

1 STATE OF NEW HAMPSHIRE

2 PUBLIC UTILITIES COMMISSION

3
4 **March 22, 2012** - 10:05 a.m.
5 Concord, New Hampshire

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6
7 RE: DE 12-023
8 GRANITE STATE ELECTRIC COMPANY
9 d/b/a NATIONAL GRID:
10 *Default Service for the period*
11 *May 1, 2012 through July 31, 2012*
12 *for the Large Customer Group,*
13 *and May 1, 2012 through October*
14 *31, 2012 for the Small Customer*
15 *Group.*

16
17 **PRESENT:** Chairman Amy L. Ignatius, Presiding
18 Commissioner Robert R. Scott
19 Commissioner Michael D. Harrington

20 Sandy Deno, Clerk

21
22 **APPEARANCES:** Reptg. Granite State Electric Company
23 d/b/a National Grid:
24 Jinjue Pak, Esq. (McLane, Graf...)

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Grant Siwinski, Electric Division

Court Reporter: Steven E. Patnaude, LCR No. 52

ORIGINAL

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 MARGARET M. JANZEN

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1	GSEC d/b/a National Grid Default Service filing for the period beginning May 1, 2012, including the Testimony and Schedules of Margaret M. Janzen and Scott M. McCabe (03-20-12)	5
2	CONFIDENTIAL VERSION of the GSEC d/b/a National Grid Default Service filing for the Period Beginning May 1, 2012, including the Testimony and Schedules of Margaret M. Janzen and Scott M. McCabe (03-20-12)	5

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P R O C E E D I N G

CHAIRMAN IGNATIUS: We will open the hearing in Docket DE 12-023, Granite State Electric Company, doing business as National Grid. It's the first of their 2012 Default Service Solicitation hearings for the year 2012. By the order of notice, the Commission set forth the plan for the series of RFPs that the Company would be issuing to procure Default Service supply. And, this is the first of those RFPs, scheduled to be issued on February 10th, 2012, to procure Default Service for the period beginning May 1, 2012, a solicitation of a three-month power supply for its Large Customer Group and a six-month power supply for its Small Customer Group. So, we have today one of the fast-moving dockets to review the results of the RFP and the selection of a winning bidder.

And, with that, let's take appearances please.

MR. PAK: Good morning, Commissioners. Jinjue Pak, of the McLane law firm, on behalf of Granite State Electric Company, doing business as National Grid. With me today are the Company's two witnesses, Scott McCabe and Margaret Janzen. Also present from the Company are James Ruebenacker and Mike Pini. Present from Liberty

1 Energy Utilities are John Warshaw, ChristiAne Mason, as
2 well as Meera Reynolds.

3 CHAIRMAN IGNATIUS: Good morning,
4 everyone.

5 MS. AMIDON: Good morning,
6 Commissioners. Suzanne Amidon, for Commission Staff.
7 And, with me today is Grant Siwinski, an analyst in the
8 Electric Division.

9 CHAIRMAN IGNATIUS: Thank you. Good
10 morning. We have, I understand, a Motion for Protective
11 Order filed March 20th. Is there any objection to
12 granting the motion?

13 MS. AMIDON: We have no objection. It's
14 consistent with similar motions that the Company has filed
15 in the past and that have been granted by the Commission.

16 CHAIRMAN IGNATIUS: We've reviewed it as
17 well, and it is consistent with the financial information
18 submitted with the bids, the RPS summary and RPS adder
19 calculations, and other financial matters. So, we will
20 grant the Motion for Protective Treatment.

21 Are there any procedural matters to take
22 care of before we begin with evidence?

23 MR. PAK: Yes, Chairman. The Company
24 would like to mark for identification its redacted version

1 of the Default Service filing dated March 20th, 2012, as
2 "Exhibit 1".

3 CHAIRMAN IGNATIUS: So marked.

4 (The document, as described, was
5 herewith marked as **Exhibit 1** for
6 identification.)

7 MR. PAK: The Company would also like to
8 mark for identification its confidential version of the
9 same filing as "Exhibit 2".

10 CHAIRMAN IGNATIUS: We will do so.
11 Thank you. So marked.

12 (The document, as described, was
13 herewith marked as **Exhibit 2** for
14 identification.)

15 MR. PAK: Thank you.

16 CHAIRMAN IGNATIUS: Anything else or are
17 we ready for witnesses?

18 MR. PAK: We are ready for witnesses.

19 CHAIRMAN IGNATIUS: Okay.

20 MR. PAK: The Company calls Margaret
21 Janzen and Scott McCabe to the witness stand.

22 CHAIRMAN IGNATIUS: While they're
23 getting set, Ms. Pak, is it correct that the affidavit of
24 publication has been filed with the Clerk?

[WITNESS PANEL: Janzen~McCabe]

1 MR. PAK: That is correct.

2 CHAIRMAN IGNATIUS: Thank you.

3 (Whereupon **Margaret M. Janzen** and
4 **Scott M. McCabe** were duly sworn by the
5 Court Reporter.)

6 **MARGARET M. JANZEN, SWORN**

7 **SCOTT M. McCABE, SWORN**

8 **DIRECT EXAMINATION**

9 BY MR. PAK:

10 Q. Good morning. I'll start with you, Ms. Janzen. Can
11 you please state your full name for the record?

12 A. (Janzen) Margaret Janzen.

13 Q. By whom are you employed?

14 A. (Janzen) National Grid.

15 Q. In what capacity?

16 A. (Janzen) I'm the Director of Wholesale Electric Supply.

17 Q. And, what do your job responsibilities include?

18 A. (Janzen) I oversee the procurement activities of
19 electric power for the utilities within National Grid
20 U.S.

21 Q. How long have you held your position?

22 A. (Janzen) I've had this since March 2008.

23 Q. Okay. Do you have before you what has been marked as
24 "Exhibits 1" and "2"?

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[WITNESS PANEL: Janzen~McCabe]

1 A. (Janzen) Yes, I do.

2 Q. Were the written test -- were your written testimony
3 and accompanying schedules prepared by you or under
4 your direction?

5 A. (Janzen) Yes. They were prepared under my direction.

6 Q. Do you have any corrections to your testimony or
7 schedules today?

8 A. (Janzen) No, I do not.

9 Q. If I were to ask you the questions contained in your
10 written testimony today, would your answers be the
11 same?

12 A. (Janzen) Yes, they would.

13 Q. Thank you, Ms. Janzen. Mr. McCabe, I will ask you the
14 same questions. Please state your full name for the
15 record.

16 A. (McCabe) Scott McCabe.

17 Q. By whom are you employed?

18 A. (McCabe) National Grid.

19 Q. In what capacity?

20 A. (McCabe) I am a Lead Specialist in the New England
21 Electric Pricing Group.

22 Q. What do your job responsibilities include?

23 A. (McCabe) I provide rate-related analysis for New
24 England -- for National Grid's New England retail

[WITNESS PANEL: Janzen~McCabe]

1 affiliates, including Granite State Electric.

2 Q. And, how long have you held your position?

3 A. (McCabe) Since July 2008.

4 Q. Okay. Do you have before you what has been marked as
5 "Exhibits 1" and "2"?

6 A. (McCabe) Yes, I do.

7 Q. Were your written testimony and accompanying schedules
8 prepared by you or under your direction?

9 A. (McCabe) Yes.

10 Q. Do you have any corrections to your written testimony
11 or schedules today?

12 A. (McCabe) I do not.

13 Q. If I were to ask you the questions contained in your
14 testimony today, would your answers be the same?

15 A. (McCabe) Yes.

16 MR. PAK: Thank you. The witnesses are
17 available for cross-examination.

18 CHAIRMAN IGNATIUS: Thank you.

19 Ms. Amidon.

20 MS. AMIDON: Good morning.

21 WITNESS JANZEN: Good morning.

22 **CROSS-EXAMINATION**

23 BY MS. AMIDON:

24 Q. Ms. Janzen, would you please explain the nature of this

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1 filing.

2 A. (Janzen) This filing is to describe the procurement
3 process of obtaining the Default Service for the
4 customers that take commodity from the utility, and to
5 describe the rates that are derived from those
6 procurement activities.

7 Q. And, in this solicitation, did you follow the practice
8 that the Company used in the prior Default Service
9 solicitations?

10 A. (Janzen) Yes.

11 Q. I note that, on Page 6 of your testimony, you said that
12 a separate bid was issued for the New Hampshire blocks
13 of power, as opposed to the prior practice of
14 conducting a joint solicitation with the Company's
15 affiliates. Is that correct?

16 A. (Janzen) That is correct.

17 Q. Could you please explain the rationale for conducting
18 this separate solicitation for the New Hampshire blocks
19 of power?

20 A. (Janzen) Yes. Due to the pending proposed sale of
21 Granite State to Liberty Energy Utilities, the Company
22 thought it best to have the RFP be separate, due to the
23 uncertainty of that closing date.

24 Q. And, do I understand correctly that the Company will

[WITNESS PANEL: Janzen~McCabe]

1 likely continue this practice with the next Default
2 Service solicitation?

3 A. (Janzen) The Company most likely would conduct that in
4 the same manner, separate RFPs, on or about the same
5 date as the other affiliates.

6 Q. Okay. And, do you think that soliciting the New
7 Hampshire blocks of power in this fashion affected the
8 willingness of the bidders to participate or the
9 resulting prices?

10 A. (Janzen) No. I do not.

11 Q. Okay. Thank you. In your testimony, at Page 9, you
12 state -- you mention the two contracts. And,
13 apparently, for the Large Customer Group, the Company
14 entered a transaction confirmation with Hess for the
15 three-month power block for the Large Customer Group,
16 is that correct?

17 A. (Janzen) That is correct.

18 Q. And, this is -- the transaction confirmation resulted
19 from the fact that you have an existing Master Power
20 Agreement with Hess Corporation, is that right?

21 A. (Janzen) That is correct.

22 Q. And, then, for the Small Customer Group, you selected,
23 am I going to pronounce this correctly, "Macquarie"?

24 A. (Janzen) "Macquarie".

[WITNESS PANEL: Janzen~McCabe]

1 Q. "Macquarie". And, in that instance, this is the first
2 time that Macquarie has been selected to provide a
3 block of power for the New Hampshire customers, is that
4 correct?

5 A. (Janzen) That is correct.

6 Q. And, in your testimony, you say that "the transaction
7 confirm" -- and I'm looking at Page 9, at the sentence
8 that begins on Line 11, and that sentence basically
9 says that "the Master Power Agreement has some
10 differences from the sample power supply agreement that
11 the Commission approved in the settlement agreement"
12 that set up this Default Service solicitation process.
13 Do you see where I am?

14 A. (Janzen) Yes.

15 Q. And, could you explain whether any of these changes
16 affected the typical content of the Master Supply
17 Agreement, for example, payment terms or credit
18 requirements for the Company?

19 A. (Janzen) There were some changes to the -- that were
20 negotiated with the Master Power -- in the Master Power
21 Agreement with Macquarie, but they did not shift any of
22 the risks. Those were more of a business nature and
23 non-material to shift any risks or obligations under
24 the agreement.

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[WITNESS PANEL: Janzen~McCabe]

1 Q. Were there any unusual payment terms, for example, to
2 pay within a shorter period of time than contemplated
3 by the Master Power Agreement?

4 A. (Janzen) There are, at times that we make those
5 adjustments with Macquarie, we did make that -- we did
6 make some adjustments as compared to the sample
7 agreement.

8 Q. So, the payment terms were changed in the negotiation
9 with Macquarie?

10 A. (Janzen) They were.

11 Q. Okay. And, how about the credit requirements for the
12 Company?

13 A. (Janzen) Yes. Those are specific, too, to the company,
14 Macquarie, so they would have to be set and set with
15 them individually.

16 Q. I guess I was more interested in whether Macquarie had
17 unusual credit requirements of National Grid in the
18 execution of this contract?

19 A. (Janzen) No. National Grid would not consider the
20 credit requirements in any way unusual.

21 Q. Okay. I wanted to next address the replacement of the
22 Tewksbury meter, which I believe is Bates stamp 14 of
23 your testimony. Let me see if I'm correct there. It
24 doesn't -- well, the replacement of the Tewksbury meter

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[WITNESS PANEL: Janzen~McCabe]

1 is implicated on this page because you have changed the
2 loss factor applicable to both customer groups, is that
3 correct?

4 A. (Janzen) That is correct.

5 Q. And, you used a three-month time period, instead of a
6 twelve-month time period, in calculating these factors,
7 is that correct?

8 A. (Janzen) Yes. That is correct.

9 Q. Could you explain why you used a three-month period,
10 instead of a customary twelve-month period?

11 A. (Janzen) Yes. The Company completed the replacement of
12 the meter at the Tewksbury in November. So, the
13 Company proceeded to obtain new data for the December
14 through February time period. So, that three-month
15 period of the -- of coming out from the upgraded
16 measurement, we were able to -- we now had three
17 months' worth of data that indicated the measurements
18 at the wholesale/retail level, and the Company used the
19 three months that were available since that time period
20 for the loss factor calculations.

21 Q. And, based on the measurements that you have observed
22 at this new meter, the loss factors for both the Large
23 and Small Customer Groups are higher than they have
24 been historically in this filing, is that correct?

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[WITNESS PANEL: Janzen~McCabe]

1 A. (Janzen) That is correct.

2 Q. Do you anticipate that there will be any decline in
3 these factors when you look at a full twelve-month
4 period of data? Or, do you expect to see relatively
5 the same change that you experienced in the first three
6 months of the meter being in place?

7 A. (Janzen) We -- typically, loss factors tend to be
8 relatively stable.

9 Q. And, am I correct in stating that the Company does not
10 plan to make any retroactive adjustments in customer
11 rates based on the replacement of the Tewksbury meter?

12 A. (Janzen) That's correct.

13 Q. Okay. Thank you. And, Mr. McCabe, it wouldn't be fair
14 if I didn't have a few questions for you. Good
15 morning.

16 A. (McCabe) Good morning.

17 Q. Would you please briefly describe for the Commissioners
18 the change in the Default Service rate for both the
19 Large and Small Customer Group based on this
20 solicitation.

21 A. (McCabe) Certainly. If you could please turn to my
22 testimony, on Bates stamp Page 139. The proposed
23 Default Service rates for both the Residential and
24 Small C&I Customer Group, also known as the "Small

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[WITNESS PANEL: Janzen~McCabe]

1 Customer Group", and the Medium and Large C&I Customer
2 Group, also known as the "Large Customer Group", are
3 displayed. The proposed Default Service rate for our
4 Small Customer Group is 5.884 cents per kilowatt-hour.
5 This is a decrease from the current rate of 7.746 cents
6 per kilowatt-hour. The rate proposed for the Large
7 Customer Group are monthly, are variable. And, for the
8 month of -- excuse me, for the month of May, the rate
9 -- proposed rate is 5.372; for the month of June, the
10 proposed rate is 5.473; and, for the month of July, the
11 rate is 6.145.

12 For comparison purposes, we typically
13 look at comparing the weighted average rate, which is
14 actually a rate that's not charged to customers, but,
15 again, for comparison purposes, we look at the -- we
16 have to know the weighted average rate for the Large
17 Customer Group. And, the rates -- the weighted average
18 rate for the Large Customer Group, for the period
19 February through April of 2012, was 6.662, and the
20 weighted average rate for the current three-month
21 period being proposed for May through July is 5.685.
22 And, these are the rates that are used in the typical
23 bill comparison, which is provided in my Schedule
24 SMM-10.

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[WITNESS PANEL: Janzen~McCabe]

1 Q. And, if the Commission wanted to see what the
2 percentage reductions in typical customer bills would
3 be, what exhibit would they find this information?

4 A. (McCabe) They would find the typical bill impacts for
5 the various rate classes of the Company are found in
6 Exhibit SMM-10.

7 Q. Thank you.

8 A. (McCabe) You're welcome.

9 Q. There was one number in one of the exhibits that I just
10 wanted to make sure I understood correctly. In
11 Schedule SMM-4, which is the "Renewable Portfolio
12 Standard Reconciliation", at Bates stamp 163, there is
13 a number of columns that are identified by letters in
14 parentheses. And, at (c), there's a one-time
15 adjustment in July 2011 of "\$229,591". Are you there,
16 Mr. McCabe?

17 A. (McCabe) Yes. Yes, I am.

18 Q. I can assume that that might be ACP payments, but I
19 would like to find out from the Company what is
20 represented by this amount?

21 A. (McCabe) Each year the Company provides a
22 reconciliation of costs that are incurred for the
23 period January through December, because the costs --
24 because the period for -- that we collect our RPS

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[WITNESS PANEL: Janzen~McCabe]

1 revenues for a specific compliance year run from
2 January through December, but we also provide a
3 projection of what the costs would be to meet the
4 compliance for that specific compliance year. And, so,
5 each year, and this year you can see that we provided
6 an estimate of approximately \$1.5 million of expenses
7 that have yet to be incurred. When we provided an
8 estimate in a previous docket, we had provided a
9 similar estimate. And, in last year's docket for
10 Default Service, we had provided a true-up of that
11 estimate. And, when we provided the true-up of that
12 estimate, and there was kind of an equivalent
13 adjustment shown in the month of -- it would have been,
14 I believe, July 2010, we provided a true-up, and I
15 believe it was approximately a credit of \$286,000.
16 Unfortunately, there was an invoice that was not
17 included in that true-up, which came to light after the
18 filing was made, and so that the invoice was for
19 approximately \$225,000. So, the bulk of the adjustment
20 that is in July 2011 is just recognition of an invoice
21 that should have been included in the true-up in the
22 filing last year.

23 Q. Okay. That's very helpful. With respect to developing
24 the RPS adder, could you -- am I correct that, if I

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[WITNESS PANEL: Janzen~McCabe]

1 look at the confidential version of the filing at Bates
2 stamp 57, that shows the calculation of -- I should
3 say, that shows the estimated cost of compliance with
4 New Hampshire RPS that have resulted in the development
5 of an RPS adder, is that correct? And, I don't know if
6 this is a question for you or for Ms. Janzen.

7 A. (Janzen) Yes. That is the -- that's reflecting --
8 sorry, the Schedule MMJ-2 would --

9 Q. Thank you.

10 A. (Janzen) -- in Exhibit 11 is an indication of what the
11 market costs are for the RPS compliance for 2012.

12 Q. And, so, to derive the RPS adder, the Company used
13 market prices or did you use broker quotes or actual
14 purchases? How was this -- how were these numbers
15 derived?

16 A. (Janzen) This market number is derived from any and the
17 most available and the most accurate information that
18 the Company would have, which would include the most
19 recent RFP, and it may also include broker quotes.

20 Q. And, in your testimony, Ms. Janzen, and I don't have
21 the page number, but you can correct me if I'm wrong, I
22 understand that one of the reasons that the RPS adder
23 is going up is the increase in the cost of Class I
24 RECs?

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1 A. (Janzen) That is correct.

2 Q. Could you explain what is happening in the New England
3 region with Class I RECs generally that have led to
4 this increased cost?

5 A. (Janzen) There clearly has been an increase in the
6 price, purchase price of a Class I REC. And, this is a
7 regional impact. The most recent NEPOOL GIS, Generator
8 Information System, reports indicates a decline in
9 generation year over year for the ISO-New England
10 region. So, we see a decline in supply of the
11 available RECs that could be potentially sold through
12 the RPS.

13 Q. And, for 2012, is the New Hampshire requirement
14 increasing for Class I RECs?

15 A. (Janzen) It is.

16 Q. And, is that happening in other states as well?

17 A. (Janzen) It is. That, also, that one percent increase
18 is widespread throughout the region.

19 Q. Okay. Thank you. I also recall from your testimony
20 that, as the Company has done in the past, you
21 solicited with the solicitation for power RPS
22 compliance from any willing bidders, is that correct?

23 A. (Janzen) That is correct.

24 Q. And, do I understand correctly that Hess provided an

[WITNESS PANEL: Janzen~McCabe]

1 RPS adder that was acceptable to the Company?

2 A. (Janzen) They did. They were the winning bidder for
3 the Default Service, and they did provide an RPS
4 compliance adder, which was at or below market, and the
5 Company did accept it for the Large Customer Group.

6 Q. So, for the Large Customer Group, is it fair to say
7 that the RPS adder is based on the bid that was
8 accepted from Hess?

9 A. (Janzen) Yes.

10 MS. AMIDON: Okay. Thank you. One
11 moment please.

12 (Atty. Amidon conferring with Mr.
13 Siwinski.)

14 MS. AMIDON: We have no further
15 questions. Oh, I'm sorry. Of course, I think of one more
16 after I say that.

17 BY MS. AMIDON:

18 Q. If we look at Page 45, Ms. Janzen, of the confidential
19 filing, Exhibit 2, is it fair to say -- tell me when
20 you're there please.

21 A. (Janzen) Sorry, that was --

22 Q. Page 45.

23 A. (Janzen) Page 45. Yes.

24 Q. And, there's a numerical numbering of paragraphs, and

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1 number 6 says "Final Bids". So, is it fair to say that
2 that is the number of final bids you received for the
3 New Hampshire blocks?

4 A. (Janzen) That is. Yes. That is correct.

5 Q. And, Block A, as we go down that paragraph, there is a
6 small graph that says "Block A". Could you explain
7 what "Block A" and "Block B" is in that little graph?

8 A. (Janzen) Sure. "Block A" would be the number of
9 bidders that have participated in the Large Customer
10 Group block, and "Block B" would be the Small Customer
11 Group block.

12 MS. AMIDON: Thank you. And, now I've
13 concluded my questions. Thank you, madam Chairman.

14 CHAIRMAN IGNATIUS: Thank you.
15 Commissioner Harrington.

16 CMSR. HARRINGTON: Yes. Just a few
17 questions.

18 BY CMSR. HARRINGTON:

19 Q. You kind of followed up on some of the costs for the
20 RECs, I'm just trying to make sure I got this straight.
21 If you go to, well, I guess Page 133 of Exhibit 1. It
22 says "Renewable Portfolio Standard Compliance Adders",
23 and then it lists a little chart there that says
24 "2012", and it has "ACP" on one side and "Market" on

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1 the other. Are you there? I'm trying to determine
2 what this chart implies. And, it looks like, down at
3 the very bottom section, under Line 5 under Section 5,
4 the adder to be added, to be included in retail rates,
5 in dollars per kilowatt-hour, that "\$0.00452", is that
6 -- is that actually the adder that's included in the
7 retail rates? Or, --

8 A. (Janzen) The number "0.00452" would have been the
9 weighted cost for the RPS compliance across all the
10 classes at the ACP. But, however, the Company, in the
11 next column, which is marked "confidential", has
12 determined there the -- what the market price would be.

13 Q. Excuse me, the next column? Okay.

14 A. (Janzen) Yes.

15 Q. So, that's the one that's lined out.

16 A. (Janzen) Right.

17 Q. Now, this is showing -- now, is there an equivalent
18 column to this in the confidential one, as I'm assuming
19 there is?

20 A. (Janzen) There is, yes.

21 Q. Okay. Let me just go to that one. Is the pagination
22 the same? Are we that lucky? Well, hopefully, it's
23 133 of the confidential one.

24 CMSR. SCOTT: It's the same.

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1 BY CMSR. HARRINGTON:

2 Q. Okay. So, comparing these two, without getting into
3 the actual figures, on 133, in Exhibit 2, the left
4 column is what would be paid if the ACP or the maximum
5 were paid, and the right is what you were able to
6 procure them in in the marketplace. So, going down
7 again to Section 5, Line 5, the redacted price that
8 goes under "Market" is the actual cost that was added
9 to comply with the alternate -- to the Renewable
10 Portfolio Standard?

11 A. (Janzen) Correct. This is what we are projecting as
12 what the Company will be able to buy the RECs at. And,
13 I should clarify that this adder is the same for both
14 groups, actually. So, I misspoke earlier, that the RFP
15 results, this adder is used -- sorry. That the results
16 from this solicitation for full requirements, this was
17 established for both groups. So, it indicates what the
18 broker sheets -- we set the RPS adder at what we were
19 able to see as available market information from the
20 broker sheets for both.

21 Q. Okay. I think, going to Page 12, I think we can use
22 the non-confidential version for this, I think, in some
23 ways, you've addressed my next question. And, looking
24 at the middle of the page, there's a question on "what

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1 changes to the RPS compliance...for the Small Customer
2 Group and the Large Customer Group...?" The resulting
3 prices are now the same. And, I guess I'm trying to
4 figure out, these numbers seem to be different. So,
5 I'm a little confused. It's also proposing to increase
6 the RPS compliance, for example, in the Small Customer
7 Group, from 0.262 cents per kilowatt-hour to 0.396.
8 How does that relate to the number we just were looking
9 at on Page 133? And, this seems substantially -- well,
10 I guess I can't say that, but it's different.

11 (Witnesses conferring.)

12 **BY THE WITNESS:**

13 A. (Janzen) The figure "0.396" was the RPS adder that we
14 had received in the RPS compliance adder. And, that
15 was the figure that was used to increase it for both
16 groups.

17 BY CMSR. HARRINGTON:

18 Q. I guess I'm just not following your logic, because, I
19 mean, it's probably because I don't understand the
20 terminology. I'm looking at Page 133, there's a
21 particular number that says "Renewable Portfolio
22 Standard Adder to be included in Retail Rates in
23 dollars per kilowatt-hour". That different -- that
24 number is different than the one that appears on Page

[WITNESS PANEL: Janzen~McCabe]

1 12, which is -- well, we can say that this one, I
2 guess, "0.396 cents per kilowatt-hour". And, this is
3 called the "RPS Compliance Adder". I'm not quite sure
4 what -- how that's different than the "Renewable
5 Portfolio Standard Adder"?

6 MR. PAK: Commissioner Harrington, if I
7 may?

8 CHAIRMAN IGNATIUS: Please.

9 MR. PAK: I think that the "0.396"
10 figure, I believe, Ms. Janzen, can you explain whether or
11 not that reflects the market REC prices or the winning
12 compliance adder submitted by Hess Corporation for the
13 Large Customer Group and the interplay between that
14 winning figure and the market REC prices that the Company
15 uses for comparison?

16 WITNESS JANZEN: Yes. The "0.396" was
17 what the Company had received from Hess as the -- for
18 compliance on the Large Group.

19 BY CMSR. HARRINGTON:

20 Q. Okay. You received that, but then you just stated that
21 what was being added to both groups, Large and Small,
22 was what appears on Page 133 of the confidential one,
23 under Section 5, Line 5, under "Renewable Portfolio
24 Standard Adder to be included in Retail Rates", and

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1 that number is not "0.396 per kilowatt-hour"?

2 A. (Janzen) I'm sorry, I misspoke. That this was the --
3 that the number that's reflected on Page 133 was the
4 number that was used to establish what a market was, so
5 the Company would be able to make a comparison to
6 determine whether they should award that RPS compliance
7 adder. So, this -- this was used to establish a market
8 to make the comparison.

9 Q. Okay. So, you did -- let me see if I got this straight
10 then. 133 represents an analysis the Company performed
11 based on the ACP, which is, obviously, known numbers,
12 because their part of the state laws, and an analysis
13 of what you thought RECs could be purchased for. And,
14 you came up with the number that appears on Page 133,
15 as a reference point, I guess, towards determining what
16 would happen. And, what you're saying is that, in
17 actuality, the people that bid came in with a different
18 number, which is the one that appears on Page 12?

19 A. (Janzen) Yes.

20 Q. Okay. So, the actual cost that's going to be included
21 in the rate for compliance with the RPS will be the
22 0.396 for both Large and Small?

23 A. (Janzen) That is correct.

24 Q. Okay. All right. That helps a little bit.

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1 A. (McCabe) Excuse me, Mr. Commissioner? I could just,
2 just to verify that, I could point to a page in my
3 testimony.

4 Q. Yes.

5 A. (McCabe) Which is a page that I had referred to
6 previously, and it's Bates stamp Page 139. There's a
7 table on that, top of that page, in the fourth row down
8 there's a "Renewable Portfolio Standard (RPS) Adder"
9 column.

10 Q. Okay.

11 A. (McCabe) And, you can see that "0.396" --

12 Q. Yes, I was just trying to figure out how the two
13 related --

14 A. (McCabe) I can understand the confusion, but I just
15 wanted just to verify that.

16 Q. All right. So, it's 0.396 for everybody everywhere?

17 A. (McCabe) That's correct.

18 Q. All right. Thank you.

19 CHAIRMAN IGNATIUS: Let me ask a
20 question before we go off that topic.

21 BY CHAIRMAN IGNATIUS:

22 Q. I think I -- I had always assumed, and sounds like I've
23 had it wrong, that the RPS adder was something that was
24 established not by each -- by the winning bidder, but

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[WITNESS PANEL: Janzen~McCabe]

1 by the Company, and that's why it was uniform across
2 different suppliers. It seems odd that you would have
3 a number that would come to the exact same number out
4 three decimal points over two different suppliers. So,
5 are these, in fact, numbers that were -- the RPS adder
6 were numbers submitted by the two winning bidders, or
7 were they numbers that you've calculated are an
8 appropriate adder for all of the supply that these two
9 bidders will be covering?

10 A. (Janzen) We did not receive an RPS adder bid for the
11 Small Group. We only had one for the Large. And, that
12 being the most recent point of market information was
13 why the Company decided to establish it as the RPS
14 adder for both groups, in the absence of having one.

15 CHAIRMAN IGNATIUS: And, I'm sure you
16 said that and it just went right by me. So, thank you.
17 That's clear now.

18 CMSR. HARRINGTON: Well, if it's any
19 help, I had -- that was going to be my next question. So,
20 maybe there's multiple confused Commissioners here.

21 BY CMSR. HARRINGTON:

22 Q. Just before we leave that subject, going -- looking at
23 what was the previous for the Small Customer Group of
24 2.62, that's a pretty hefty increase there. It's

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[WITNESS PANEL: Janzen~McCabe]

1 around 50 percent. And, you had mentioned that Class I
2 RECs costs are going up due to (1) the increase in the
3 RPS, which I think is pretty straightforward. You also
4 mentioned the decline in I guess we call it "Class I
5 generation". What specific -- do you know what
6 specific types of generation we're having less of?

7 A. (Janzen) Well, specifically, the types of qualifying
8 facilities that would meet the Class I, with the
9 decline in energy prices, certain generators may not be
10 receiving enough income to offset their operating
11 costs. And, if they had some of those costs based on
12 liquid fuels, which have not come down as far as
13 natural gas and power have, it's possible that some
14 generators could decide not to run.

15 Q. I guess you spiked my curiosity, I guess, because I
16 would think we've added, for example, some new wind
17 generation. And, even though the cost that they get
18 for their energy has come down substantially because of
19 the price of natural gas, wind, for instance, doesn't
20 have any day-to-day fuel costs, so they're going to be
21 bidding at zero anyways. So, I don't see any change
22 there. And, I would assume the same applies to solar.
23 So, what particular -- is there a particular type of
24 resource that's --

[WITNESS PANEL: Janzen~McCabe]

1 A. (Janzen) Technologies such as biomass would be very
2 dependent --

3 Q. Okay.

4 A. (Janzen) -- on liquid fuels for their operations, just
5 the nature of how they produce the power.

6 Q. When you say "dependent on liquid fuels", you mean
7 because of the wood -- I'm not quite sure what you're
8 talking about --

9 A. (Janzen) For instance, biomass plants would have to
10 truck, use trucking to bring in the materials --

11 Q. Oh, I see.

12 A. (Janzen) -- in order to get it into the facility, and
13 then burn it to produce the power. So, to the extent
14 that that may be a significant part of their operating
15 expenses, they --

16 Q. So, to put it short then, you're saying their costs to
17 acquire fuel go up and the revenues they get go down,
18 so they, in effect, may be simply running less hours,
19 because they just don't clear the market as often?

20 A. (Janzen) Exactly.

21 Q. Okay. That's what I was trying to get at then. Okay.
22 So, that helps quite a bit.

23 The other questions I wanted to ask you,
24 and I'm sure it's in here someplace, but, to tell you

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[WITNESS PANEL: Janzen~McCabe]

1 the truth, I haven't read all, whatever how many
2 hundreds of pages this is. But have -- I guess two
3 areas. The first one is, you, like all utilities, have
4 a voluntary renewable power option. And, can you
5 direct me to where I find the figures for how many
6 people signed up for that? Is that in your filing?

7 A. (Janzen) It's not actually in this particular filing.
8 That program is known as our "GreenUp Program". And,
9 that is something that the Company had worked with the
10 Staff and the Commission to implement that program.

11 Q. But, I'm just saying, those figures are available on
12 your website or something or Staff has them or --

13 MS. AMIDON: If I may, Commissioner
14 Harrington?

15 CMSR. HARRINGTON: Sure.

16 MS. AMIDON: Pursuant to discussions at
17 a technical session with Staff and the OCA, National Grid,
18 Public Service Company of New Hampshire, and Unitil submit
19 quarterly reports which indicate what their RSO
20 participation is.

21 National Grid's program is different, in
22 the sense that it's basically a referral program. So,
23 it's a little bit different, and I don't know how --

24 CMSR. HARRINGTON: Well, I'll just take

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[WITNESS PANEL: Janzen~McCabe]

1 that up with you after the hearing then, thank you, to
2 address that.

3 BY CMSR. HARRINGTON:

4 Q. Oh, the last question is, this is a fairly substantial
5 decrease in energy rates. How do you perceive this to
6 affect migration? Or, presumably, it's not going to
7 increase the people that would leave for competitive
8 suppliers. Do you think you'll be bringing people
9 back?

10 A. (Janzen) We've not seen a -- we do have, in actually
11 SMM-12, a "Quarterly Customer Migration Report". And,
12 if you see that there's three months there, the levels
13 are stable, rather relatively flat, with regards to
14 migration levels. So, there seems not to be much of a
15 migration from the customer groups.

16 Q. Okay. So, you don't anticipate that. I was just
17 wondering if you were anticipating having some
18 customers come back because of the new lower prices?
19 If you don't know, that's a fair enough answer.

20 A. (Janzen) Yes. It's hard to say that.

21 CMSR. HARRINGTON: Thank you. That's
22 all the questions I have.

23 CHAIRMAN IGNATIUS: Thank you.

24 Commissioner Scott.

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[WITNESS PANEL: Janzen~McCabe]

1 CMSR. SCOTT: Yes. Good morning.

2 BY CMSR. SCOTT:

3 Q. Earlier, Mr. McCabe mentioned different actions taken
4 because of the potential purchase. I was curious if
5 you could outline, was this solicitation any -- did you
6 do anything different in this solicitation than in the
7 past, because of potential of a purchase?

8 A. (Janzen) We did not differ in anything in terms of the
9 procurement process. The only difference was the RFP
10 document was separate. They were both distributed on
11 the same day, and the bids were both received back on
12 the same day, but the suppliers would have just
13 received both of those documents. But, otherwise,
14 everything else was the same as previous solicitations.

15 Q. That's helpful. And, this is more for my education, I
16 think. So, per the Settlement Agreement, you've been
17 doing three-month solicitations for the Large and six
18 for the Small?

19 A. (Janzen) That's correct.

20 Q. And, that's both per the Settlement Agreement?

21 A. (Janzen) Yes.

22 Q. Are you finding that effective, those blocks of time,
23 to use those?

24 A. (Janzen) It is effective, in that we receive a

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1 substantial number of bidders to conduct a better
2 solicitation. So that, yes, that seems to work.

3 CMSR. SCOTT: Okay. Thank you.

4 CHAIRMAN IGNATIUS: Thank you. What's
5 the deadline that an order will be needed under the
6 Settlement Agreement terms? Ms. Pak, if you know?

7 MR. PAK: Yes. The deadline for the
8 order on the Default Service would be filed by March 27th.

9 CHAIRMAN IGNATIUS: Thank you. All
10 right. I think no other questions here. Any redirect?
11 I'm sorry. Commissioner Harrington.

12 CMSR. HARRINGTON: I'm sorry, just one
13 other question.

14 BY CMSR. HARRINGTON:

15 Q. And, I forgot to mark the page, the chart that had the
16 proposed rates on it, that we went back to find the
17 396, you had mentioned that. Was it 133?

18 MS. AMIDON: If I may? Page 139.

19 CMSR. HARRINGTON: Yes. Thank you. I
20 got it. That's what I want. Great.

21 CHAIRMAN IGNATIUS: He's going to take
22 it home and savor it tonight, some extra reading, I think.
23 All right. Ms. Pak, any redirect?

24 MR. PAK: I have nothing.

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1 CHAIRMAN IGNATIUS: All right. Unless
2 there's anything further, I think the witnesses are
3 excused. Thank you very much.

4 Any objection to striking the
5 identification on the exhibits and making them full
6 exhibits?

7 (No verbal response)

8 CHAIRMAN IGNATIUS: Seeing none, we'll
9 do that. And, opportunity for closings. Ms. Amidon.

10 MS. AMIDON: Thank you. Staff has
11 reviewed this filing, and has determined that the
12 solicitation, the bid evaluation and the selection of a
13 winning bidder is a practice consistent with the process
14 approved by the Commission in Order Number 24,577, in
15 Docket Number 05-126, which governs National Grid's
16 procurement for Default Service. We believe that the
17 resulting bids are market-based and recommend that the
18 Commission approve the Petition.

19 CHAIRMAN IGNATIUS: Thank you. Ms. Pak.

20 MR. PAK: Thank you, Chairman. The
21 Company requests that the Commission approve the Default
22 Service rates for both the Large and Small Customer Groups
23 for the period beginning May 1st, 2012. As demonstrated
24 by the Company's Default Service filing, as well as the

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1 testimony given today, the Company's solicitation was in
2 accordance with the process approved by the Commission, as
3 mentioned by Attorney Amidon, in Order Number 24,577. The
4 proposed Default Service rates were developed through a
5 competitive process, as indicated by the witnesses today.
6 They were widely -- the requests for proposals were widely
7 distributed, the bids were evaluated and selected based on
8 price, as well as qualitative figures -- factors. As
9 such, the Company would request that the Commission
10 approve these rates, and also approve the Motion for
11 Confidential Treatment, which the Commission already did.
12 Thank you.

13 CHAIRMAN IGNATIUS: Thank you. If
14 there's nothing further, then we'll take this under
15 advisement, and expect an order by the date of the 27th.
16 Thank you. We stand adjourned.

17 (Whereupon the hearing ended at 10:50
18 a.m.)
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