

Granite State Electric Company
d/b/a National Grid

Default Service

ORIGINAL	
N.H.P.U.C. Case No.	DC 12-023
Exhibit No.	#4
Witness	Margaret M. Janzen
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For the Period Beginning
August 1, 2012

Testimony and Schedules
of
Margaret M. Janzen

June 19, 2012

Submitted to:
New Hampshire Public Utilities Commission
Docket No. 12-023

Submitted by:

nationalgrid

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 USA's
10 operating companies, including Granite State Electric Company d/b/a National Grid
11 ("Granite State" or "Company"). For Granite State, these activities include the
12 procurement of power for Default Service as well as the procurement of renewable
13 energy certificates ("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 and the New
10 York Public Service Commission regarding electric supply and renewable portfolio
11 procurement activities.

12

13 **II. Purpose of Testimony**

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to request Commission approval of Granite State’s
16 proposed Default Service rates for the Large and Medium Commercial and Industrial
17 Customer Group (“Large Customer Group”¹) for the three-month period August 1, 2012
18 through October 31, 2012. To support this request, I will describe the process used by
19 Granite State to procure Default Service for the Large Customer Group. My testimony
20 presents the proposed Default Service rates, including the factor to recover the cost of the
21 Company’s 2012 Renewable Portfolio Standard (“RPS”) obligation, for service rendered

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.

1 on and after August 1, 2012. My testimony also describes how the Company proposes to
2 meet its RPS obligation.

3
4 **III. Default Service Bidding Process**

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

7 A. Pursuant to the procurement process approved by the Commission, which I describe later
8 in my testimony, Granite State procures a power supply contract having a three-month
9 term for the Large Customer Group. Granite State's currently effective Default Service
10 supply contract for the Large Customer Group expires on July 31, 2012. Therefore, to
11 assure that Default Service will continue to be available to these customers, Granite State
12 requires a new Default Service supply arrangement beginning August 1, 2012.

13
14 Q. Please describe the process Granite State used to procure its Default Service supply for
15 the period beginning August 1, 2012.

16 A. Granite State conducted its procurement of Default Service supply in accordance with
17 applicable law and Commission directives. The Company complied with the solicitation,
18 bid evaluation and procurement process set forth in the Settlement Agreement dated
19 November 18, 2005, which agreement was approved by the Commission in Order No.
20 24,577 ("Order") on January 13, 2006 in Docket DE 05-126 and amended by Order No.
21 24,922 in Docket DE 08-011 (as amended, the "Settlement Agreement"). Granite State
22 issued a request for proposals ("RFP") for certain power supply services and sought a
23 supplier for Granite State's Default Service covering the Large Customer Group.

1 Q. Was the Company's solicitation for the period beginning August 1, 2012 consistent with
2 the Company's prior solicitations for Default Service?

3 A. Yes, Granite State's Default Service RFP was conducted in a manner similar to previous
4 solicitations. Similar to the RFP issued on February 10, 2012, Granite State issued a
5 separate RFP from its retail distribution affiliates Massachusetts Electric Company and
6 Nantucket Electric Company (collectively, "Mass. Electric") and together with Granite
7 State, "National Grid") for the period beginning August 1, 2012 due to the pending
8 National Grid USA/Liberty Energy Utilities Corp. ("Liberty Energy") sale transaction
9 ("Stock Sale"), which has been authorized by the Commission in Docket DG 11-040 and
10 is scheduled to close in early July 2012. The requests for proposal for Granite State and
11 Mass. Electric were issued on the same date and evaluated based on the same bid dates to
12 take advantage of the administrative cost savings associated with conducting requests for
13 proposal and bid evaluations concurrently. This process is consistent with the process
14 approved by the Commission in the Order as well as with Granite State's past
15 procurements.²

16
17 Q. Could you describe the nature of the RFP that National Grid issued?

18 A. On May 11, 2012, National Grid issued a RFP to approximately twenty-five potential
19 suppliers soliciting power supplies for the period August 1, 2012 through October 31,

² 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), Order No. 25,304 at 7 (December 20, 2011), and

1 2012. National Grid also distributed the RFP to all members of the New England Power
2 Pool (“NEPOOL”) Markets Committee and posted the RFP on its energy supply website.

3 As a result, the RFP had wide distribution throughout the New England energy supply
4 marketplace. The RFP requested fixed pricing for each month of service on an as-
5 delivered energy basis. Prices could vary by month and by service – that is, the prices
6 did not have to be uniform across the entire service period or between Granite State and
7 Mass. Electric. A copy of the RFP is provided as Schedule MMJ-1.

8
9 Q. Are the Company’s Default Service rates consistent with least cost resource planning?

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

18
19 **IV. Results of Default Service Bidding**

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

21 A. Yes. Indicative proposals were received on June 6, 2012. Final proposals were received
22 on June 13, 2012. None of the bidders made their provision of Granite State’s Default

1 Service contingent upon the provision of any other service. A summary of the RFP
2 process and bid evaluation is included in Schedule MMJ-2.

3
4 Q. How do the current futures prices for electricity and natural gas compare to the futures
5 prices at the time of the Company's December 7, 2011 and March 14, 2012 solicitations?

6 A. The futures market prices for electricity and natural gas at the time of the December 7,
7 2011 and March 14, 2012 solicitations as well as current futures market prices are shown
8 in Schedule MMJ-3. These are the two most recent solicitations for the Large Customer
9 Group.

10
11 Q. Did Granite State select any of those proposals?

12 A. Yes. Granite State evaluated the bids received and selected the supplier that: (i) provided
13 a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the credit
14 requirements described in the RFP, and (iv) passed our qualitative evaluation. On June
15 13, 2012, Granite State entered into a wholesale Transaction Confirmation with NextEra
16 Energy Power Marketing, LLC ("NextEra", formerly FPL Energy Power Marketing,
17 Inc.), the winning bidder for the Large Customer Group block, to provide Default Service
18 to the Large Customer Group for the three-month period August 1, 2012 through October
19 31, 2012. Together, a Transaction Confirmation and a Master Power Agreement provide
20 the terms for the purchase of Default Service from a supplier. A copy of the NextEra
21 Master Power Agreement was filed with the Commission on September 17, 2007 in
22 Docket DE 07-012 (Default Service proceeding). A copy of the First Amendment to the
23 Master Power Agreement was filed with the Commission on September 20, 2010 in

1 Docket DE 10-020 (Default Service proceeding). A copy of the Transaction
2 Confirmation between Granite State and NextEra, with certain confidential sections
3 redacted, is attached hereto as Schedule MMJ-4. Although the Transaction Confirmation
4 and Master Power Agreement have differences from the sample power supply agreement
5 in the Settlement Agreement approved by the Commission, the executed documents do
6 not shift any of the risks or obligations described in the sample power supply agreement
7 provided in the Settlement Agreement.

8
9 **V. Renewable Portfolio Standard**

10 Q. What is the RPS obligation for 2012?

11 A. As specified in the RPS law³, the RPS obligation for calendar year 2012 is a minimum of
12 ten and sixty-five hundredths percent (10.65%) of Granite State's Default Service load,
13 of which at least three percent (3.0%) must come from Class I New Renewable Energy
14 Resources, at least fifteen hundredths percent (0.15%) must come from Class II Solar
15 Energy Resources, at least six and one-half percent (6.5%) must come from Class III
16 Existing Renewable Energy Resources and at least one percent (1.0%) must come from
17 Class IV Existing Renewable Energy Resources.

18
19 Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS
20 rules as promulgated by the Commission?

21 A. On February 18, 2009, Granite State entered into an amended settlement agreement with
22 Commission Staff and the Office of Consumer Advocate, intended to resolve all issues

3 N.H. RSA 362-F.

1 associated with the process by which Granite State would comply with the requirements
2 of the RPS law and the Puc 2500 rules (“Amended RPS Settlement”). The Amended
3 RPS Settlement was approved by the Commission on March 23, 2009 in Order No.
4 24,953 in Docket DE 09-010. The Company may satisfy RPS obligations by providing
5 either RECs for each RPS class from the New England Power Pool Generation
6 Information System (“NEPOOL-GIS”) or by making an Alternative Compliance
7 Payment (“ACP”) to the state of New Hampshire’s Renewable Energy Fund. As
8 specified in the Amended RPS Settlement, Granite State requested bidders to provide a
9 separate RPS compliance adder with their bids. This RPS compliance adder is the
10 incremental charge by a bidder for agreeing to take on the RPS obligation with the
11 Default Service obligation.

12
13 Q. If a winning bidder’s RPS compliance adder is accepted, how would the bidder satisfy
14 the RPS obligation?

15 A. The supplier assumes the RPS obligation for its transaction when the RPS compliance
16 adder is accepted. This means that the supplier must deliver RECs to satisfy each RPS
17 class obligation to the Company’s NEPOOL-GIS account, or it must pay the Company
18 the ACP for the undelivered RECs. The quantity of RECs required is calculated by
19 multiplying the RPS obligation percentage for each REC class by the electricity sales for
20 the term of the transaction.

21
22 Q. What were the criteria Granite State used to evaluate the RPS compliance adders
23 provided by the bidders?

1 A. Granite State evaluated the winning bidder's RPS compliance adder by comparing it to
2 Granite State's estimated market prices for New Hampshire RECs. The RPS compliance
3 adder from the winning bidder for the Large Customer Group was higher than Granite
4 State's market estimate for New Hampshire RECs. As a result, Granite State rejected
5 this bidder's RPS compliance adder. Granite State plans to issue a request for proposal in
6 the future for the acquisition of RECs. If Granite State is unable to purchase sufficient
7 RECs to meet its New Hampshire RPS obligations, it will then, consistent with the RPS
8 rules, make an ACP to the state of New Hampshire's Renewable Energy Fund. The
9 bidders' RPS compliance adders can be found in Exhibit 10 of Schedule MMJ-2.

10

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

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

16

17 Q. What change to the RPS compliance adder for the Large Customer Group is the
18 Company proposing?

19 A. Effective August 1, 2012, the Company is proposing to increase the RPS compliance
20 adder for the Large Customer Group from 0.396¢ per kWh to 0.408¢ per kWh.

21

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

1 A. As shown in Schedule MMJ-5, Granite State calculated the retail RPS costs on a per
2 MWh basis. The Company divided the calculated costs by ten in order to convert from a
3 \$ per MWh retail cost to a ¢ per kWh rate for retail use.
4

5 Q. What costs did Granite State use to develop its RPS compliance adder?

6 A. The RPS compliance adder is based on the recent 2012 market prices for all REC Classes
7 provided by RECs brokers.
8

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

11 A. Granite State reconciles its costs to comply with the RPS with the revenue billed to
12 customers from the RPS compliance adder. This reconciliation occurs as part of the
13 Company's annual reconciliation which occurs in March of each year.
14

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

16 A. Yes. In the three most recent RFPs to procure Default Service before the May 11, 2012
17 RFP, the Company accepted the RPS compliance adders submitted by the winning
18 bidders of the Large Customer Group. In March of this year, Granite State issued a RFP
19 to procure RECs, to approved New Hampshire renewable generators, generators in the
20 process of applying for approval to generate New Hampshire RECs, as well as other REC
21 suppliers, for its 2011 and 2012 RPS obligations. The Company received bids for RECs
22 and contracted for Class I obligations for both years. Granite State shared the results of
23 its RFP with Staff prior to executing the REC purchase contracts. In addition, in May

1 2012, the Company accepted an unsolicited offer from a supplier for Class IV RECs and
2 shared this information with Staff prior to the purchase.

3
4 Q. When will Granite State issue the next REC request for proposal?

5 A. Granite State will issue a REC RFP within the next six months to procure RECs to satisfy
6 the 2012 RPS obligations. Granite State will attempt to procure the quantity of RECs
7 necessary to satisfy the 2012 obligations for load that will be serviced under Default
8 Service supply contracts.

9
10 **VI. Default Service Commodity Costs and Retail Rates**

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

13 A. Granite State estimates the procurement costs for Default Service at the retail customer
14 meter for each month to be as set forth in Schedule MMJ-6. The load-weighted average
15 of the power supply costs for the Large Customer Group is 4.670¢ per kWh compared to
16 the load-weighted average of 4.708¢ per kWh for the period May 2012 through July
17 2012. The power supply costs at the retail customer meter (¢ per kWh) were calculated
18 by multiplying the commodity prices at the wholesale level (\$ per MWh) by the
19 applicable loss factor and then dividing the results by ten. The applicable loss factor can
20 be found in the RFP summary in Schedule MMJ-2. The loss factor is a calculated ratio
21 of wholesale purchases to retail deliveries.

22
23 Q. What are the Default Service rates that the Company is proposing for the Large Customer

1 Group?

2 A. As presented in Schedule MMJ-6, the Company is proposing monthly Default Service
3 rates for the Large Customer Group based on the three monthly contract prices contained
4 in the supply agreement with the winning Default Service supplier for the Large
5 Customer Group. On line (6) these rates are adjusted by the currently effective Default
6 Service Adjustment Factor in accordance with the Second Revised Page 87 of Granite
7 State's tariff. On line (7) these base rates are further adjusted by the currently effective
8 Default Service Cost Reclassification Adjustment Factor to recover administrative costs
9 associated with Default Service in accordance with the Sixth Revised Page 93 of Granite
10 State's tariff. Finally, on line (8) these rates are adjusted by the proposed RPS
11 compliance adder discussed above. As displayed on line (9), the proposed base Default
12 Service rates for the Large Customer Group are 5.828¢ per kWh, 5.466¢ per kWh, and
13 5.679¢ per kWh for the months of August 2012 through October 2012, respectively.

14

15 Q. How will any difference in costs associated with Default Service be reconciled?

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

20

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

22 A. Consistent with the Commission's rules on the implementation of rate changes, the
23 Company is proposing that these Default Service rates become effective for service

1 rendered on and after August 1, 2012.

2

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

5 A. Yes. The Company has provided typical bill impacts in Schedule MMJ-7. For customers
6 in the Large Customer Group, illustrative bill impacts for the three-month period ending
7 October 2012 have a range of 0.2% to 0.3% decrease as compared to the three-month
8 period ending July 2012.

9

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

12 A. No. The Company has already submitted a revised Summary of Rates tariff page
13 reflecting proposed rates for July 1, 2012 in Docket DE 12-130. Upon receiving orders
14 in this docket and in this proceeding, the Company will file a revised Summary of Rates
15 tariff page, reflecting the appropriate approved rates.

16

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

20 A. The quarterly report of customer migration information for the 1st quarter of calendar
21 year 2012 is included as Schedule MMJ-8.

22

23

1 **VII. Conclusion**

2 Q. When will the next RFP for Default Service be issued?

3 A. The Large Customer Group rates proposed in this filing end on October 31, 2012. To
4 procure Default Service in accordance with the Settlement Agreement, an RFP for the
5 Large Customer Group and the Residential and Small Commercial Customer Group will
6 be issued in August 2012. As the Stock Sale is scheduled to be consummated in early
7 July 2012, Granite State expects to conduct the RFP for Default Service under Liberty
8 Energy's ownership with the assistance of National Grid USA in accordance with the
9 Transition Service Agreements entered into as part of the Stock Sale. For purposes of
10 notice to the Commission, the following table illustrates the proposed timeline for the
11 next RFP:

RFP	August 2012 RFP
RFP Issued	August 10, 2012
Indicative Bids Due	September 5, 2012
Final Bids Due	September 12, 2012
Contract Execution	September 13, 2012
Default Service Filing to Commission	September 18, 2012
Commission Order Needed	September 25, 2012
Service Begins	November 1, 2012

12

13

14 Q. Does this conclude your testimony?

15 A. Yes. It does.