

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 Commission approval of Granite State’s
15 proposed Default Service rates for (i) the Large and Medium Commercial and Industrial
16 Customer Group (“Large Customer Group”¹) for the three-month period May 1, 2012
17 through July 31, 2012 and (ii) the Residential and Small Commercial Customer Group
18 (“Small Customer Group”²) for the six-month period May 1, 2012 through October 31,
19 2012. To support this request, I will describe the process used by Granite State to
20 procure Default Service for the Large Customer Group and Small Customer Group. My

¹ The Large Customer Group are those 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.

² The Small Customer Group are those customers taking service under Domestic Service Rate D; Domestic Service - Optional Peak Load Pricing Rate D-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.

1 testimony presents the proposed Default Service rates, including the factor to recover the
2 cost of the Company's 2012 Renewable Portfolio Standard ("RPS") obligation, for
3 service rendered on and after May 1, 2012. My testimony also describes how the
4 Company proposes to meet its RPS obligation.

5
6 **III. Default Service Bidding Process**

7 Q. Why does Granite State need to procure Default Service for both the Large Customer
8 Group and the Small Customer Group for the period beginning May 1, 2012?

9 A. Pursuant to the procurement process approved by the Commission, which I describe later
10 in my testimony, Granite State procures power supply contracts having a three-month
11 term for the Large Customer Group and six-month term for the Small Customer Group.
12 Granite State's currently effective Default Service supply contracts for both the Large
13 Customer Group and the Small Customer Group expire on April 30, 2012. Therefore, to
14 assure that Default Service will continue to be available to these customers, Granite State
15 requires a new Default Service supply arrangement beginning May 1, 2012.

16
17 Q. Please describe the process Granite State used to procure its Default Service supply for
18 the period beginning May 1, 2012.

19 A. Granite State conducted its procurement of Default Service supply in accordance with
20 applicable law and Commission directives. The Company complied with the solicitation,
21 bid evaluation and procurement process set forth in the Settlement Agreement dated
22 November 18, 2005, which agreement was approved by the Commission in Order No.
23 24,577 ("Order") on January 13, 2006 in Docket DE 05-126 and amended by Order No.

1 24,922 in Docket DE 08-011 (as amended, the “Settlement Agreement”). Granite State
2 issued a request for proposals (“RFP”) for certain power supply services and sought a
3 supplier(s) for Granite State’s Default Service covering the Large Customer Group and
4 Small Customer Group. Granite State’s retail distribution affiliates Massachusetts
5 Electric Company and Nantucket Electric Company (collectively, “Mass. Electric” and
6 together with Granite State, “National Grid”) also issued a request for proposals.

7
8 Q: Was the Company’s solicitation for the period beginning May 1, 2012 consistent with the
9 Company’s prior solicitations for Default Service?

10 A. Yes, Granite State’s Default Service RFP was conducted in a manner similar to previous
11 solicitations. The only change was, whereas Granite State and Mass. Electric issued a
12 joint request for proposal in the past, Granite State and Mass. Electric issued separate
13 requests for proposal for the period beginning May 1, 2012. Granite State issued a
14 separate RFP in anticipation of the pending National Grid USA/Liberty Energy Utilities
15 Corp. sale transaction in Docket DG 11-040. Both requests for proposal were, however,
16 issued on the same date and evaluated based on the same bid dates to take advantage of
17 the administrative cost savings associated with conducting requests for proposal and bid
18 evaluations concurrently. This process is consistent with the process approved by the
19 Commission in the Order as well as with Granite State’s past procurements.³

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), Order No. 25,270 at 10 (September 23, 2011), and Order No. 25,304 at 7 (December 20, 2011).

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

A. On February 10, 2012, National Grid issued a RFP to approximately twenty-five potential suppliers soliciting power supplies for the period May 1, 2012 through October 31, 2012. National Grid also distributed the RFP to all members of the New England Power Pool (“NEPOOL”) Markets Committee and posted the RFP on its energy supply website. As a result, the RFP had wide distribution throughout the New England energy supply marketplace. The RFP requested fixed pricing for each month of service on an as-delivered energy basis. Prices could vary by month and by service – that is, the prices did not have to be uniform across the entire service period or between Granite State and Mass. Electric. A copy of the RFP is provided as Schedule MMJ-1.

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

A. Yes. As indicated during the hearing held before the Commission on December 17, 2009 in Docket DE 09-010 (Default Service proceeding) and in the Company’s previous Default Service filings, the Company received a waiver from the Commission regarding its compliance with the Least Cost Integrated Resource Plan for generation issues. Nevertheless, the Company has conducted its Default Service RFP process in a manner that is consistent with least cost planning principles by proposing Default Service rates resulting from a competitive bidding process. This is consistent with least cost planning goals, which are to minimize costs in the procurement of energy.

1 **IV. Results of Default Service Bidding**

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

3 A. Yes. Indicative proposals were received on March 7, 2012. Final proposals were
4 received on March 14, 2012. None of the bidders made their provision of Granite State's
5 Default Service contingent upon the provision of any other service. A summary of the
6 RFP process and bid evaluation is included in Schedule MMJ-2.

7

8 Q. How do the current futures prices for electricity and natural gas compare to the futures
9 prices at the time of the Company's March 9, 2011 and September 14, 2011 solicitations?

10 A. The futures market prices for electricity and natural gas at the time of the March 9, 2011
11 and September 14, 2011 solicitations as well as current futures market prices are shown
12 in Schedule MMJ-3. These are the two most recent solicitations for both the Large and
13 Small Customer Groups.

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 March 15, 2012, Granite State entered into a wholesale Transaction Confirmation with
20 Hess Corporation ("Hess"), the winning bidder for the Large Customer Group block, to
21 provide Default Service to the Large Customer Group for the three-month period May 1,
22 2012 through July 31, 2012, and with Macquarie Energy LLC ("Macquarie"), the
23 winning bidder for the Small Customer Group block, to provide Default Service to the

1 Small Customer Group for the six-month period May 1, 2012 through October 31, 2012.
2 Together, a Transaction Confirmation and a Master Power Agreement provide the terms
3 for the purchase of Default Service from a supplier. A copy of the Hess Master Power
4 Agreement was filed with the Commission on March 19, 2007 in Docket DE 07-012
5 (Default Service proceeding). A copy of the Hess First Amendment to the Master Power
6 Agreement was filed with the Commission on June 15, 2009 in Docket DE 09-010
7 (Default Service proceeding). A copy of the Transaction Confirmation between Granite
8 State and Hess, with certain confidential sections redacted, is attached hereto as Schedule
9 MMJ-4. The Transaction Confirmation and Master Power Agreement between Granite
10 State and Macquarie, with certain confidential sections redacted, is attached hereto as
11 Schedule MMJ-5. Although the Transaction Confirmations and Master Power
12 Agreements have differences from the sample power supply agreement in the Settlement
13 Agreement approved by the Commission, the executed documents do not shift any of the
14 risks or obligations described in the sample power supply agreement provided in the
15 Settlement Agreement.

16
17 **V. Renewable Portfolio Standard**

18 Q. What is the RPS obligation for 2012?

19 A. As specified in the RPS law⁴, the RPS obligation for calendar year 2012 is a minimum of
20 ten and sixty-five hundredths percent (10.65%) of Granite State's Default Service load,
21 of which at least three percent (3.0%) can come from Class I New Renewable Energy
22 Resources, at least fifteen hundredths percent (0.15%) can come from Class II Solar

⁴ NH 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 RPS
11 Settlement was approved by the Commission on March 23, 2009 in Order No. 24,953 in
12 Docket DE 09-010. The Company may satisfy RPS obligations by providing either
13 RECs for each RPS class from the New England Power Pool Generation Information
14 System (“NEPOOL-GIS”) or by making an Alternative Compliance Payment (“ACP”) to
15 the state of New Hampshire’s Renewable Energy Fund. As specified in the Amended
16 RPS Settlement, Granite State requested bidders to provide a separate RPS compliance
17 adder with their bids. This RPS compliance adder is the incremental charge by a bidder
18 for agreeing to take on the RPS obligation with the Default Service obligation.
19

20 Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder satisfy
21 the RPS obligation?

22 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
23 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS

1 class obligation to the Company's NEPOOL-GIS account, or it must pay the Company
2 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
3 multiplying the RPS obligation percentage for each REC class by the electricity sales for
4 the term of the transaction.

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

8 A. Granite State evaluated the winning bidder's RPS compliance adder by comparing it to
9 Granite State's estimated market prices for New Hampshire RECs. The RPS compliance
10 adder from the winning bidder for the Large Customer Group was lower than Granite
11 State's market estimate for New Hampshire RECs. As a result, Granite State accepted
12 this bidder's RPS compliance adder. The winning bidder for the Small Customer Group
13 did not submit a RPS compliance adder. Granite State plans to issue a request for
14 proposal in the future for the acquisition of RECs. If Granite State is unable to purchase
15 sufficient RECs to meet its New Hampshire RPS obligations, it will then, consistent with
16 the RPS rules, make an ACP to the state of New Hampshire's Renewable Energy Fund.
17 The bidders' RPS compliance adders can be found in Exhibit 10 of Schedule MMJ-2.

18
19 Q. Is Granite State proposing any changes to the RPS compliance adders at this time?

20 A. Yes. Granite State is proposing to change the Commission-approved RPS compliance
21 adders in order to reflect the changes in estimated market costs to meet RPS obligations
22 required in the RPS regulations as described previously. The Company is proposing a

1 new RPS compliance adder for both the Small Customer Group and Large Customer
2 Group.

3

4 Q. What changes to the RPS compliance adders for the Small Customer Group and the
5 Large Customer Group is the Company proposing?

6 A. Effective May 1, 2012, the Company is proposing to increase the RPS compliance adder
7 for the Small Customer Group from 0.262¢ per kWh to 0.396¢ per kWh. In addition, the
8 Company is also proposing to increase the RPS compliance adder for the Large Customer
9 Group from 0.343¢ per kWh to 0.396¢ per kWh.

10

11 Q. How did Granite State calculate the RPS compliance adder for 2012?

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

15

16 Q. What costs were included in Granite State's RPS compliance adder that was used to
17 evaluate the winning bidder's RPS prices?

18 A. As shown in Schedule MMJ-6, the RPS compliance adder used to evaluate the winning
19 bidder's RPS prices is based on the recent 2012 market prices for all REC Classes.
20 Market prices were provided by REC price summaries distributed by brokers.

21

22 Q. Please explain the increase in costs to comply with the RPS obligations.

1 A. The increase in the RPS compliance costs are the result of an increase in Class 1 REC
2 prices across New England. This increase in prices is partly due to the increase of RPS
3 obligations across New England states, including New Hampshire.
4

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

7 A. Granite State reconciles its costs to comply with the RPS with the revenue billed to
8 customers from the RPS compliance adder. This reconciliation occurs as part of the
9 Company's annual reconciliation in March of each year, and the annual reconciliation for
10 the Company's 2011 RPS obligations is provided in the written testimony of Mr. Scott
11 M. McCabe included in this filing.
12

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

14 A. Yes. In July 2011, Granite State issued a request for proposal to procure RECs to
15 approved New Hampshire renewable generators, generators in the process of applying for
16 approval to generate New Hampshire RECs, as well as other REC suppliers, for its 2011
17 RPS obligations. The Company received bids for RECs and contracted for Class I, Class
18 II, Class III, and Class IV obligations. Granite State shared the results of this request for
19 proposal with Staff prior to executing a contract for the purchase of RECs. The
20 Company also accepted the RPS compliance adders of the two most recent winning
21 bidders of the Large Customer Group.
22

23 Q. When will Granite State issue the next REC request for proposal?

1 A. Granite State will issue a REC request for proposal on March 20, 2012 to procure RECs
2 to satisfy the 2011 and 2012 RPS obligations. Granite State will attempt to procure the
3 quantity of RECs necessary to satisfy the 2011 and 2012 obligations for load that will be
4 serviced under Default Service supply contracts.

5

6 **VI. Default Service Commodity Costs**

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

9 A. The load-weighted average of the power supply costs for the Large Customer Group is
10 4.708¢ per kWh compared to the load-weighted average of 6.183¢ per kWh for the period
11 February 2012 through April 2012. The load-weighted average of the power supply costs
12 for the Small Customer Group is 4.923¢ per kWh compared to the load-weighted average
13 of 7.379¢ per kWh for the period November 2011 through April 2012. The power supply
14 costs at the retail customer meter (¢ per kWh) were calculated by multiplying the
15 commodity prices at the wholesale level (\$ per MWh) by the applicable loss factor and
16 then dividing the results by ten. The applicable loss factors can be found in the RFP
17 summary in Schedule MMJ-2. The loss factor is a calculated ratio of wholesale
18 purchases to retail deliveries over the three-month period ending February 29, 2012.

19

20 Q. Have the loss factors changed from the Company's previous Default Service filings?

21 A. Yes. In several of its prior Default Service filings, the Company calculated the power
22 supply costs at the retail customer meter (¢ per kWh) with loss factors that were a ratio of

1 wholesale purchases to retail deliveries over the twelve-month period ending December
2 31, 2007.

3
4 Q. Why did the Company change the period used to calculate the loss factor for this filing?

5 A. As indicated in its last Default Service filing made in December 2011, the Company
6 replaced the faulty meter at Tewksbury in November 2011. Now that the replacement is
7 complete, it is the Company's intent to use more current wholesale purchase and retail
8 delivery data in the calculation of its loss factors rather than the old data from December
9 31, 2007.

10
11 Q. How will Granite State reconcile any difference in costs associated with Default Service?

12 A. To the extent that the actual cost of procuring Default Service varies from the amounts
13 billed to customers for the service, Granite State will continue to reconcile the difference
14 through a reconciliation mechanism pursuant to Granite State's Default Service
15 Adjustment Provision contained in its currently effective Retail Delivery Tariff. Mr.
16 McCabe's testimony and schedules present the Company's annual reconciliation of these
17 costs and a proposal regarding the recovery of the under collection in that reconciliation.

18
19 **VII. Conclusion**

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

21 A. The Large Customer Group rates proposed in this filing end on July 31, 2012. Per the
22 terms of the Settlement Agreement, Granite State will issue a RFP for the Large

1 Customer Group in May 2012. For purposes of notice to the Commission, the following
2 table illustrates Granite State's proposed timeline for the next RFP:
3

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

4

5 Q. Does this conclude your testimony?

6 A. Yes. It does.