluation. On June 8,
21 2011, Granite State entered into a wholesale Transaction Confirmation with NextEra
22 Energy Power Marketing, LLC ("NextEra", formerly FPL Energy Power Marketing,

1 Inc.), the winning bidder for the Large Customer Group block, to provide Default Service
2 to the Large Customer Group for the three-month period August 1, 2011 through October
3 31, 2011. Together, a Transaction Confirmation and a Master Power Agreement provide
4 the terms for the purchase of Default Service from a supplier. A copy of the NextEra
5 Master Power Agreement was filed with the Commission on September 17, 2007 in
6 Docket DE 07-012. A copy of the First Amendment to the Master Power Agreement was
7 filed with the Commission on September 20, 2010 in Docket DE 10-020. A copy of the
8 Transaction Confirmation between Granite State and NextEra, with certain confidential
9 sections redacted, is attached hereto as Schedule MMJ-4. Granite State is filing the
10 Transaction Confirmation with the Commission pursuant to a Motion for Confidential
11 Treatment. Although the Transaction Confirmation and Master Power Agreement have
12 differences from the sample power supply agreement in the Settlement Agreement
13 approved by the Commission, the executed documents do not shift any of the risks or
14 obligations described in the sample power supply agreement provided in the Settlement
15 Agreement.

16
17 **V. Renewable Portfolio Standard**

18 Q. What is the RPS obligation for 2011?

19 A. As specified in the RPS law⁴, the RPS obligation for calendar year 2011 is a minimum of
20 nine and fifty-eight one hundredths percent (9.58%) of Granite State's Default Service
21 load, of which at least two percent (2.0%) can come from Class I New Renewable Energy
22 Resources, at least eight hundredths percent (0.08%) can come from Class II Solar

4 N.H. RSA 362-F.

1 Energy Resources, at least six and one-half percent (6.5%) can come from Class III
2 Existing Renewable Energy Resources and at least one percent (1.0%) can come from
3 Class IV Existing Renewable Energy Resources.
4

5 Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS
6 rules as promulgated by the Commission?

7 A. On February 18, 2009, Granite State entered into an amended settlement agreement with
8 Commission Staff and the Office of Consumer Advocate, intended to resolve all issues
9 associated with the process by which Granite State would comply with the requirements
10 of the RPS law and the Puc 2500 rules (“Amended RPS Settlement”). The Amended
11 RPS Settlement was approved by the Commission on March 23, 2009 in Order No.
12 24,953. As specified in the Amended RPS Settlement, Granite State requested bidders to
13 provide a separate RPS compliance adder with their bids. This RPS compliance adder is
14 the incremental charge by a bidder for agreeing to take on the RPS obligation with the
15 Default Service obligation.
16

17 Q. What were the criteria Granite State used to evaluate the RPS compliance adders
18 provided by the bidders?

19 A. Granite State evaluated the RPS compliance adder by comparing it to Granite State’s
20 estimated market prices for New Hampshire RECs. The RPS compliance adder from the
21 winning bidder for the Large Customer Group was above Granite State’s market
22 estimate. As a result, Granite State did not accept the winning bidder’s RPS compliance
23 adder. Granite State plans to issue an RFP in the future for the acquisition of RECs. If

1 Granite State is unable to purchase sufficient RECs to meet its NH RPS obligations, it
2 will then, consistent with the RPS rules, make an Alternative Compliance Payment
3 (“ACP”) to the Renewable Energy Fund.
4

5 Q. Is Granite State proposing any changes to the RPS compliance adder at this time?

6 A. Yes. Granite State is proposing to change the Commission-approved RPS compliance
7 adder in order to reflect the changes in estimated market costs to meet RPS obligations
8 required in the RPS regulations as described previously. The Company is proposing a
9 new RPS adder for the Large Customer Group.
10

11 Q. What changes to the RPS adder for the Large Customer Group is the Company
12 proposing?

13 A. Effective August 1, 2011, the Company is proposing to increase the RPS adder for the
14 Large Customer Group from 0.193¢ per kWh to 0.205¢ per kWh.
15

16 Q. How did Granite State calculate the RPS adder for 2011?

17 A. As shown in Schedule MMJ-5, Granite State calculated the retail RPS costs on a per
18 MWh basis. The Company divided the calculated costs by ten in order to convert from a
19 \$ per MWh retail cost to a ¢ per kWh rate for retail use.
20

21 Q. What costs did Granite State use to develop its RPS adder?

22 A. As a proxy for actual RPS costs, the RPS adder is based on the recent 2011 market prices
23 for all REC Classes.

1

2 Q. What happens if Granite State's actual RPS compliance costs are different from that used
3 in calculating the RPS adder?

4 A. Granite State will reconcile its costs to comply with the RPS with the revenue billed to
5 customers from the RPS adder. This will occur as part of the Company's annual RPS
6 reconciliation which occurs in March of each year.

7

8 Q. Has Granite State been able to contract for RECs?

9 A. Yes. In November 2010 Granite State issued a RFP to procure RECs to approved New
10 Hampshire renewable generators, generators in the process of applying for approval to
11 generate New Hampshire RECs, as well as other REC suppliers, for its 2010 and 2011
12 RPS obligations. The Company received bids for RECs and contracted for Class I, Class
13 II, and Class IV RECs for both years. The Company also contracted for 2010 Class III
14 RECs. Granite State shared the results of its RFP with Staff prior to executing a contract
15 for the purchase of RECs.

16

17 Q. When will Granite State issue the next REC RFP?

18 A. Granite State will issue a REC RFP within the next three months to procure RECs to
19 satisfy the 2011 RPS obligations. Granite State will attempt to procure the quantity of
20 RECs necessary to satisfy the 2011 obligations for load that will be serviced under
21 Default Service supply contracts.

22

23 **VI. Default Service Power Supply Costs and Retail Rates**

1 Q. Please summarize the power supply cost at the retail meter based on Granite State's
2 expected procurement cost used to develop the proposed retail rates.

3 A. Granite State estimates the procurement costs for Default Service at the retail customer
4 meter for each month to be as set forth in Schedule MMJ-6. The load-weighted average
5 of the power supply costs for the Large Customer Group is 6.820¢ per kWh compared to
6 the load-weighted average of 6.353¢ per kWh for the period May 2011 through July
7 2011. The power supply costs at the retail customer meter (¢ per kWh) were calculated
8 by multiplying the commodity prices at the wholesale level (\$ per MWh) by the
9 applicable loss factor and then dividing the results by ten. The applicable loss factors can
10 be found in the RFP summary in Schedule MMJ-2.

11
12 Q. What are the Default Service rates that the Company is proposing for the Large Customer
13 Group?

14 A. As presented in Schedule MMJ-6, the Company is proposing monthly Default Service
15 rates for the Large Customer Group based on the three monthly contract prices contained
16 in the supply agreement with the winning Default Service supplier for the Large
17 Customer Group. These base rates are adjusted by the currently effective Default Service
18 Cost Reclassification Adjustment Factor to recover administrative costs associated with
19 Default Service in accordance with the Fifth Revised Page 93 of Granite State's tariff.
20 On line (3) these rates are further adjusted by the currently effective Default Service
21 Adjustment Factor in accordance with the Second Revised Page 87 of Granite State's
22 tariff. Finally, on line (4) these rates are adjusted by the proposed RPS adder discussed
23 above. As displayed on line (9), the proposed base Default Service rates for the Large

1 Customer Group are 7.558¢ per kWh, 6.957¢ per kWh, and 6.936¢ per kWh for the
2 months of August 2011, September 2011 and October 2011, respectively.

3
4 Q. How will Granite State reconcile any difference in costs associated with Default Service?

5 A. To the extent that the actual cost of procuring Default Service varies from the amounts
6 billed to customers for the service, Granite State will continue to reconcile the difference
7 through a reconciliation mechanism pursuant to Granite State's Default Service
8 Adjustment Provision contained in its currently effective tariff on Second Revised Page
9 87.

10
11 Q. How and when is the Company proposing that these rate changes be implemented?

12 A. Consistent with the Commission's rules on the implementation of rate changes, the
13 Company is proposing that these Default Service rates become effective for service
14 rendered on and after August 1, 2011.

15
16 Q. Has the Company determined the impact of these proposed rate changes on customer
17 bills?

18 A. Yes. The Company has provided typical bill impacts in Schedule MMJ-7. For customers
19 in the Large Customer Group illustrative bill impacts for the three-month period ending
20 October 2011 a range of 4.0% to 4.9% as compared to the three-month period ending
21 July 2011.

22

1 Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the
2 proposed rates?

3 A. No. The Company currently has proposed revised distribution rates for July 1, 2011 in
4 Docket DE 11-107. In addition, the Company has also proposed a revised GreenUp
5 Service Recovery Adjustment Factor for July 1, 2011 in Docket DE 09-225. Upon
6 receiving orders in Dockets DE 11-107 and DE 09-225 and in this proceeding, the
7 Company will file revised Summary of Rates tariff pages, reflecting the appropriate
8 approved rates.

9
10 Q. Has Granite State included the most recent quarterly report of migration information
11 based on monthly migration by customer class and load, as required by the Commission's
12 Order No. 24,715 in Docket DE 06-115?

13 A. The quarterly report of customer migration information for the first quarter of calendar
14 year 2011 is included as Schedule MMJ-8.

15
16 **VII. Conclusion**

17 Q. When will Granite State issue the next RFP for Default Service?

18 A. The Large Customer Group rates proposed in this filing end on October 31, 2011. Per
19 the terms of the Settlement Agreement, Granite State will issue an RFP for the Large
20 Customer Group and the Residential and Small Commercial Customer Group in August
21 2011. For purposes of notice to the Commission, the following table illustrates National
22 Grid's proposed timeline for the next two RFPs:

RFP	August 2011 RFP	November 2011 RFP
RFP Issued	August 12, 2011	November 4, 2011
Indicative Bids Due	September 7, 2011	November 30, 2011
Final Bids Due	September 14, 2011	December 7, 2011
Contract Execution	September 15, 2011	December 8, 2011
Default Service Filing to Commission	September 20, 2011	December 13, 2011
Commission Order Needed	September 27, 2011	December 20, 2011
Service Begins	November 1, 2011	February 1, 2012

1

2 Q. Does this conclude your testimony?

3 A. Yes. It does.