

Testimony of  
Margaret M. Janzen

Granite State Electric Company d/b/a National Grid

Docket No. 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 Electric Supply and Distributed Generation for National Grid USA  
8       Service Company, Inc. I oversee the procurement of energy, capacity and ancillary  
9       services, portfolio hedging strategies and other energy supply related activities, as well as  
10      the interconnections of unaffiliated generating units to the electric distribution systems,  
11      for National Grid's operating companies, including Granite State Electric Company d/b/a  
12      National Grid ("Granite State" or "Company"). For Granite State, these activities include  
13      the procurement of power for Default Service as well as the procurement of renewable  
14      energy certificates ("RECs").

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

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

20  
21  Q.   What is your professional background?

22  A.   In 1989, I joined Brooklyn Union Gas, and have held various positions of increasing  
23       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 Electric Supply and Distributed Generation.

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 May 1,  
20 2011 through July 31, 2011 and for the Small Customer Group for the six-month period  
21 May 1, 2011 through October 31, 2011. My testimony presents Granite State’s proposed

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<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-

1 Default Service rates, including the factor to recover the cost of the Company's 2011

2 Renewable Portfolio Standard ("RPS") obligation, for usage on and after May 1, 2011.

3 My testimony will also describe how the Company proposes to meet the RPS obligation.

4  
5 **III. Bidding Process**

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

8 A. Granite State's currently effective Default Service supply contracts for both the Large  
9 Customer Group and the Small Customer Group expire on April 30, 2011. Therefore, to  
10 assure that Default Service will continue to be available to these customers, Granite State  
11 requires a new Default Service supply arrangement beginning May 1, 2011.

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

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

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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 companies together “National Grid”), issued a joint request for proposals (“RFP”) for  
2 certain power supply services (including Granite State’s Default Service) from suppliers.

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

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

8 A. On February 4, 2011, National Grid issued an RFP to approximately twenty-five  
9 potential suppliers soliciting power supplies for the period May 1, 2011 through October  
10 31, 2011. National Grid also distributed the RFP to all members of the NEPOOL  
11 Markets Committee and posted the RFP on its energy supply website. As a result, the  
12 RFP had wide distribution throughout the New England energy supply marketplace. The  
13 RFP requested fixed pricing for each month of service on an as-delivered energy basis.  
14 Prices could vary by month and by service – that is, the prices did not have to be uniform  
15 across the entire service period or between Granite State and Mass. Electric. A copy of  
16 the RFP is provided as Schedule MMJ-1.  
17

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

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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), and Order No. 25,180 at 7 (December 20, 2010).

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 March 2, 2011. Final proposals were  
12 received on March 9, 2011. None of the bidders made their provision of Granite State's  
13 Default Service contingent upon the provision of any other service. A summary of the  
14 RFP process and bid evaluation is included in Schedule MMJ-2.  
15

16 Q. How do the current futures prices for electricity and natural gas compare to the futures  
17 prices at the time of the March 10, 2010 and September 15, 2010 solicitations?

18 A. The futures market prices for electricity and natural gas at the time of the March 10, 2010  
19 and September 15, 2010 solicitations, as well as current futures market prices, are shown  
20 in Schedule MMJ-3.  
21

22 Q. Did Granite State select any of those proposals?



1     A.     Yes. Granite State evaluated the bids received and selected the two suppliers that: (i)  
2           provided a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the  
3           credit requirements described in the RFP, and (iv) passed our qualitative evaluation. On  
4           March 9, 2011, Granite State entered into a wholesale Transaction Confirmation with  
5           DTE Energy Trading, Inc. ("DTE"), the winning bidder for the Large Customer Group  
6           block, to provide Default Service to the Large Customer Group for the three-month  
7           period May 1, 2011 through July 31, 2011, and with Constellation Energy Commodities  
8           Group, Inc. ("Constellation"), the winning bidder for the Small Customer Group block, to  
9           provide Default Service to the Small Customer Group for the six-month period May 1,  
10          2011 through October 31, 2011. Together, a Transaction Confirmation and a Master  
11          Power Agreement provide the terms for the purchase of Default Service from a supplier.  
12          A copy of the DTE Master Power Agreement was filed with the Commission on  
13          December 14, 2009 in Docket DE 09-010. A copy of the Transaction Confirmation  
14          between Granite State and DTE, with certain confidential sections redacted, is attached  
15          hereto as Schedule MMJ-4. A copy of the Constellation Master Power Agreement was  
16          filed with the Commission on March 20, 2006 in Docket DE 06-115. A copy of the  
17          Constellation First Amendment to the Master Power Agreement was filed with the  
18          Commission on September 15, 2009 in Docket DE 09-010. The Transaction  
19          Confirmation between Granite State and Constellation, with certain confidential sections  
20          redacted, is attached hereto as Schedule MMJ-5. Granite State is filing the Transaction  
21          Confirmations with the Commission pursuant to a Motion for Confidential Treatment.  
22          Although the Transaction Confirmations and Master Power Agreements have differences  
23          from the sample power supply agreement in the Settlement Agreement approved by the

Commission, the executed documents do not shift any of the risks or obligations described in the sample power supply agreement provided in the Settlement Agreement.

**V. Renewable Portfolio Standard**

Q. What is the RPS obligation for 2011?

A. As specified in the RPS law<sup>5</sup>, the RPS obligation for calendar year 2011 is a minimum of nine and fifty-eight one hundredths percent (9.58%) of Granite State's Default Service load, of which at least two percent (2.0%) can come from Class I New Renewable Energy Resources, at least eight hundredths percent (0.08%) can come from Class II Solar Energy Resources, at least six and one-half percent (6.5%) can come from Class III Existing Renewable Energy Resources and at least one percent (1.0%) can come from Class IV Existing Renewable Energy Resources.

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

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

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<sup>5</sup> RSA 362-F.

1 the incremental charge by a bidder for agreeing to take on the RPS obligation with the  
2 Default Service obligation.

3  
4 Q. What were the criteria Granite State used to evaluate the RPS compliance adders  
5 provided by the bidders?

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

14  
15 Q. Is Granite State proposing any changes to the RPS compliance adder at this time?

16 A. Yes. Granite State is proposing to change the Commission-approved RPS compliance  
17 adder in order to reflect the changes in estimated market costs to meet RPS obligations  
18 required in the RPS regulations as described previously. The Company is proposing a  
19 new RPS adder.

20  
21 Q. What changes to the RPS adders for the Small Customer Group and the Large Customer  
22 Group is the Company proposing?

1 A. Effective May 1, 2011, the Company is proposing to reduce the RPS adder for the Small  
2 Customer Group from 0.208¢ per kWh to 0.193¢ per kWh. In addition, the Company is  
3 also proposing to increase the RPS adder for the Large Customer Group from 0.186¢ per  
4 kWh to 0.193¢ per kWh.

5  
6 Q. How did Granite State calculate the RPS adder for 2011?

7 A. As shown in Schedule MMJ-6, Granite State calculated the retail RPS costs on a per  
8 MWh basis. The Company divided the calculated costs by ten in order to convert from a  
9 \$ per MWh retail cost to a ¢ per kWh rate for retail use.

10  
11 Q. What costs did Granite State use to develop its RPS adder?

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

14  
15 Q. What happens if Granite State's actual RPS compliance costs are different from that used  
16 in calculating the RPS adder?

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

20  
21 Q. Has Granite State been able to contract for RECs?

22 A. Yes. In November 2010, Granite State issued a RFP to procure RECs to approved New  
23 Hampshire renewable generators, generators in the process of applying for approval to

1 generate New Hampshire RECs, as well as other REC suppliers, for its 2010 and 2011  
2 RPS obligations. The Company received bids for RECs and contracted for Class I, Class  
3 II, and Class IV RECs for both years. The Company also contracted for 2010 Class III  
4 RECs. Granite State shared the results of its RFP with Staff prior to executing a contract  
5 for the purchase of RECs.

6  
7 Q. When will Granite State issue the next REC RFP?

8 A. Granite State will issue a REC RFP within the next six months to procure RECs to satisfy  
9 the 2011 RPS obligations. Granite State will attempt to procure the quantity of RECs  
10 necessary to satisfy the 2011 obligations for load that will be serviced under Default  
11 Service supply contracts.

12  
13 **VI. Default Service Power Supply Costs**

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

16 A. The load-weighted average of the power supply costs for the Large Customer Group is  
17 6.353¢ per kWh compared to the load-weighted average of 7.029¢ per kWh for the period  
18 February 2011 through April 2011. The load-weighted average of the power supply costs  
19 for the Small Customer Group is 6.374¢ per kWh compared to the load-weighted average  
20 of 6.685¢ per kWh for the period November 2010 through April 2011. The power supply  
21 costs at the retail customer meter (¢ per kWh) were calculated by multiplying the  
22 commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and

1 then dividing the results by ten. The applicable loss factors can be found in the RFP  
2 summary in Schedule MMJ-2.

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. The testimony and schedules of Mr. Scott M. McCabe included in this filing present  
10 the Company's annual reconciliation of these costs and a proposal regarding the recovery  
11 of the under collection in that reconciliation.

12  
13 **VII. Conclusion**

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

15 A. The Large Customer Group rates proposed in this filing end on July 31, 2011. Per the  
16 terms of the Settlement Agreement, Granite State will issue an RFP for the Large  
17 Customer Group in May 2011. For purposes of notice to the Commission, the following  
18 table illustrates National Grid's proposed timeline for the next two RFPs:

RFP	May 2011 RFP	August 2011 RFP
RFP Issued	May 6, 2011	August 12, 2011
Indicative Bids Due	June 1, 2011	September 7, 2011
Final Bids Due	June 8, 2011	September 14, 2011
Contract Execution	June 9, 2011	September 15, 2011
Default Service Filing to Commission	June 14, 2011	September 20, 2011
Commission Order Needed	June 21, 2011	September 27, 2011
Service Begins	August 1, 2011	November 1, 2011

1

2 Q. Does this conclude your testimony?

3 A. Yes. It does.