

Granite State Electric Company  
d/b/a National Grid

Default Service

For the Period Beginning  
November 1, 2011

Testimony and Schedules  
of  
Margaret M. Janzen

September 19, 2011

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

Submitted by:

**nationalgrid**

ORIGINAL
N.H.P.U.C. Case No. <u>DE 11-016</u>
Exhibit No. <u>#6</u>
Witness <u>Margaret M. Janzen</u>
DO NOT REMOVE FROM FILE

Granite State Electric Company d/b/a National Grid

Docket DE 11-016

Witness: M. M. Janzen

**DIRECT TESTIMONY**

**OF**

**MARGARET M. JANZEN**

Table of Contents

<b>I.</b>	<b>Introduction</b> .....	<b>1</b>
<b>II.</b>	<b>Purpose of Testimony</b> .....	<b>2</b>
<b>III.</b>	<b>Bidding Process</b> .....	<b>3</b>
<b>IV.</b>	<b>Results of Bidding</b> .....	<b>5</b>
<b>V.</b>	<b>Renewable Portfolio Standard</b> .....	<b>7</b>
<b>VI.</b>	<b>Default Service Power Supply Costs and Retail Rates</b> .....	<b>11</b>
<b>VII.</b>	<b>Conclusion</b> .....	<b>15</b>

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”<sup>1</sup>) and the Residential and Small Commercial Customer Group (“Small Customer  
17 Group”<sup>2</sup>) resulting from Granite State’s recent procurement of Default Service power  
18 supply. To support this request, I will describe the process used by Granite State to  
19 procure Default Service for the Large Customer Group for the three-month period  
20 November 1, 2011 through January 31, 2012 and for the Small Customer Group for the  
21 six-month period November 1, 2011 through April 30, 2012. My testimony presents

---

<sup>1</sup> Customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of the Company’s Retail Delivery Tariff.

<sup>2</sup> Customers taking service under Domestic Service Rate D; Domestic Service - Optional Peak Load Pricing Rate D-

Granite State's proposed Default Service rates, including the factor to recover the cost of the Company's Renewable Portfolio Standard ("RPS") obligation, for usage on and after November 1, 2011. My testimony will also describe how the Company proposes to meet the RPS obligation.

**III. Bidding Process**

Q. Why does Granite State need to procure Default Service for both the Large Customer Group and the Small Customer Group for the period beginning November 1, 2011?

A. Granite State's currently effective Default Service supply contracts for both the Large Customer Group and the Small Customer Group expire on October 31, 2011. Therefore, to assure that Default Service will continue to be available to these customers, Granite State requires a new Default Service supply arrangement beginning November 1, 2011.

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

A. Granite State conducted the procurement of Default Service supply in accordance with applicable law including Granite State's Second Amended Restructuring Settlement Agreement ("Restructuring Settlement"), RSA 374-F (the "New Hampshire Act"), and the terms of the Settlement Agreement approved by the Commission pursuant to Order No. 24,577 issued on January 13, 2006 in Docket DE 05-126<sup>3</sup> (the "Order"). Granite State and its retail distribution affiliates in Massachusetts, Massachusetts Electric

---

10; Outdoor Lighting Service Rate M; Limited Total Electrical Living Rate T; General Service Rate G-3; or Limited Commercial Space Heating Rate V of the Company's Retail Delivery Tariff.

<sup>3</sup> 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

1 Company and Nantucket Electric Company (together “Mass. Electric”) (all three  
2 companies together “National Grid”), issued a joint request for proposals (“RFP”) for  
3 certain power supply services (including Granite State’s Default Service) from suppliers.

4 The RFP sought a supply for Granite State’s Default Service and a portion of Mass.  
5 Electric’s Basic Service supply. This is consistent with the process approved by the  
6 Commission in the Order. This process is also consistent with past procurements.<sup>4</sup>  
7

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

9 A. On August 12, 2011, National Grid issued an RFP to approximately twenty-five potential  
10 suppliers soliciting power supplies for the period November 1, 2011 through April 30,  
11 2012. National Grid also distributed the RFP to all members of the NEPOOL Markets  
12 Committee and posted the RFP on its energy supply website. As a result, the RFP had  
13 wide distribution throughout the New England energy supply marketplace. The RFP  
14 requested fixed pricing for each month of service on an as-delivered energy basis. Prices  
15 could vary by month and by service – that is, the prices did not have to be uniform across  
16 the entire service period or between Granite State and Mass. Electric. A copy of the RFP  
17 is provided as Schedule MMJ-1.  
18

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

---

testimony.

<sup>4</sup> 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, 2010), Order No. 25,180 at 7 (December 20, 2010), Order No. 25,207 at 10 (March 22, 2011), and Order No. 25,237

1 A. Yes. While the Company has received a waiver from the Commission regarding its  
2 compliance with an Integrated Least Cost Resource Plan for generation issues, the  
3 Company has conducted its Default Service RFP process in a manner that is consistent  
4 with least cost planning principles. The Company's proposed Default Service rates are  
5 the result of a competitive bidding process used to procure the Company's power  
6 obligations. This is consistent with least cost planning goals, which are to minimize costs  
7 in the procurement of energy.  
8

9 **IV. Results of Bidding**

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

11 A. Yes. Indicative proposals were received on September 7, 2011. Final proposals were  
12 received on September 14, 2011. None of the bidders made their provision of Granite  
13 State's Default Service contingent upon the provision of any other service. A summary  
14 of the RFP process and bid evaluation is included in Schedule MMJ-2.  
15

16 Q. Were there any bid restrictions that impacted block awards?

17 A. Yes. As summarized in Schedule MMJ-2, a bidder submitted the lowest bid for both the  
18 Large and Small Customer Group New Hampshire blocks. This bidder, however, would  
19 only accept Block P (the Large Customer Group) or Block Q (the Small Customer  
20 Group) and would not accept both blocks. As such, this bid restriction created two  
21 options for the Company:



- 1           - award the Large Customer Group to the lowest bidder and award the Small Customer  
2           Group to the next lowest bidder, or  
3           - award the Small Customer Group to the lowest bidder and award the Large Customer  
4           Group to the next lowest bidder.

5           As shown in Exhibit 8 of Schedule MMJ-2, the Company estimated the overall costs of  
6           both options and selected the combination of suppliers that is expected to produce the  
7           lowest overall costs for customers.

8  
9    Q.    How do the current futures prices for electricity and natural gas compare to the futures  
10       prices at the time of the September 15, 2010 and March 9, 2011 RFPs?

11   A.    The futures market prices for electricity and natural gas at the time of the September 15,  
12       2010 and March 9, 2011 solicitations as well as current futures market prices are shown  
13       in Schedule MMJ-3.

14  
15   Q.    Did Granite State select any of those proposals?

16   A.    Yes. Granite State evaluated the bids received and selected the two suppliers that (i)  
17       provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the  
18       credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On  
19       September 15, 2011, Granite State entered into a wholesale Transaction Confirmation  
20       with Hess Corporation (“Hess”), the winning bidder for the Large Customer Group  
21       block, to provide Default Service to the Large Customer Group for the three-month  
22       period November 1, 2011 through January 31, 2012, and with Dominion Energy  
23       Marketing, Inc. (“Dominion”), the winning bidder for the Small Customer Group block,

1 to provide Default Service to the Small Customer Group for the six-month period  
2 November 1, 2011 through April 30, 2012. Together, a Transaction Confirmation and a  
3 Master Power Agreement provide the terms for the purchase of Default Service from a  
4 supplier. A copy of the Hess Master Power Agreement was filed with the Commission  
5 on March 19, 2007 in Docket DE 07-012. A copy of the Hess First Amendment to the  
6 Master Power Agreement was filed with the Commission on June 15, 2009 in Docket DE  
7 09-010. The Transaction Confirmation between Granite State and Hess, with certain  
8 confidential sections redacted, is attached hereto as Schedule MMJ-4. A copy of the  
9 Dominion Master Power Agreement was filed with the Commission on March 16, 2009  
10 in Docket DE 09-010. A copy of the First Amendment to the Master Power Agreement  
11 was filed with the Commission on September 20, 2010 in Docket DE 10-020. The  
12 Transaction Confirmation between Granite State and Dominion, with certain confidential  
13 sections redacted, is attached hereto as Schedule MMJ-5. Granite State is filing the  
14 Transaction Confirmations with the Commission pursuant to a Motion for Confidential  
15 Treatment. Although the Transaction Confirmations and Master Power Agreements have  
16 differences from the sample power supply agreement in the Settlement Agreement  
17 approved by the Commission, the executed documents do not shift any of the risks or  
18 obligations described in the sample power supply agreement provided in the Settlement  
19 Agreement.

20  
21 **V. Renewable Portfolio Standard**

22 Q. What is the RPS obligation for 2011 and 2012?

1 A. As specified in the RPS law<sup>5</sup>, the RPS obligation for calendar year 2011 is a minimum of  
2 nine and fifty-eight hundredths percent (9.58%) of Granite State's Default Service load,  
3 of which at least two percent (2.0%) can come from Class I New Renewable Energy  
4 Resources, at least eight hundredths percent (0.08%) can come from Class II Solar  
5 Energy Resources, at least six and one-half percent (6.5%) can come from Class III  
6 Existing Renewable Energy Resources and at least one percent (1.0%) can come from  
7 Class IV Existing Renewable Energy Resources. For 2012, the RPS obligation is a  
8 minimum of ten and sixty-five hundredths percent (10.65%) of Granite State's Default  
9 Service load, of which at least three percent (3.0%) can come from Class I New  
10 Renewable Energy Resources, at least fifteen hundredths percent (0.15%) can come from  
11 Class II Solar Energy Resources, at least six and one-half percent (6.5%) can come from  
12 Class III Existing Renewable Energy Resources and at least one percent (1.0%) can come  
13 from Class IV Existing Renewable Energy Resources.

14  
15 Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS  
16 rules as promulgated by the Commission?

17 A. On February 18, 2009, Granite State entered into an amended settlement agreement with  
18 Commission Staff and the Office of Consumer Advocate, intended to resolve all issues  
19 associated with the process by which Granite State would comply with the requirements  
20 of the RPS law and the Puc 2500 rules ("Amended RPS Settlement"). The Amended RPS  
21 Settlement was approved by the Commission on March 23, 2009 in Order No. 24,953.  
22 As specified in the Amended RPS Settlement, Granite State requested bidders to provide

---

5 N.H. RSA 362-F.

1 a separate RPS compliance adder with their bids. This RPS compliance adder is the  
2 incremental charge by a bidder for agreeing to take on the RPS obligation with the  
3 Default Service obligation.  
4

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

7 A. Granite State evaluated the RPS compliance adders by comparing them to Granite State's  
8 estimated market prices for New Hampshire RECs. The RPS compliance adders from the  
9 winning bidder for the Large Customer Group were lower than Granite State's market  
10 estimate. As a result, Granite State accepted this bidder's RPS compliance adders. The  
11 winning bidder for the Small Customer Group did not submit RPS compliance adders.  
12 Granite State plans to issue an RFP in the future for the acquisition of RECs. If Granite  
13 State is unable to purchase sufficient RECs to meet its NH RPS obligations, it will then,  
14 consistent with the RPS rules, make an Alternative Compliance Payment ("ACP") to the  
15 Renewable Energy Fund.  
16

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

18 A. Yes. Granite State is proposing to change the Commission-approved RPS compliance  
19 adders in order to reflect the changes in estimated market costs to meet RPS obligations  
20 required in the RPS regulations as described previously. The Company is proposing a  
21 new RPS adder for both the Small Customer Group and the Large Customer Group.  
22

1 Q. What changes to the RPS adders for the Small Customer Group and the Large Customer  
2 Group is the Company proposing?

3 A. Effective November 1, 2011, the Company is proposing to increase the RPS adder for the  
4 Small Customer Group from 0.193¢ per kWh to 0.235¢ per kWh. In addition, the  
5 Company is also proposing to increase the RPS adder for the Large Customer Group  
6 from 0.205¢ per kWh to 0.235¢ per kWh. Finally, effective January 1, 2012, the  
7 Company is proposing the RPS adder for both the Small Customer Group and the Large  
8 Customer Group to be 0.262¢ per kWh.

9  
10 Q. How did Granite State calculate the RPS adders for 2011 and 2012?

11 A. Granite State calculated the retail RPS costs on a per MWh basis. The Company divided  
12 the winning RPS compliance adders by ten in order to convert from a \$ per MWh retail  
13 cost to a ¢ per kWh rate for retail use.

14  
15 Q. What costs were included in Granite State's RPS compliance adders that were used to  
16 evaluate the winning bidders' RPS prices?

17 A. As shown in Schedule MMJ-6, the RPS adder for 2011 is based on the recent Company  
18 purchases of 2011 RECs for all classes. The RPS adder for 2012 is based on market  
19 prices for all 2012 REC classes.

20  
21 Q. What happens if Granite State's actual RPS compliance costs are different from that used  
22 in calculating the RPS adders?

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

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

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

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

14 A. Granite State will issue a REC RFP within the next six months to procure RECs to satisfy  
15 the 2011 and the 2012 RPS obligations. Granite State will attempt to procure the  
16 quantity of RECs necessary to satisfy the 2011 and 2012 obligations for load that will be  
17 serviced under Default Service supply contracts.  
18

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

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

22 A. Granite State estimates the procurement costs for Default Service at the retail customer  
23 meter for each month to be as set forth in Schedule MMJ-7 and Schedule MMJ-8. The



1 load-weighted average of the power supply prices for the Large Customer Group is  
2 7.644¢ per kWh compared to the load-weighted average of 6.820¢ per kWh for the period  
3 August 2011 through October 2011. The load-weighted average of the power supply  
4 prices for the Small Customer Group is 7.379¢ per kWh compared to the load-weighted  
5 average of 6.374¢ per kWh for the period May 2011 through October 2011. The power  
6 supply prices at the retail customer meter (¢ per kWh) were calculated by multiplying the  
7 commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and  
8 then dividing the results by ten. The applicable loss factors can be found in the RFP  
9 summary in Schedule MMJ-2.  
10

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

13 A. As presented in Schedule MMJ-7, the Company is proposing monthly Default Service  
14 rates for the Large Customer Group based on the three monthly contract prices contained  
15 in the supply agreement with the winning Default Service supplier for the Large  
16 Customer Group. These base rates are adjusted by the currently effective Default Service  
17 Cost Reclassification Adjustment Factor to recover administrative costs associated with  
18 Default Service in accordance with the Fifth Revised Page 93 of Granite State's tariff.  
19 On line (7) these rates are further adjusted by the currently effective Default Service  
20 Adjustment Factor in accordance with the Second Revised Page 87 of Granite State's  
21 tariff. Finally, on line (8) these rates are adjusted by the proposed RPS adders discussed  
22 above. As displayed on line (9), the proposed base Default Service rates for the Large

1 Customer Group are 6.799¢ per kWh, 8.131¢ per kWh, and 9.170¢ per kWh for the  
2 months of November 2011 through January 2012.

3  
4 Q. What are the Default Service rates that the Company is proposing for the Small Customer  
5 Group?

6 A. National Grid is proposing a fixed six-month base Default Service rate for the Small  
7 Customer Group based on the weighted average of the sum of six monthly contract prices  
8 contained in the supply agreement with the winning Default Service supplier for the  
9 Small Customer Group, the Default Service Cost Reclassification Adjustment Factor, the  
10 Default Service Adjustment Factor, and the proposed RPS adders. The calculation of the  
11 six month Default Service rate for the Small Customer Group is presented in Schedule  
12 MMJ-8. As displayed on line (20), the proposed base Default Service rate for the Small  
13 Customer Group is 7.746¢ per kWh.

14  
15 Q. How will Granite State reconcile any difference in costs associated with Default Service?

16 A. To the extent that the actual cost of procuring Default Service varies from the amounts  
17 billed to customers for the service, Granite State will continue to reconcile the difference  
18 through a reconciliation mechanism pursuant to Granite State's Default Service  
19 Adjustment Provision contained in its currently effective tariff on Second Revised Page  
20 87.

21  
22 Q. How and when is the Company proposing that these rate changes be implemented?

23 A. Consistent with the Commission's rules on the implementation of rate changes, the

1 Company is proposing that these Default Service rates become effective for service  
2 rendered on and after November 1, 2011.

3  
4 Q. Has the Company determined the impact of these proposed rate changes on customer  
5 bills?

6 A. Yes. The Company has provided typical bill impacts in Schedule MMJ-9. The effect of  
7 the Company's proposal on the monthly bill of a 500 kWh residential default service  
8 customer is an increase of \$5.33, or 8.5%, from \$62.79 to \$68.12. In addition, a bill  
9 comparison for a Default Service residential customer with an average kWh usage of  
10 672, which is the average monthly usage over the 12 months ending August 2011, has  
11 also been included. The total bill impact of the rates proposed in this filing, as compared  
12 to rates in effect today, is a bill increase of \$7.16 or 8.4% from \$85.16 to \$92.32. For  
13 other customers in the Small Customer Group, increases range from 8.0% to 11.5% (see  
14 pages 1 to 9 of Schedule MMJ-9). For customers in the Large Customer Group  
15 illustrative bill impacts for the three-month period ending January 2012 have a range of  
16 11.7% to 14.3% increase as compared to the three-month period ending October 2011  
17 (see pages 10 to 16 of Schedule MMJ-9).

18  
19 Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the  
20 proposed rates?

21 A. Yes. It is included as Schedule MMJ-10. The Summary of Rates reflects the proposed  
22 Default Service rate changes contained in this filing. Upon receiving orders in this  
23 proceeding, the Company will file a Seventy-fourth Revised Page 84, Summary of Rates,

1 reflecting the approved rates.

2  
3 Q. Has Granite State included the most recent quarterly report of migration information  
4 based on monthly migration by customer class and load, as required by the Commission's  
5 Order No. 24,715 in Docket DE 06-115?

6 A. The quarterly report of customer migration information for the 2nd quarter of calendar  
7 year 2011 is included as Schedule MMJ-11.

8  
9 **VII. Conclusion**

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

11 A. The Large Customer Group rates proposed in this filing end on January 31, 2012. Per the  
12 terms of the Settlement Agreement, Granite State will issue an RFP for the Large  
13 Customer Group in November 2011. For purposes of notice to the Commission, the  
14 following table illustrates National Grid's proposed timeline for the next two RFPs:

RFP	November 2011 RFP	February 2012 RFP
RFP Issued	November 4, 2011	February 10, 2012
Indicative Bids Due	November 30, 2011	March 7, 2012
Final Bids Due	December 7, 2011	March 14, 2012
Contract Execution	December 8, 2011	March 15, 2012
Default Service Filing to Commission	December 13, 2011	March 20, 2012
Commission Order Needed	December 20, 2011	March 27, 2012
Service Begins	February 1, 2012	May 1, 2012

15  
16 Q. Does this conclude your testimony?

17 A. Yes. It does.