

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

 ORIGINAL

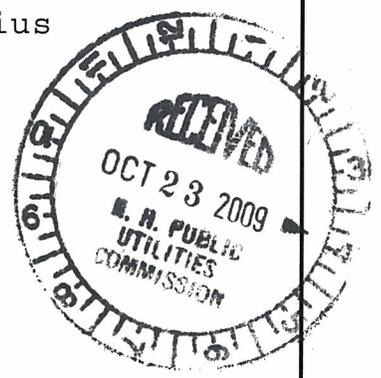
September 17, 2009 - 1:35 p.m.
Concord, New Hampshire

RE: DE 09-010
GRANITE STATE ELECTRIC CO. D/B/A NATIONAL
GRID: DEFAULT SERVICE RATES FOR LARGE
CUSTOMER GROUP 5/1/09 THROUGH 7/31/09 AND
SMALL CUSTOMER GROUP 5/1/09 THROUGH 10/31/09

PRESENT:

Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno - Clerk



APPEARANCES:

Reptg. National Grid:
Marla B. Matthews, Esq. (Gallagher...)

Reptg. PUC Staff:
Suzanne Amidon, Esquire

Reptg. Office of Consumer Advocate:
Kenneth Traum

COURT REPORTER: Susan J. Robidas, LSCR/RPR No. 44

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I N D E X

WITNESS:

MARGARET JANZEN

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P R O C E E D I N G S

1
2 CHAIRMAN GETZ: Good
3 afternoon. We'll open the hearing in Docket
4 DE 09-010.

5 On September 14th, 2009,
6 National Grid filed proposed default service
7 rates for its large customer group for the period
8 November 1, 2009 through January 31, 2010, and
9 for the small customer group for the period
10 November 1, 2009 through April 30, 2010. A
11 secretarial letter was issued on September 15
12 setting the hearing for this afternoon.

13 Can we begin with appearances,
14 please.

15 MS. MATTHEWS: Good afternoon,
16 Mr. Chairman, Members of the Commission. My
17 name's Marla Matthews. I'm here from Gallagher,
18 Callahan & Gartrell on behalf of National Grid.
19 I'll introduce the people I have with me.

20 Margaret Janzen is our
21 witness. She's the director of electric supply
22 and distributed generation. I have next to me
23 John Warshaw, the principal analyst for electric
24 supply of New England; Kristen Mahnke, who is an

1 analyst; and James Rubenacker is behind us, and
2 he's a senior analyst for electric supply.

3 CHAIRMAN GETZ: Good
4 afternoon.

5 MR. TRAUM: Good afternoon,
6 Mr. Chairman and Commissioners. Representing the
7 Office of Consumer Advocate, Kenneth Traum.

8 MS. AMIDON: Good afternoon.
9 Suzanne Amidon for Commission Staff. And to my
10 left is George McCluskey, who's an analyst with
11 the electric division.

12 CHAIRMAN GETZ: All right.
13 Then, is there anything we need to address before
14 we hear from the company's witness?

15 MS. MATTHEWS: I have a few
16 exhibits, Mr. Chairman. No. 10 -- Exhibit No. 10
17 is the confidential version of the National Grid
18 testimony that was submitted. Exhibit No. 11 is
19 the non-confidential version. And then you
20 should have copies of No. 12, which is a
21 correction to Ms. Janzen's testimony.

22 CHAIRMAN GETZ: Okay. The
23 exhibits will be marked as identified by Ms.
24 Matthews.

1 (Exhibits 10 through 13, as described,
2 marked for identification.)

3 * * * * *

4 **WHEREUPON, MARGARET JANZEN,** being
5 first duly sworn by the Court Reporter,
6 states as follows:

7 **DIRECT EXAMINATION**

8 **BY MS. MATTHEWS:**

9 Q. Ms Janzen, would you please state your full
10 name and business address for the record.

11 A. Yes. My name is Margaret Janzen. My
12 business address is 100 East Old Country
13 Road, in Hicksville, New York, 11801.

14 Q. What is your position with National Grid?

15 A. My position is director of electric supply
16 and distributed generation.

17 Q. And what are your duties and
18 responsibilities in that position?

19 A. In this position I oversee the procurement
20 of electric supply for National Grid for
21 regulated utilities, which include Granite
22 State Electric.

23 Q. I believe you have copies of Exhibits 10 and
24 11 in front of you?

1 A. Yes.

2 Q. Do Exhibits 10 and 11 contain confidential
3 and non-confidential versions of your
4 prefiled testimony and schedule?

5 A. Yes.

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

8 A. I do.

9 Q. Is the correction the document that's been
10 marked as Exhibit No. 12?

11 A. Yes.

12 Q. Would you please explain the correction to
13 the Commission.

14 A. It's the correction on the table on Page 15
15 of my testimony with regards to the date the
16 Commission order is needed. There was a
17 mistake in the calculation of when the date
18 would be due. It should now read that
19 December 21st and March 22nd would be the
20 corrected dates.

21 Q. With that correction, do you adopt the
22 testimony and schedules as your own?

23 A. I do.

24 MS. MATTHEWS: I have nothing

1 further at this time. I'll make the witness
2 available for questioning.

3 CHAIRMAN GETZ: Thank you.

4 Mr. Traum.

5 MR. TRAUM: All right. Thank
6 you.

7 **CROSS-EXAMINATION**

8 **BY MR. TRAUM:**

9 Q. Ms. Janzen, I'll try to ask my questions all
10 as a non-confidential basis.

11 Starting with Schedule MMJ No. 8, which
12 is Bates Page 157 of the filing, Line 13 of
13 that schedule is the 2009 default service
14 reconciliation adjustment factor. And what
15 I'm wondering is, is the reason for that
16 adjustment due solely to variations in the
17 monthly difference between the forecasted
18 default service mix versus the actual mix of
19 default service sales?

20 (Witness reviews document.)

21 A. That is one of the elements of the
22 adjustment factor. Also included in that
23 would be any of the other reconciliations
24 necessary for the -- any of the other

1 administrative costs or any of the other
2 reconciliations that would be necessary
3 within that line item.

4 Q. Is there a backup schedule included that
5 shows how you derived those rates?

6 A. The company doesn't, within this document,
7 doesn't have that calculation broken out.
8 But we can provide that.

9 MR. TRAUM: I'd ask that that
10 be a record request.

11 BY MR. TRAUM:

12 Q. I assume you'd be able to provide that in
13 very quick fashion?

14 A. Yes, we could.

15 CHAIRMAN GETZ: Okay. We will
16 reserve Exhibit No. 13 for that response.

17 MS. MATTHEWS: I just want to
18 point out that I think in March of 2009 that was
19 filed in the same docket, and that may answer
20 some of the questions.

21 MR. TRAUM: If that answers
22 the question, just please provide that.

23 MS. MATTHEWS: Okay.

24 MR. TRAUM: Thank you for that

1 offer.

2 MS. MATTHEWS: Sure.

3 BY MR. TRAUM:

4 Q. Continuing on the same schedule, Line 14,
5 default service reclassification adjustment
6 factor. What is the reclassification
7 adjustment factor?

8 A. That's the factor that's used to recover the
9 administrative costs associated with
10 providing -- procuring the default service.

11 Q. So that's different than the costs included
12 in the prior line, as you explained it?

13 (Witness reviews document.)

14 A. There is a difference between 13 and 14, in
15 that 14 recovers the costs associated with
16 the unbundling of those administrative costs
17 I mentioned.

18 Q. And I guess similar to the prior line, would
19 I be correct that there's no backup schedule
20 within the filing that shows the derivation
21 of the numbers on Line 14?

22 A. No, but I believe that that -- not within
23 this filing.

24 Q. Maybe if I could just expand Exhibit 13 to

1 include the backup for Line 14 as well as
2 Line 13?

3 A. Yes, we'll provide that.

4 Q. Thank you.

5 If you could turn to Bates Page 90 of
6 the confidential exhibit, Exhibit 10. That
7 is a comparison of -- it's also at Schedule
8 3 -- comparison of changes in the futures
9 prices to change in procurement costs. And
10 just generally explain to me why the
11 information on this schedule should be
12 considered confidential.

13 A. This page makes the comparison of market
14 information of the futures prices for
15 electric and for gas. However, it's the
16 comparison to the final small CG price with
17 capacity, the comparison between the two.
18 And those percentage differences on the
19 right, that would be considered confidential
20 because this market price information is
21 something that the bidders and the company
22 consider confidential.

23 Q. So the last two columns would be
24 confidential, but the --

1 A. And the last two lines.

2 Q. Okay. Would you have any problem with
3 resubmitting this exhibit showing what
4 should be public versus what should be
5 redacted?

6 (Witness reviews document.)

7 A. We would not have a problem re-looking at
8 this for the last three rows and the last
9 two columns with regards to that reading
10 "Confidential," and the other prices which
11 are market information.

12 Q. And rather than ask for another record
13 request and burden the record here, I'd just
14 ask that for future filings you handle it
15 that way. Is that acceptable?

16 A. Yes, it is.

17 Q. Thank you.

18 CMSR. BELOW: On that point,
19 can I interrupt? I'm not sure whether the last
20 two columns on the upper part of the page would
21 be confidential, because they're just computed
22 from the rows that you indicate would not be
23 confidential. Maybe where they're associated
24 with the bottom row --

1 A. No, you're correct. Yes, those would relate
2 to the rows. So that makes sense. Yes.

3 CMSR. BELOW: Thank you.

4 BY MR. TRAUM:

5 Q. So it's just the bottom three rows that
6 would be considered confidential in the
7 future.

8 A. Correct.

9 MR. TRAUM: Thank you,
10 Commissioner.

11 BY MR. TRAUM:

12 Q. In the filing, you note that as far as the
13 smaller customers, the non-G1 residential
14 customers, are concerned, the result will be
15 approximately a 3-percent increase over
16 current bills. What is the impact, in terms
17 of the comparison with the previous winter's
18 bills?

19 A. With regards to the previous winter's?

20 Q. Yes.

21 (Witness reviews document.)

22 A. The company prepared a bill-impact
23 comparison which shows the difference
24 between the rates that are just ending and

1 the new rates starting November 1. But the
2 company can take a look at the whole period,
3 the winter period, as you requested, and
4 give the percentage of what that change
5 would be, season over season.

6 Q. I think that would be appropriate.

7 MR. TRAUM: And I'd ask that
8 that be made as the next record request.

9 CHAIRMAN GETZ: Why don't we
10 just put it all in what's going to be Exhibit 13.

11 MR. TRAUM: That's fine.

12 BY MR. TRAUM:

13 Q. I would assume that that would reflect a
14 rate of -- a bill reduction, as far as
15 customers are concerned; is that correct?

16 CHAIRMAN GETZ: That's this
17 winter versus last winter?

18 MR. TRAUM: Yes, sir.

19 A. Not having the exact numbers in front of me,
20 that would be the assumption, given where
21 the prices are.

22 Q. Thank you. Are you aware that the company
23 will have to be providing a green energy
24 service option, based upon House Bill 395?

1 A. Yes.

2 Q. Now, will approval of this filing negatively
3 impact the company's ability to offer such?

4 A. No, it will not.

5 Q. Thank you. I guess just one last question
6 then.

7 We've been following this six-month IRP
8 process for small customers for a number of
9 years now. Do you have any thoughts on if
10 this is the best route to -- should we
11 continue this concept, or should we be
12 looking to potentially changing it in some
13 fashion?

14 A. This six-month procurement period is
15 something that National Grid has experience
16 with in our other jurisdictions, most
17 notably Massachusetts. And we can look into
18 it further. But at this point, we feel that
19 this six-month rate for procurements seems
20 to get competitive pricing, something that
21 suppliers can offer competitive rates on.
22 So at this point, the company is very
23 comfortable with the period that's being
24 offered for the residential customers.

1 MR. TRAUM: Okay. Thank you.
2 I have nothing further.

3 CHAIRMAN GETZ: Ms. Amidon?

4 MS. AMIDON: Thank you.

5 **EXAMINATION**

6 **BY MS. AMIDON:**

7 Q. Good afternoon. In a previous proceeding in
8 one of the company's default service
9 dockets, the Staff had asked some questions
10 about the declining loss factors evidenced
11 in the company's filing. The company said
12 at that point that it believed it had found
13 the source of the problem and needed to
14 gather data to confirm this review. When do
15 you expect to complete this investigation
16 and report to the Commission with your
17 findings?

18 A. The company is still continuing to review
19 that and collect that data. And I believe
20 that the company, after a one-year period,
21 we feel that we would be able to report back
22 on an analysis.

23 Q. And when would that end of that one-year
24 period be? Just a ballpark.

1 A. Maybe spring, April 2010.

2 Q. Thank you.

3 I have a few questions regarding RPS
4 compliance. With respect to the 2008 REC
5 obligation, what percentage, if you know, of
6 the company's REC obligations were purchased
7 in the market? And do you know the relative
8 discount rate or the average discount rate
9 for those purchases relative to the
10 alternative compliance payment?

11 My colleague is telling me I should
12 have said the average discount relative to
13 the alternate compliance payment. If I
14 didn't make myself clear, I apologize.

15 A. For 2008, I'm referencing Schedule MMJ-6,
16 Renewable Portfolio Standard Adders. For
17 2008, none of the RECs were purchased on the
18 open market. Everything was -- a complete
19 payment was made through the ACP. And
20 that's based on the company's analysis and
21 through multiple RFPs.

22 And with regards to pricing, or attempt
23 to get pricing, those RFPs revealed that
24 pricing was at or very close to the ACP. So

1 there was -- the company, and in conference
2 with Staff, had decided that it was not in
3 the best interest to purchase the RECs on
4 the open market and, rather, make the ACP
5 payment.

6 Q. So, for 2008, no -- did you issue an RFP for
7 REC compliance?

8 A. Yes.

9 Q. And the results of those -- because I
10 thought we just entered into a settlement
11 agreement, maybe six months ago at the
12 earliest. So I guess what I'm asking is, in
13 2009, did the company issue an RFP for RECs
14 with the 2008 compliance?

15 A. Yes.

16 Q. And the results of that were such that, in
17 your analysis, the prices did not afford a
18 significant or a favorable discount against
19 the alternative compliance payment?

20 A. That's correct.

21 Q. That's interesting.

22 MS. AMIDON: One moment,
23 please.

24 BY MS. AMIDON:

1 Q. Does the company have a report of or a
2 summary of the bids that you received in
3 response to that RFP that you could share
4 with the Staff for the 2008 compliance
5 period?

6 A. We can prepare that confidential summary for
7 the Staff.

8 Q. And we do not need that in connection with
9 resolving this docket. So when you put that
10 together, that would be appreciated. Thank
11 you.

12 A. Okay.

13 Q. In your testimony at Page 9, which is Bates
14 Stamp 11, at Line 11 you indicated that in
15 connection with this RFP, that Granite State
16 requested bidders to provide a separate RFP
17 [sic] compliance adder with their bids.

18 Just help me understand this better.
19 Does that mean that when you solicited for
20 power supply for the period beginning
21 November 1, that you also asked the bidders
22 to offer an RPS compliance adder with their
23 bids?

24 A. Yes, that's correct.

1 Q. And for what period would that apply?

2 A. It was for the period that was -- the RFP
3 was soliciting for the industrials for the
4 three-month period starting November 1 and
5 the six-month period for the residential.

6 Q. So the request would be for times that
7 conform with the time for these particular
8 contracts?

9 A. Yes.

10 Q. Okay. Thank you.

11 What do you intend to do at this point
12 to procure REC compliance for 2009?

13 A. The company intends to conduct another RFP
14 for these RECs to meet their obligation.

15 Q. And would you only be asking for compliance
16 with 2009 in this RFP, or would you look
17 ahead to 2010 as well?

18 A. We would also include 2010 in addition to
19 2009.

20 Q. Okay. This is a matter that we discussed
21 with the company prior to the hearing, and
22 it relates to the comparison of typical bill
23 impacts for the large customer group, which
24 is at Page 168 Bates Stamp. And if we look

1 at these, this chart indicates reductions in
2 bill impacts from 5 percent to 5.1 percent;
3 is that correct?

4 A. That is correct.

5 Q. But what prices are you comparing? When we
6 look at the default service price at the
7 bottom of this chart, what is the price that
8 you're comparing for the present rate?

9 A. That is the price of the adjacent months,
10 October 2009 to November 2009.

11 Q. So in this -- so the present rate is the
12 October 2009 rate, which is the end of the
13 current default service period for the large
14 customer group?

15 A. Yes.

16 Q. And under the proposed rate, that is the
17 rate for November 2009 for the large
18 customer group?

19 A. Yes.

20 Q. Does this mean that we would see a similar
21 decrease for large customers in December?

22 A. No, because the rates for December actually
23 are increased over November.

24 Q. And how about January 2010?

1 A. As well as January would be an increase.

2 Q. So, in fact, it would be better if the
3 company, in preparing this type of bill
4 analysis for the large customer group, to
5 take the average weighted rate for the, in
6 this case, the period that ends
7 October 2009, and compare that to the
8 following three months to get a better,
9 accurate -- a better impression of what the
10 actual impacts on rates are; is that
11 correct?

12 A. Yes.

13 Q. And the company is willing to provide that
14 in the future?

15 A. Yeah, we can prepare that. Yes.

16 Q. For this filing, do you have an idea of what
17 those impacts might be, taken on an
18 aggregated basis or an average basis, as
19 opposed to month-to-month?

20 A. I don't have that number prepared.

21 Q. But in your testimony, you do indicate --
22 I'm trying to find the page. Bates Stamp
23 13, Line 22, you do give a comparison of the
24 simple average of the commodity cost for the

1 large customer group for the period that is
2 the subject of this filing and the prior
3 period; is that correct?

4 A. That is correct. Yes, it is a simple
5 average. Yes.

6 Q. And subject to check, that's in the
7 neighborhood of an increase of, is it
8 7 percent, roughly? Roughly 7 to 8 percent?

9 A. Yes.

10 Q. Okay. Thank you.

11 Now, if you go to the next page, which
12 is Bates Stamp 14, you mention similarly a
13 simple average of the commodity cost for the
14 small customer group. And you compare the
15 cost that is related to this procurement,
16 7.405 cents, to the simple average of 6.883
17 cents for the period May 2009 through
18 October 2009. However, when I look at your
19 bill impacts at -- pardon me -- beginning on
20 Bates Stamp 159, the present rate is
21 indicated as 6.891 cents; is that correct?

22 A. Yes.

23 Q. And, in fact, would you agree that the 6.891
24 cents is the correct reference point for

1 that measurement?

2 A. That is. That is the correct reference
3 point.

4 Q. All right. So that would change that
5 percentage, though only very slightly, given
6 my limited knowledge of math.

7 A. Yes.

8 Q. Finally, in the most recent default service
9 proceeding, National Grid testified that it
10 disagreed with one recommendation that Staff
11 made in connection with its analysis of
12 National Grid's lead/lag study; and this has
13 to do with whether or not the company would
14 be engaging in payment terms which would
15 require them to pay semi-monthly. Are you
16 aware of that?

17 A. Yes.

18 Q. Okay. And subsequent to that hearing, the
19 company and the Staff met. And the company
20 pointed out to the Staff that, indeed, they
21 had never engaged in such arrangements
22 whereby they would pay suppliers twice a
23 month.

24 A. That's correct.

1 Q. So is it your understanding, then, that
2 resolves all the outstanding issues related
3 to that lead/lag study?

4 A. Yes.

5 Q. Thank you.

6 MS. AMIDON: That's all we
7 have.

8 CHAIRMAN GETZ: Commissioner
9 Below?

10 CMSR. BELOW: No.

11 CHAIRMAN GETZ: Commissioner
12 Ignatius?

13 **EXAMINATION**

14 **BY CMSR. IGNATIUS:**

15 Q. I had one question, Ms. Janzen. Looking at
16 your testimony on Page 9, you state in the
17 middle of the page -- that's on Line 9 --
18 that you are seeking to implement a change
19 in Granite State's risk management policy.
20 But then, on Line 11 it says the changes are
21 similar to changes that were done in the
22 last default service filing. So I guess I'm
23 not following what's a change and what's
24 consistent with prior filings.

1 (Witness reviews document.)

2 A. As we had updated and we filed the form of
3 the amendment to the MPA, the company has
4 been executing all those amendments as we've
5 brought new suppliers on. So what this is
6 meant to say is, similarly to some of the
7 amendments that have been filed in the
8 previous filing, we are also implementing
9 these amendments. So we're updating them,
10 if you will. So we're continuing to update
11 those amendments as we -- because those MPAs
12 go -- stay in place with those suppliers
13 going forward. So as new suppliers come in
14 and we sign the contracts with them, we have
15 the amendments and we have them
16 incorporated. So we just wanted to indicate
17 that we were just filing those amendments
18 here with this document.

19 Q. All right. And the mechanism you have in
20 place requiring credit to cover the
21 volatility of the wholesale price changes,
22 what you're proposing for this -- these two
23 new contracts, is it as you stated at the
24 bottom of your page -- well, it's Bates

1 Stamp 9 running into 10 -- where the
2 supplier posts a security for the
3 incremental changes, and you lay out --

4 A. Yes, that's the exact change in the risk
5 management policy that was previously
6 referenced and is explained here.

7 Q. So it's not new for this filing.

8 A. No, it's not.

9 Q. Thank you.

10 CHAIRMAN GETZ: Any redirect?

11 MS. MATTHEWS: Nothing.

12 CHAIRMAN GETZ: Okay. Then,
13 hearing nothing further for this witness, you're
14 excused. Thank you.

15 Is there any objection to
16 striking identification and admitting the
17 exhibits into evidence?

18 (No verbal response)

19 CHAIRMAN GETZ: Hearing no
20 objection, they'll be admitted into evidence.

21 (Premarked Exhibits 10, 11 and 12
22 admitted into evidence.)

23 CHAIRMAN GETZ: Anything else
24 to address before the opportunity for closing?

1 Well, while we're waiting a
2 second, Ms. Matthews, I take it we can get this
3 Exhibit 13 filed by tomorrow? Is that possible?

4 MS. MATTHEWS: Sure.

5 CHAIRMAN GETZ: Okay. Good.

6 Thank you.

7 Mr. Traum.

8 MR. TRAUM: Thank you, sir.

9 Assuming -- and I certainly do assume -- that
10 Exhibit 13 does not show anything that's of
11 concern, the OCA does not object to the requested
12 rates.

13 CHAIRMAN GETZ: Thank you.

14 Ms. Amidon.

15 MS. AMIDON: Thank you. The
16 Staff has reviewed the filing, and we have
17 determined that the company has followed the
18 solicitation and bid-evaluation process
19 previously approved by the Commission, and we
20 believe that the resulting rates are
21 market-based; so we'd recommend that the
22 Commission approve the petition.

23 CHAIRMAN GETZ: Thank you.

24 And Ms. Matthews.

1 MS. MATTHEWS: Thank you.
2 We'll certainly file Exhibit 13 by tomorrow. But
3 we request that the Commission approve the
4 proposed default service rates for the large and
5 small customer group no later than Monday,
6 September 21st, so the rates can go into effect
7 beginning on November 1st. We also request that
8 the Commission grant our motion for confidential
9 treatment.

10 And finally, as Attorney
11 Amidon suggested, the last issue of the lead/lag
12 study has been addressed, and we respectfully
13 request Commission approval of the lead/lag study
14 as filed.

15 CHAIRMAN GETZ: Thank you.
16 And we'll close the hearing and take the matter
17 under advisement.

18 (Hearing adjourned at 2:10 p.m.)
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24

C E R T I F I C A T E

1
2 I, Susan J. Robidas, a Licensed
3 Shorthand Court Reporter and Notary Public
4 of the State of New Hampshire, do hereby
5 certify that the foregoing is a true and
6 accurate transcript of my stenographic
7 notes of these proceedings taken at the
8 place and on the date hereinbefore set
9 forth, to the best of my skill and ability
10 under the conditions present at the time.

11 I further certify that I am neither
12 attorney or counsel for, nor related to or
13 employed by any of the parties to the
14 action; and further, that I am not a
15 relative or employee of any attorney or
16 counsel employed in this case, nor am I
17 financially interested in this action.

18
19 _____
20 Susan J. Robidas, LCR/RPR
21 Licensed Shorthand Court Reporter
22 Registered Professional Reporter
23 N.H. LCR No. 44 (RSA 310-A:173)
24