

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

June 21, 2012 - 10:07 a.m.
Concord, New Hampshire

REDACTED
FOR PUBLIC USE

NHPUC OCT12'12 PM 3:35

RE: DE 12-023
GRANITE STATE ELECTRIC COMPANY
d/b/a NATIONAL GRID:
*Default Service for the period
August 1, 2012 through October 31, 2012
for the Large Customer Group.*

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Sandy Deno, Clerk

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

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
George R. McCluskey, Electric Division

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

ORIGINAL

I N D E X

PAGE NO.

WITNESS: MARGARET M. JANZEN

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3	Default Service filing for the Period Beginning August 1, 2012, including the Testimony and Schedules of Margaret M. Janzen (06-19-12) <i>(Confidential version)</i>	4
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1 P R O C E E D I N G

2 CHAIRMAN IGNATIUS: I'd like to open the
3 hearing in Docket DE 12-023, which is Granite State
4 Electric Company's Petition for Approval of Default
5 Service Rates for its Large and Medium Commercial and
6 Industrial Customer Group. On June 19th, 2012, Granite
7 State Electric filed a proposal for those rates for the
8 period beginning on October -- excuse me, August 1, 2012
9 through October 31, 2012. And, on June 20th, we issued a
10 letter scheduling a hearing for this morning.

11 So, let's begin taking appearances.

12 MS. PAK: Good morning, Commissioners.
13 Jinjue Pak, of the McLane law firm, on behalf of Granite
14 State Electric Company, doing business as National Grid.
15 With me today is the Company's witness, Margaret Janzen.
16 Also present from National Grid is James Ruebenacker.
17 Thank you.

18 CHAIRMAN IGNATIUS: Good morning.

19 MS. AMIDON: Good morning,
20 Commissioners. Suzanne Amidon, for Commission Staff.
21 With me today is George McCluskey, an analyst with the
22 Electric Division.

23 CHAIRMAN IGNATIUS: Good morning. Is
24 there any procedural matters to attend to before we begin?

1 MS. PAK: Yes. Thank you, Chairman. As
2 a preliminary matter, the Company would like to mark for
3 identification its Default Service filing, the
4 confidential version, dated June 19th, 2012, as "Exhibit
5 3". This is the document with the red cover. The Company
6 would also like to mark for identification its redacted
7 version of the filing, also dated June 19, 2012, as
8 "Exhibit 4".

9 CHAIRMAN IGNATIUS: So marked for
10 identification.

11 (The documents, as described, were
12 herewith marked as **Exhibit 3** and
13 **Exhibit 4**, respectively, for
14 identification.)

15 CHAIRMAN IGNATIUS: Thank you. And,
16 also, I note that the filing was made with certain
17 information marked "confidential" that's in Exhibit 3
18 under our new rules, which doesn't require a motion for
19 protective order. And, we've received no request that it
20 be treated otherwise. So, we will be mindful that there
21 is confidential information. And, if need be, work with
22 the stenographer to protect certain information in the
23 record.

24 If there's nothing else, Ms. Pak, you

[WITNESS: Janzen]

1 may call Ms. Janzen.

2 MS. PAK: Thank you. The Company calls
3 Margaret Janzen.

4 (Whereupon **Margaret M. Janzen** was duly
5 sworn by the Court Reporter.)

6 **MARGARET M. JANZEN, SWORN**

7 **DIRECT EXAMINATION**

8 BY MS. PAK:

9 Q. Ms. Janzen, please state your full name for the record.

10 A. My name is Margaret Janzen.

11 Q. By whom are you employed?

12 A. I am employed by National Grid USA.

13 Q. In what capacity?

14 A. I am the Director of Wholesale Electric Supply.

15 Q. And, what are your job responsibilities?

16 A. I oversee the procurement of electric service for
17 Granite State Electric and other affiliates of National
18 Grid USA.

19 Q. How long have you held your position at National Grid?

20 A. I've had that position since March of 2008.

21 Q. Thank you. Do you have before you what have been
22 marked as "Exhibits 3" and "4"?

23 A. Yes, I do.

24 Q. Are you familiar with these Exhibits?

{DE 12-023} [REDACTED - FOR PUBLIC USE] {06-21-12}

[WITNESS: Janzen]

1 A. Yes.

2 Q. Were the prefiled testimony and accompanying schedules
3 in Exhibits 3 and 4 prepared by you or under your
4 direction?

5 A. Yes, they were.

6 Q. And, do you have any corrections to Exhibits 3 or 4?

7 A. No, I do not.

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

11 A. Yes, they would.

12 Q. Ms. Janzen, can you please summarize the Default
13 Service procurement process for the Company's Large
14 Customer Group covered by its filing?

15 A. Yes. The Company issued a request for proposals for
16 pricing of the Default Service for the Large Group. We
17 issued a RFP notice to 25 suppliers active in this
18 arena. We also distributed to the NEPOOL Participants
19 Committee, and had it posted on our Energy Supply
20 website so it could have a broad distribution. We
21 conducted the bids, received indicative bids, and then
22 final bids. We were able to evaluate those bids, and
23 make a determination of which one met the RFP
24 requirements and had the lowest price, and we -- were

{DE 12-023} [REDACTED - FOR PUBLIC USE] {06-21-12}

[WITNESS: Janzen]

1 then awarded that contract for the Large Group.

2 Q. And, was this procurement process consistent with the
3 Company's prior procurements for Default Service?

4 A. Yes, it was.

5 MS. PAK: Thank you. The witness is
6 available for cross-examination.

7 CHAIRMAN IGNATIUS: Thank you.

8 Ms. Amidon.

9 MS. AMIDON: Thank you. Good morning.

10 WITNESS JANZEN: Good morning.

11 **CROSS-EXAMINATION**

12 BY MS. AMIDON:

13 Q. I want to begin with Exhibit 3.

14 MS. AMIDON: And, may I ask, is the
15 gentleman in the back of the room with Liberty?

16 MR. DeBRUIN: Yes. I'm with Liberty.

17 MS. AMIDON: Okay. If, in the event
18 that confidential information is discussed at hearing, I
19 realize that the Company can work with the court reporter,
20 but I just wanted to inquire whether there were any issues
21 with discussing these with Mr. -- I'm sorry, I don't --

22 MR. DeBRUIN: It's Mr. DeBruin, Martin
23 DeBruin.

24 MS. AMIDON: -- DeBruin. Is there an

[WITNESS: Janzen]

1 issue with that or --

2 MS. PAK: I think that, until the
3 closing, we have kept the materials confidential from
4 Liberty. So, I guess, maybe for certain segments of the
5 hearing, perhaps we can ask --

6 MS. AMIDON: I think I can proceed with
7 my cross without discussing the confidential materials. I
8 believe Mr. McCluskey does have some questions where I
9 will leave it to the Company to determine whether or not
10 the Liberty representative should stay in the room. But I
11 just wanted to sort of clarify that before I proceeded.

12 CHAIRMAN IGNATIUS: All right. And, I
13 think it sounds as though there's an understanding from
14 National Grid that certain confidential information is all
15 right and certain confidential information is not all
16 right for Liberty to hear, is that correct? Or, is it a
17 blanket rule?

18 MS. PAK: That is correct, Chairman. It
19 would just be the wholesale purchase prices that we would
20 need to keep confidential.

21 CHAIRMAN IGNATIUS: All right. Thank
22 you. Then, to the extent we can group those questions
23 into a segment and not have them skip in and out, that
24 will make it easier.

[WITNESS: Janzen]

1 MS. AMIDON: Okay. Thank you.

2 BY MS. AMIDON:

3 Q. I wanted to begin with a question on Page 44 of the
4 confidential filing, which is marked as "Exhibit 3".
5 And, if you look at Item Number 4 at the top of the
6 page, it has -- states "Indicative Bids", and it
7 identifies the number of bidders that from whom you
8 received indicative bids, is that correct?

9 A. That is correct.

10 Q. And, did you receive final bids from each of these
11 bidders?

12 A. We had a slight difference in the final bidders as
13 compared to who participated in the indicative bids.
14 And, in speaking with the supplier, we understood there
15 was a business logistical matter that was -- that
16 caused the difference.

17 Q. And, so, if I look at Page 51, which shows the
18 comparison of the prices that you received in response
19 to the bids, it shows the actual number of participants
20 in the final bid, is that correct?

21 A. Yes. That is correct.

22 Q. Okay. Thank you. And, I just wanted to review this
23 for purposes of making sure the Commission sees this
24 information. On Page 67 of Exhibit 3, the Company has

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[WITNESS: Janzen]

1 depicted the price estimates related to its calculation
2 of the RPS or the Renewable Portfolio Standard
3 Compliance Adder, is that correct?

4 A. Yes. That is correct.

5 Q. And, could you explain what you mean in the heading of
6 the row that says, for example, in number 3, where it
7 says "Incremental Cost - dollars per megawatt-hour",
8 could you explain what that calculation is?

9 A. I'll take it with Section 1, which is indicative of all
10 the four classes.

11 Q. Okay.

12 A. But, for the Class I, the third line, the "Incremental
13 Cost - dollar per megawatt-hour", is actually the
14 product of the lines number (2) and (3). The first
15 line is the ACP, the Alternative Compliance Payment
16 market price, which is then multiplied by the renewable
17 energy resource obligation percentage for that
18 particular class, and that helps us derive a weighted
19 cost, so that the incremental cost is the unitized
20 dollar per megawatt-hour cost that reflects the
21 weighted cost of that Class I.

22 Q. Right. And, so, what -- and, correct me if I'm wrong,
23 but what the Company did was they used the market
24 estimates to derive the adder, is that correct?

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[WITNESS: Janzen]

1 A. That is correct.

2 Q. Okay. Thank you. I believe this is in the principal
3 filing, but I notice that you filed a Quarterly
4 Customer Migration Report in this filing, is that
5 correct?

6 A. Yes. We did.

7 Q. I'm trying to find that exhibit.

8 A. That's the last, Exhibit 8.

9 Q. Oh. Thank you. And, I had one question on that. So,
10 my question has to do with the overall experience of
11 the Company, say, in the past 12 months. Has the total
12 customer migration of approximately 36 percent, which
13 is relative to load, is that right? That's 36 percent
14 of the kilowatt-hours used?

15 A. Yes. Thirty-six (36) percent of the kilowatt-hours.
16 The 36 percent for the -- for the total, that has
17 changed over -- approximately over the last 12 months.
18 We tend to see that the smaller customers, the
19 residentials, have less of migration changes as
20 compared to the larger customers.

21 Q. I guess my question is, and I probably didn't
22 articulate it very clearly, has it overall remained
23 pretty consistent in the past 12 months, at, say,
24 relatively 36 percent, within a couple of percentages,

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[WITNESS: Janzen]

1 or have you seen a significant increase in customer
2 migration over the past 12 months?

3 A. I couldn't say where exactly it has been. But we've
4 seen it relatively consistent over the last year, more
5 so for the smaller classes.

6 Q. Right. That was -- that was my reconciliation, but I
7 just wanted to get an understanding from you. My last
8 question, and then I'll turn the questioning over to
9 Mr. McCluskey, has to do with the next solicitation.
10 Would you please explain how you intend to conduct the
11 next solicitation, which I understand would be for a
12 six month supply for the Small Customer Group and a
13 three month supply for the Large Customer Group?

14 A. Yes. With the anticipated close of the -- of the sale
15 of Granite State to Liberty, National Grid would be
16 working along side of Liberty, the same staff that's
17 currently working on these solicitations will be
18 working together under a Transition Services Agreement
19 to conduct the RFP, and to have the solicitation and
20 have the awarding process evaluated. We would propose
21 to, for the September, it is anticipated that the -- it
22 would be done in a very similar manner to this current
23 solicitation we're discussing today, as well as the
24 previous. And, that the -- it would be done

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[WITNESS: Janzen]

1 concurrently with Massachusetts Electric and Nantucket
2 Electric, which are National Grid affiliates. So, in
3 short, the September solicitation would be conducted in
4 a manner very similar to the one that is done currently
5 and in the past.

6 MS. AMIDON: Okay. Thank you. Mr.
7 McCluskey now has some questions.

8 MR. McCLUSKEY: Good morning,
9 Ms. Janzen.

10 WITNESS JANZEN: Good morning.

11 BY MR. McCLUSKEY:

12 Q. In the confidential filing, could you turn to Schedule
13 MMJ-6, Page 1. Do you have that?

14 A. Yes, I do.

15 Q. Line (4) shows monthly wholesale contract prices, --

16 A. Yes.

17 Q. -- before losses, is that correct?

18 A. Yes. That is correct.

19 Q. And, those numbers are confidential. So, we'll not
20 mention what they are. In Line (5), you show the
21 loss-adjusted prices in dollars per kilowatt-hour, is
22 that correct?

23 A. Yes. That is correct.

24 Q. Okay. And, the loss factor that you used to make those

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[WITNESS: Janzen]

1 adjustments is "_____", which is also shown on that
2 schedule, is that correct?

3 A. Yes.

4 CHAIRMAN IGNATIUS: Before you go
5 further, we're in "wholesale pricing", although loss
6 factors are not wholesale prices necessarily, that is a
7 confidential number. Is that something that the Company
8 has a concern with?

9 MS. AMIDON: And, just for the
10 Commission and for the Company's information, that's the
11 line of inquiry that Mr. McCluskey will have, and it does
12 relate to the loss factor.

13 MS. PAK: The loss factor, using the
14 loss factor, I believe that the public and Liberty would
15 be able to calculate the wholesale purchase prices based
16 on the other information that is disclosed on the same
17 page. So, I guess, with that, if I could just confer with
18 the Liberty representative and ask him to maybe, you know,
19 leave the room for just a little bit?

20 CHAIRMAN IGNATIUS: That's fine.

21 MS. PAK: Okay.

22 (Atty. Pak conferring with Mr. DeBruin.)

23 CHAIRMAN IGNATIUS: All right. Please
24 proceed.

[WITNESS: Janzen]

1 MR. McCLUSKEY: Okay.

2 BY MR. McCLUSKEY:

3 Q. _____

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7 A. _____.

8 Q. _____

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11 _____?

12 A. _____.

13 Q. _____

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18 A. _____.

19 Q. _____

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22 A. _____

23 _____.

24 Q. _____

[WITNESS: Janzen]

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[WITNESS: Janzen]

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2 A. ____.

3 Q. _____

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6 A. _____.

7 Q. _____

8 _____ --

9 CHAIRMAN IGNATIUS: _____

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13 MR. McCLUSKEY: _____

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16 _____.

17 CHAIRMAN IGNATIUS: _____.

18 MR. McCLUSKEY: ____.

19 BY MR. McCLUSKEY:

20 Q. _____

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22 _____?

23 A. _____.

24 Q. _____

[WITNESS: Janzen]

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[WITNESS: Janzen]

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[WITNESS: Janzen]

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[WITNESS: Janzen]

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[WITNESS: Janzen]

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BY MS. AMIDON:

Q. Would you just describe the rate impact for the Large

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[WITNESS: Janzen]

1 Customers, the difference from the bills received in
2 the current period to the bills that these customers
3 will receive beginning with the period August 1, 2012?

4 A. Yes. There was a -- for the three month period ending
5 -- the period ending in July, versus the period ending
6 in October, there will be a decrease, between 0.2 to
7 0.3 percent decrease, in terms of an illustrative bill
8 impact for those customers in the group.

9 Q. And, am I fair to say that August is considered to be a
10 "summer month", is that correct, in terms of what might
11 be considered to be the peak load months?

12 A. Yes. Yes, it would.

13 Q. And, so, the rates are still going down?

14 A. (Witness nodding affirmatively).

15 MS. AMIDON: Thank you. That concludes
16 my questions.

17 CHAIRMAN IGNATIUS: Thank you.
18 Commissioner Harrington.

19 CMSR. HARRINGTON: Just a couple. Good
20 morning.

21 BY CMSR. HARRINGTON:

22 Q. I just have a couple of methodology questions and
23 things I just didn't quite understand. Turning to, and
24 I'm using the confidential package, but most of this

{DE 12-023} [REDACTED - FOR PUBLIC USE] {06-21-12}

[WITNESS: Janzen]

1 I'm addressing is not going to be confidential.

2 Turning to Page 11 of your testimony, what's "11" on
3 the bottom, it's "Page 9 of 14" of your testimony. I
4 just want to make sure I understand this right. You
5 talk about "the winning bidder's RPS compliance adder"
6 that you compared to the "estimated market prices for
7 New Hampshire RECs". And, it appears that the Company
8 concluded that it would be better to buy the RECs
9 themselves than to take the winning bidder's compliance
10 adder, is that correct?

11 A. That is correct.

12 Q. Is that the standard way that it's done?

13 A. Yes.

14 Q. And, I also noticed that only one bidder actually added
15 a RPS compliance adder. The others just chose --
16 that's an option in the contract, I assume?

17 A. That is an option, uh-huh.

18 Q. Okay. And, getting to the bottom of the page there,
19 and I don't -- this does not seem to be marked
20 "confidential", "Effective August 1st, the Company is
21 proposing to increase the RPS compliance adder...from
22 0.396 to 0.408." And, that's based on your calculation
23 of what you could buy RECs for?

24 A. Exactly. Yes.

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[WITNESS: Janzen]

1 Q. Okay. All right. And, if we jump ahead to Schedule
2 MMJ-2, bottom of the page is marked "48". And, this is
3 more of just trying to figure out what some of these
4 terms mean. It says "Exhibit 2 Indicative...Ranking",
5 and then it gives a bunch of numbers there. But I'm
6 not so concerned with the numbers, I can understand you
7 can have the different prices, the "Average Price", the
8 "Weighted Average Price". The "Weighted Average Price
9 versus Min", what is that?

10 A. That's the "versus the minimum", which would be the --
11 that would be compared to the lowest of the prices.

12 Q. Okay. I'm a little confused what that means. Is that
13 -- are you subtracting the --

14 A. That would be compared to the winning bid. So, you can
15 see there the dash on --

16 Q. Okay.

17 A. -- to indicate which was the winner, there would be no
18 difference. So, the others are to indicate the closest
19 in the bids to the next --

20 Q. So, it's the delta from the weighted average price of
21 the winning bid?

22 A. Yes. Yes.

23 Q. Okay.

24 A. The minimum is meant to reflect the winning bid.

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[WITNESS: Janzen]

1 Q. Okay. There was one other thing. On the page marked
2 "57" on the bottom, which is the "New Hampshire RPS
3 Cost Adder Calculation". Is this basically how you
4 came up with those figures, basing on, I'm trying to
5 figure, this would be, if you were to make ACP payments
6 versus if you were to buy the RECs based on your
7 estimates of market prices?

8 A. That is correct.

9 Q. Okay. And, this is why you decided to not take the
10 adder, but to go with the -- what you could buy the
11 RECs at a market price, and also not pay the ACP?

12 A. Yes. This is what would be available to us in the
13 market, a market price. And, that's how we determine
14 whether to take it from the supplier.

15 CMSR. HARRINGTON: Thank you. That's
16 all I had.

17 CHAIRMAN IGNATIUS: Commissioner Scott,
18 questions?

19 CMSR. SCOTT: Sure.

20 CMSR. HARRINGTON: I missed something,
21 I'm sorry. To go back, let me make sure. There's one
22 other thing.

23 CHAIRMAN IGNATIUS: All right.

24 CMSR. HARRINGTON: I might have already

[WITNESS: Janzen]

1 asked this, because I had it down in both places.

2 BY CMSR. HARRINGTON:

3 Q. Oh. Going to the non-confidential version, the blue
4 book, towards the very end, marked page "80" down the
5 bottom, I think it's actually the last page, the white
6 paper. It talks about a "Customer Migration Report".
7 And, on the very lower right corner, it lists
8 "January", the results for "January", "February", and
9 "March of 2012". And, in "January", you have
10 "30 percent", and then "February", "31 percent", and
11 then there's a fairly substantial jump in "March", to
12 "36 percent". What accounted for that? And, was that
13 the start of a trend? Or, is there something that
14 happened between February and March to account for the
15 5 percent, that fairly large jump? It's in the very
16 lower right-hand corner.

17 A. Yes. That can be attributed to -- most of the jump
18 could be attributed to the larger classes, G-1 and G-2,
19 moving across the months, particularly February to
20 March. And, we do see that the larger customers do
21 shift quite a bit, because they have so much more load,
22 they -- those numbers can increase and decrease quite a
23 bit. There's more movement between the Default Service
24 and the suppliers for the larger customers.

{DE 12-023} [REDACTED - FOR PUBLIC USE] {06-21-12}

[WITNESS: Janzen]

1 Q. So, they move back and forth then? This isn't
2 necessarily a trend?

3 A. That is -- yes.

4 Q. And, it could be one large, very large customer that
5 could make quite a bit of that?

6 A. It could, yes.

7 CMSR. HARRINGTON: Okay. That's what I
8 was thinking. Thank you. That is my last question this
9 time.

10 CHAIRMAN IGNATIUS: Commissioner Scott.

11 CMSR. SCOTT: Good morning.

12 WITNESS JANZEN: Good morning.

13 BY CMSR. SCOTT:

14 Q. Is there anything different in how you've conducted the
15 RFP or selected bidders compared to prior submittals?

16 A. No. No, we conducted the same process.

17 Q. And, forgive me, I don't have the page, I seem to
18 remember reading that you got at least one unsolicited
19 bid that you took?

20 A. We took one unsolicited bid for RECs. And, we did --
21 that's on the top of Bates stamp 13, to indicate that
22 those were Class IV RECs, which the Company thought
23 there was value in considering that bid. And, we
24 shared it with the Staff before we made the purchase.

{DE 12-023} [REDACTED - FOR PUBLIC USE] {06-21-12}

[WITNESS: Janzen]

1 And, there was concurrence that it was a -- it was good
2 for the customers to make that purchase.

3 Q. And, that basically followed, by and large, even though
4 it wasn't an RFP, followed the same type of procedures?

5 A. Yes. Yes. We established what the market was, based
6 on --

7 (Court reporter interruption.)

8 **BY THE WITNESS:**

9 A. We established what the market was, and then made the
10 comparison to what the unsolicited offer was, in the
11 same exact manner as if it were an RFP.

12 CMSR. SCOTT: Thank you. That's all I
13 had.

14 CHAIRMAN IGNATIUS: Thank you.

15 **BY CHAIRMAN IGNATIUS:**

16 Q. I have a question looking at Exhibit 4, the redacted
17 version, Page 14 of your testimony. Starting at Line
18 16, it says that if "the actual cost of procuring
19 Default Service varies from the amounts billed to
20 customers...it would be reconciled". Can you explain
21 why you might get to a situation where the costs would
22 be different, if you're locking in prices through the
23 bidding process?

24 A. It is true that the price of the supplier is fixed, and

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1 that does not change, and it's contemplated to include
2 all the services of Default Service. This
3 reconciliation mechanism does include -- I think it
4 does also include the RPS compliance. And, to the
5 extent that there's any differences in those costs
6 that, which is not fixed, the Company is regularly
7 going out with RFPs for RECs during the year, to the
8 extent that we are -- are not able to produce RECs at
9 -- to procure RECs at prices, then the reconciliation
10 would flow through here.

11 Q. Are the volumes, if they were to vary from what was
12 anticipated, up or down, purely at the risk of the
13 competitive supplier?

14 A. Yes. The loads are at that -- are at the risk of the
15 supplier. So, to the extent that the loads are
16 different to any extent, that they would also be
17 recovered.

18 Q. And, if the supplier, for some reason, were not able to
19 meet the terms in the bid and didn't produce the supply
20 that was promised, is that on the risk of the supplier
21 as well?

22 A. The suppliers are required to post collateral to cover
23 the replacement costs. So that, yes. So, then, the
24 supplier has to include that in their pricing, the cost

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1 of that collateral. So, yes, they bear that risk as
2 well.

3 Q. It sounds then like then the only thing you can think
4 of that this sentence would be referring to would be
5 the REC pricing?

6 A. Yes. That's my understanding.

7 Q. Thank you. On the discussion about "loss factor", and
8 we don't have to get into numbers, but did you say that
9 the estimate used on Page 52 was based on data since
10 the Tewksbury meter was replaced or is a blend of the
11 six months that it's been in place plus some prior
12 period of time when it was not yet in place?

13 A. The data shown on 52 is for the six-month period since
14 December 1st, which is the first available data since
15 the replacement, and only that data. There is nothing
16 of an historical being used in this. This is the six
17 month most recent data since the replacement.

18 Q. Do you know what -- whether the loss factor used in the
19 prior year was higher or lower than this number?

20 A. It was lower. It was agreed to, in discussion with the
21 Staff, that we were using a historical number that the
22 -- that we came to a concurrence that would better
23 represent at the time, and it was indeed lower. And, I
24 think it dated back to December 2007, in terms of the

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1 date on that data.

2 Q. Do you know if it's possible to test the system to be
3 able to identify, I mean, I think in terms of water
4 pipes, and you can go find the leak, if you look hard
5 enough, in an electrical system, can you find losses in
6 that same way, where you can isolate a particular part
7 of the system?

8 A. I'm not as familiar with the operational nature of how
9 the testing is done. I am aware as a general fact that
10 the Operations does look for certain anomalies on the
11 system. But, as to the details of it, I'm not as
12 familiar with.

13 CHAIRMAN IGNATIUS: All right. I have
14 nothing else. Any other questions?

15 CMSR. HARRINGTON: I've got one. Sorry
16 again. I'm just trying to get -- I knew there was
17 something else I had missed there and I couldn't quite
18 find it.

19 BY CMSR. HARRINGTON:

20 Q. I'm looking at the confidential testimony, though none
21 of this will be confidential. And, on Page 47, we're
22 talking about "Load Block Descriptions", and it says
23 "Load Block A", "Large". And, then, down the next
24 page, 48, "Indicative Bid Ranking at Wholesale" and as

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1 we discussed before, with the conversation on the
2 "Weighted Price Versus Min", it appears Bidder C has
3 the lowest price?

4 A. Yes.

5 Q. The weighted average price?

6 A. Yes.

7 Q. Then, when I go over to, let me get the right page,
8 Page 54, it says "Summary of Load Block Awards", and it
9 lists the name of a bidder, and it says "Basis for
10 Award: Lowest bidder for block". Then, if I go to
11 Page 55, the bidder whose name is listed in there, I'm
12 not sure, I assume that's confidential, --

13 A. (Witness nodding affirmatively).

14 Q. -- is not C, but A. So, what am I missing here?

15 A. It's because the Page 48 is the indicative bids. So,
16 this was performed one week prior. Page 54 is
17 indicating who the final bid who was actually awarded
18 the contract. So, that's the difference between 54 and
19 48; indicative bids versus the final.

20 Q. And, what do you mean by "indicative bid" then?

21 A. What we do is, one week before we receive the final bid
22 prices, we have an indicative bid submission. And, it
23 essentially runs the same way as the final. You have
24 to have an executed Master Power Agreement in place.

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1 You have to demonstrate a compliance with the RFP,
2 ability to deliver the service. We find that
3 indicative bids a week before is a good run-through
4 with the suppliers. It identifies certain things at
5 times. And, gives us also an estimate of market prices
6 we can expect the following week. So, we do actually
7 prepare all the submittals from the indicatives, and
8 also the suppliers are required to give us a indicative
9 if they propose to enter into the final. So, we find
10 it as a worthwhile exercise as part of the submittal
11 process. So, the indicative bids, again, are not
12 binding, but the process and the evaluation, as you can
13 see here, is conducted in the same exact manner as the
14 final. The only difference is the final is actually
15 the contract award.

16 Q. Okay. So, I'm just trying to get the purpose of this.
17 I understand, I guess, what happened is, they submit an
18 indicative bid that's not binding, but is it used as a
19 screening process to get to the final bid?

20 A. It is not, in terms of price evaluation. We just look
21 at it. We have, in our experience, find the indicative
22 bid is a good way for us to determine what market
23 prices are a week before of what we can expect the
24 following week. And, the Company does prepare its own

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1 estimate, which is separate, but this is another good
2 market snapshot one week before, to get an estimate of
3 what we can expect for the final prices that are going
4 to come in seven days later.

5 And, in addition to that, it has the
6 other benefits of, for new suppliers, they can -- they
7 can go through a run-through of it before the actual
8 bids are final and the actual run-through. And, we --
9 it is linked, as I had mentioned, you do have to submit
10 an indicative in order to submit into final. And, we
11 find it helps with the competitiveness of the process
12 as well.

13 Q. And, one bidder dropped off between the indicative and
14 the final?

15 A. That is correct.

16 Q. Okay. I'm just, with the short period of time, I'm
17 just trying to figure how valuable, but I'll take your
18 word for it, I guess. But it seems to me, the market
19 -- the bid that comes in a week before, and then they
20 get adjusted for the final one, and it actually changed
21 who had the lowest bid between those two times?

22 A. (Witness nodding affirmatively).

23 CMSR. HARRINGTON: Okay. Now, I
24 understand the process, I guess I just don't quite

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1 understand the "why". But thank you.

2 CHAIRMAN IGNATIUS: Any redirect?

3 MS. PAK: Thank you, Commissioners. I
4 don't have anything on redirect. But I would like some
5 direction on whether or not the Commission would like us
6 to formally file this study regarding the loss factor or
7 whether it would be something that we would submit to
8 Staff?

9 CHAIRMAN IGNATIUS: Well, we'll
10 certainly make that clear in the order, maybe we should
11 just think about that a little bit and look at what the
12 timing would be. The next filing is made, for this block
13 of customers, is made when?

14 MS. PAK: It would be made on September
15 -- September 18th is the deadline.

16 CHAIRMAN IGNATIUS: We'll think about
17 that. Thank you.

18 MS. PAK: Thank you, Commissioner.

19 CHAIRMAN IGNATIUS: Is there any
20 objection to striking identification of the exhibits and
21 making them full exhibits in the record?

22 (No verbal response)

23 CHAIRMAN IGNATIUS: Seeing none, we'll
24 do that. And, I think, unless there's anything else, it's

1 now time for closings. Ms. Amidon.

2 MS. AMIDON: Thank you. Staff has
3 reviewed the filing. And, we've determined that the
4 Company has followed the bid solicitation, bid evaluation,
5 and selection of the final supplier according to the
6 process established by the Commission in Order 24,577, in
7 Docket DE 05-126, establishing the process for the Company
8 to procure Default Service. We also have reviewed the
9 rates and determined that the resulting rates are
10 market-based, and would recommend that the Commission
11 approve the Petition.

12 Regarding the issue with the loss
13 factor, we would like to look at the study results and,
14 depending on what those results show, we may have
15 recommendations regarding the recovery of the losses and
16 an adjustment to reflect whatever benefits should be
17 delivered to customers in rates. Thank you.

18 CHAIRMAN IGNATIUS: Thank you. Ms. Pak.

19 MS. PAK: Thank you, Chairman. As
20 supported by the Company's Default Service filing, the
21 testimony provided here, the Company respectfully submits
22 the proposed Default Service rates were developed through
23 a competitive process and in accordance with the
24 Commission's requirements for Default Service procurement.

1 The Company will submit a default -- a loss factor study
2 in accordance with the Commission's order. And, we would
3 respectfully request that the Commission approve the
4 Company's Default Service filing, as well as the proposed
5 rates. And, if possible, we would request that the
6 Commission enter an order by June 26. Thank you.

7 CHAIRMAN IGNATIUS: Thank you. If
8 there's nothing else, then we will take all of that under
9 advisement. We understand the timing constraints here,
10 and we'll meet them. Thank you. We stand adjourned.

11 MS. AMIDON: Thank you.

12 **(Whereupon the hearing ended at 10:56**
13 **a.m.)**