

Granite State Electric Company
d/b/a National Grid

Default Service

For the Period Beginning
February 1, 2012

Testimony and Schedules
of
Margaret M. Janzen

December 13, 2011

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nationalgrid

Testimony of
Margaret 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 1993, 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
19 February 1, 2012 through April 30, 2012. My testimony presents Granite State’s
20 proposed Default Service rates, including the factor to recover the cost of the Company’s
21 Renewable Portfolio Standard (“RPS”) obligation, for usage on and after February 1,
22 2012. My testimony will also describe how the Company proposes to meet the RPS

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

1 obligation. Finally, my testimony will provide an update of the replacement of the meter
2 at Tewksbury.

3
4 **III. Bidding Process**

5 Q. Why does Granite State need to procure Default Service for the Large Customer Group
6 for the period beginning February 1, 2012?

7 A. Granite State's currently effective Default Service supply contract for the Large
8 Customer Group expires on January 31, 2012. Therefore, to assure that Default Service
9 will continue to be available to these customers, Granite State requires a new Default
10 Service supply arrangement beginning February 1, 2012.

11
12 Q. Please describe the process Granite State used to procure its Default Service supply.

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

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 certain power supply services (including Granite State's Default Service) from suppliers.

2 The RFP sought a supply for Granite State's Default Service and a portion of Mass.

3 Electric's Basic Service supply. This is consistent with the process approved by the

4 Commission in the Order. This process is also consistent with past procurements.³

5
6 Q. Could you describe the nature of the RFP that National Grid issued?

7 A. On November 4, 2011, National Grid issued an RFP to approximately twenty-five

8 potential suppliers soliciting power supplies for the period February 1, 2012 through

9 April 30, 2012. National Grid also distributed the RFP to all members of the NEPOOL

10 Markets Committee and posted the RFP on its energy supply website. As a result, the

11 RFP had wide distribution throughout the New England energy supply marketplace. The

12 RFP requested fixed pricing for each month of service on an as-delivered energy basis.

13 Prices could vary by month and by service – that is, the prices did not have to be uniform

14 across the entire service period or between Granite State and Mass. Electric. A copy of

15 the RFP is provided as Schedule MMJ-1.

16
17 Q. Are the Company's Default Service rates consistent with least cost resource planning?

18 A. Yes. While the Company has received a waiver from the Commission regarding its

19 compliance with an Integrated Least Cost Resource Plan for generation issues, the

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, 2010), Order No. 25,180 at 7 (December 20, 2010), Order No. 25,207 at 10 (March 22, 2011), Order No. 25,237 at 7 (June 17, 2011), and Order No. 25,270 at 10 (September 23, 2011).

1 Company has conducted its Default Service RFP process in a manner that is consistent
2 with least cost planning principles. The Company's proposed Default Service rates are
3 the result of a competitive bidding process used to procure the Company's power
4 obligations. This is consistent with least cost planning goals, which are to minimize costs
5 in the procurement of energy.

6
7 **IV. Results of Bidding**

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

9 A. Yes. Indicative proposals were received on November 30, 2011. Final proposals were
10 received on December 7, 2011. None of the bidders made their provision of Granite
11 State's Default Service contingent upon the provision of any other service. A summary
12 of the RFP process and bid evaluation is included in Schedule MMJ-2.

13
14 Q. How do the current futures prices for electricity and natural gas compare to the futures
15 prices at the time of the June 8, 2011 and September 14, 2011 solicitations?

16 A. The futures market prices for electricity and natural gas at the time of the June 8, 2011
17 and September 14, 2011 solicitations as well as current futures market prices are shown
18 in Schedule MMJ-3.

19
20 Q. Did Granite State select any of those proposals?

21 A. Yes. Granite State evaluated the bids received and selected the supplier that (i) provided
22 a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the credit
23 requirements described in the RFP, and (iv) passed our qualitative evaluation. On

1 December 7, 2011, Granite State entered into a wholesale Transaction Confirmation with
2 NextEra Energy Power Marketing, LLC (“NextEra”, formerly FPL Energy Power
3 Marketing, Inc.), the winning bidder for the Large Customer Group block, to provide
4 Default Service to the Large Customer Group for the three-month period February 1,
5 2012 through April 30, 2012. Together, a Transaction Confirmation and a Master Power
6 Agreement provide the terms for the purchase of Default Service from a supplier. A
7 copy of the NextEra Master Power Agreement was filed with the Commission on
8 September 17, 2007 in Docket DE 07-012. A copy of the First Amendment to the Master
9 Power Agreement was filed with the Commission on September 20, 2010 in Docket DE
10 10-020. The Transaction Confirmation between Granite State and NextEra, with certain
11 confidential sections redacted, is attached hereto as Schedule MMJ-4. Granite State is
12 filing the Transaction Confirmation, among other confidential Schedules, with the
13 Commission pursuant to a Motion for Confidential Treatment. Although the Transaction
14 Confirmation and Master Power Agreement have differences from the sample power
15 supply agreement in the Settlement Agreement approved by the Commission, the
16 executed documents do not shift any of the risks or obligations described in the sample
17 power supply agreement provided in the Settlement Agreement.

18
19 **V. Renewable Portfolio Standard**

20 Q. What is the RPS obligation for 2012?

21 A. As specified in the RPS law⁴, the RPS obligation for calendar year 2012 is a minimum of
22 ten and sixty-five hundredths percent (10.65%) of Granite State’s Default Service load,

4 N.H. RSA 362-F.

1 of which at least three percent (3.0%) can come from Class I New Renewable Energy
2 Resources, at least fifteen hundredths percent (0.15%) can come from Class II Solar
3 Energy Resources, at least six and one-half percent (6.5%) can come from Class III
4 Existing Renewable Energy Resources and at least one percent (1.0%) can come from
5 Class IV Existing Renewable Energy Resources.
6

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

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

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

21 A. Granite State evaluated the winning bidder's RPS compliance adder by comparing it to
22 Granite State's estimated market prices for New Hampshire RECs. The RPS compliance
23 adder from the winning bidder for the Large Customer Group was lower than Granite

1 State's market estimate. As a result, Granite State accepted this bidder's RPS
2 compliance adder.

3
4 Q. Is Granite State proposing any changes to the RPS compliance adder at this time?

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

9
10 Q. What change to the RPS adder for the Large Customer Group is the Company proposing?

11 A. Effective February 1, 2012, the Company is proposing to increase the RPS adder for the
12 Large Customer Group from 0.262¢ per kWh to 0.343¢ per kWh.

13
14 Q. How did Granite State calculate the RPS adder for 2012?

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

18
19 Q. What costs were included in Granite State's RPS compliance adder that was used to
20 evaluate the winning bidder's RPS price?

21 A. As shown in Schedule MMJ-5, the RPS adder used to evaluate the winning bidder's RPS
22 price is based on the recent market prices for REC classes I and II and recent Company
23 purchases for REC classes III and IV.

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
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 July of this year 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 2011 RPS
12 obligations. The Company received bids for RECs and contracted for Class I, Class II,
13 Class III, and Class IV obligations. Granite State shared the results of its RFP with Staff
14 prior to executing a contract for the purchase of RECs.

15

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

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

21

22

23

1 **VI. Default Service Commodity Costs and Retail Rates**

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

4 A. Granite State estimates the procurement costs for Default Service at the retail customer
5 meter for each month to be as set forth in Schedule MMJ-6. The load-weighted average
6 of the power supply costs for the Large Customer Group is 6.183¢ per kWh compared to
7 the load-weighted average of 7.644¢ per kWh for the period November 2011 through
8 January 2012. The power supply costs at the retail customer meter (¢ per kWh) were
9 calculated by multiplying the commodity prices at the wholesale level (\$ per MWh) by
10 the applicable loss factor and then dividing the results by ten. The applicable loss factor
11 can be found in the RFP summary in Schedule MMJ-2.

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

15 A. As presented in Schedule MMJ-6, the Company is proposing monthly Default Service
16 rates for the Large Customer Group based on the three monthly contract prices contained
17 in the supply agreement with the winning Default Service supplier for the Large
18 Customer Group. On line (6) these rates are adjusted by the currently effective Default
19 Service Adjustment Factor in accordance with the Second Revised Page 87 of Granite
20 State's tariff. On line (7) these base rates are further adjusted by the currently effective
21 Default Service Cost Reclassification Adjustment Factor to recover administrative costs
22 associated with Default Service in accordance with the Fifth Revised Page 93 of Granite
23 State's tariff. Finally, on line (8) these rates are adjusted by the proposed RPS adder

1 discussed above. As displayed on line (9), the proposed base Default Service rates for
2 the Large Customer Group are 7.502¢ per kWh, 6.346¢ per kWh, and 6.086¢ per kWh for
3 the months of February 2012 through April 2012, respectively.
4

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

6 A. To the extent that the actual cost of procuring Default Service varies from the amounts
7 billed to customers for the service, Granite State will continue to reconcile the difference
8 through a reconciliation mechanism pursuant to Granite State's Default Service
9 Adjustment Provision contained in its currently effective tariff on Second Revised Page
10 87.
11

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

13 A. Consistent with the Commission's rules on the implementation of rate changes, the
14 Company is proposing that these Default Service rates become effective for service
15 rendered on and after February 1, 2012.
16

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

19 A. Yes. The Company has provided typical bill impacts in Schedule MMJ-7. For customers
20 in the Large Customer Group, illustrative bill impacts for the three-month period ending
21 April 2012 have a range of 10.5% to 12.5% decrease as compared to the three-month
22 period ending January 2012.
23

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

3 A. No. The Company has already submitted a revised Summary of Rates tariff page
4 reflecting proposed rates for January 1, 2012 in Dockets DE 11-221 and DE 11-254.
5 Upon receiving orders in these dockets and in this proceeding, the Company will file a
6 revised Summary of Rates tariff page, reflecting the appropriate approved rates.
7

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

11 A. The quarterly report of customer migration information for the 3rd quarter of calendar
12 year 2011 is included as Schedule MMJ-8.
13

14 **VII. Tewksbury Meter Update**

15 Q. In Order No. 25, 083, the Commission required the Company to provide a report by
16 March 31, 2010 on any re-settlements related to the Tewksbury meter and to provide
17 quarterly reports thereafter until the meter has been replaced. Has the Company
18 complied with this directive?

19 A. Yes. After filing its report in March 2010, the Company filed quarterly reports on the
20 Tewksbury meter through September 2011.
21

22 Q: What is the status of the Tewksbury meter?

1 A: The Tewksbury meter was replaced with new meters in late November, and the new
2 meters were placed in service on November 28 and November 29, 2011. On December
3 8, 2011, the Company filed its final report on the Tewksbury meter with the Commission
4 providing this update.

5
6 Q: Is the replacement of the Tewksbury meter now complete?

7 A: Yes.
8

9 **VIII. 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 April 30, 2012. Per the
12 terms of the Settlement Agreement, Granite State will issue an RFP for the Large
13 Customer Group and the Residential and Small Commercial Customer Group in February
14 2012. For purposes of notice to the Commission, the following table illustrates National
15 Grid's proposed timeline for the next two RFPs:

RFP	February 2012 RFP	May 2012 RFP
RFP Issued	February 10, 2012	May 11, 2012
Indicative Bids Due	March 7, 2012	June 6, 2012
Final Bids Due	March 14, 2012	June 13, 2012
Contract Execution	March 15, 2012	June 14, 2012
Default Service Filing to Commission	March 20, 2012	June 19, 2012
Commission Order Needed	March 27, 2012	June 26, 2012
Service Begins	May 1, 2012	August 1, 2012

1 Q. Does this conclude your testimony?

2 A. Yes. It does.