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STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

December 17, 2009 - 1:37 p.m.
Concord, New Hampshire

REDACTED - FOR PUBLIC USE

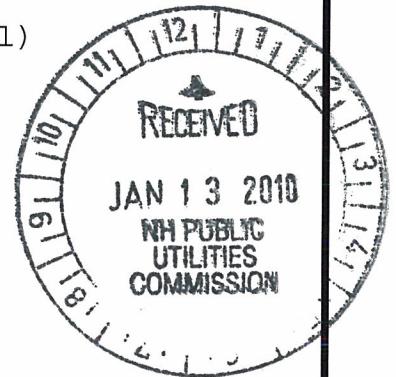
RE: DE 09-010
GRANITE STATE ELECTRIC COMPANY d/b/a
NATIONAL GRID: Default Service Request
for Proposals for the Period February 1,
2010 through April 30, 2010 for the Large
Customer Group.

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Granite State Electric Company
d/b/a National Grid:
Marla B. Matthews, Esq.
(Gallagher, Callahan & Gartrell)

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.



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

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I N D E X

PAGE NO.

WITNESS: MARGARET M. JANZEN

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| Direct examination by Ms. Matthews | 5 |
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* * *

CLOSING STATEMENTS BY:

| | |
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| Ms. Matthews | 19 |

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E X H I B I T S

| EXHIBIT NO. | D E S C R I P T I O N | PAGE NO. |
|-------------|---|----------|
| 14 | Document entitled "Default Service for the Period Beginning February 1, 2010, Testimony and Schedules of Margaret M. Janzen (12-14-09) (CONFIDENTIAL & PROPRIETARY) | 5 |
| 15 | Document entitled "Default Service for the Period Beginning February 1, 2010, Testimony and Schedules of Margaret M. Janzen (12-14-09) (REDACTED - FOR PUBLIC USE) | 5 |
| 16 | Two-page document regarding indicative bids and Summary of Bids-RFP for NH RPS Law Compliance (CONFIDENTIAL & PROPRIETARY) | 7 |
| 17 | RESERVED (Redacted version of Exhibit 16 for public use) | 8 |
| 18 | RESERVED (Analysis requested by Mr. McCluskey) | 15 |

1 P R O C E E D I N G

2 CHAIRMAN GETZ: Okay. Good afternoon,
3 everyone. We'll open the hearing in docket DE 09-010. On
4 December 14, 2009, National Grid filed proposed Default
5 Service rates for its Large Customer Group for the period
6 February 1, 2010 through April 30, 2010. A secretarial
7 letter was issued on December 16 setting the hearing for
8 this afternoon.

9 Can we take appearances please.

10 MS. MATTHEWS: Good morning, Mr.
11 Chairman, members of the Commission. My name is Marla
12 Matthews, of Gallagher, Callahan & Gartrell, on behalf of
13 National Grid. I'll introduce the people I have with me
14 today. Margaret Janzen is our witness. She's the
15 Director of Electric Supply and Distributed Generation.
16 Kristin Mahnke is to my right. She's an Analyst. James
17 Ruebenacker is behind me, a Senior Analyst. And, John
18 Warshaw, the Principal Analyst, Electric Supply-New
19 England, is here as well.

20 CHAIRMAN GETZ: Good afternoon,
21 everyone.

22 MS. AMIDON: Good afternoon. Suzanne
23 Amidon, for Commission Staff. And, I only have George
24 McCluskey, a Utility Analyst from the Electric Division.

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[WITNESS: Janzen]

1 Thank you.

2 CHAIRMAN GETZ: Thank you. Are you
3 ready to proceed?

4 MS. MATTHEWS: I have a couple of
5 exhibits, which I think are before you. And, we
6 preliminarily marked the confidential version as "Exhibit
7 14" and the non-confidential as "Exhibit 15".

8 CHAIRMAN GETZ: They will be so marked.
9 (The documents, as described, were
10 herewith marked as **Exhibit 14** and
11 **Exhibit 15**, respectively, for
12 identification.)

13 MS. MATTHEWS: Thank you.
14 (Whereupon *Margaret M. Janzen* was duly
15 sworn and cautioned by the Court
16 Reporter.)

17 **MARGARET M. JANZEN, SWORN**

18 **DIRECT EXAMINATION**

19 BY MS. MATTHEWS:

20 Q. Ms. Janzen, would you please state your full name and
21 business address for the record.

22 A. Yes. My name is Margaret Janzen. I work for National
23 Grid. The business address is 100 East Old Country
24 Road, in Hicksville, New York 11801.

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[WITNESS: Janzen]

1 Q. What is your position in National Grid?

2 A. I am Director of Electric Supply and Distributed
3 Generation.

4 Q. And, what are your duties and responsibilities in that
5 position?

6 A. As Director of that group, I oversee the RECs
7 procurement for all of National Grid USA utilities, and
8 including Granite State.

9 Q. I believe you have copies of Exhibits 14 and 15 in
10 front of you?

11 A. I do.

12 Q. Do Exhibits 14 and 15 contain confidential and
13 non-confidential versions of your testimony and
14 schedules?

15 A. Yes, they do.

16 Q. Do you adopt the testimony and schedules as your own?

17 A. I do.

18 MS. MATTHEWS: I have nothing further at
19 this time.

20 CHAIRMAN GETZ: One other item,
21 Ms. Matthews. We have what appears to be a separate
22 two-page document that's confidential. That it's not
23 clear to me if it was filed at the same time or
24 separately, but -- Steve, off the record for a second.

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[WITNESS: Janzen]

1 (Brief off-the-record discussion
2 ensued.)

3 CHAIRMAN GETZ: All right. Back on the
4 record. Okay. We have a two-page document that concerns
5 the indicative bids received by National Grid. And, we
6 will --

7 CMSR. BELOW: And, the second sheet is
8 the summary of actual bids, I believe, for the RFP for the
9 RPS compliance.

10 CHAIRMAN GETZ: Yes. Yes. So, we'll
11 mark that, those two pages, as "Exhibit 16", and note that
12 they are confidential.

13 (The document, as described, was
14 herewith marked as Exhibit 16 for
15 identification.)

16 CHAIRMAN GETZ: Okay.

17 (Chairman and Commissioners conferring.)

18 CHAIRMAN GETZ: All right. Well, let's
19 do this as well then, Ms. Matthews. There's a
20 confidential version Exhibit 16. If you could provide a
21 redacted version that would be Exhibit 17, that would
22 provide as much of the material that is not confidential
23 as possible, and redacting those portions of those two
24 pages that are confidential.

{DE 09-010} [REDACTED FOR PUBLIC USE] {12-17-09}

[WITNESS: Janzen]

1 MS. MATTHEWS: Sure.

2 (Exhibit 17 reserved)

3 CHAIRMAN GETZ: Ms. Amidon.

4 MS. AMIDON: Thank you. Good afternoon.

5 WITNESS JANZEN: Good afternoon.

6 CROSS-EXAMINATION

7 BY MS. AMIDON:

8 Q. I'd like to call your attention to Exhibit 14, which is
9 the confidential version. And, if you would please
10 turn your attention to the Bates stamp 125, which I
11 believe is Schedule MMJ-6. And, if I call your
12 attention to the title -- not the title, pardon me,
13 but, if you look at the right-hand column, there is a
14 portion which says "Medium and Large C&I", and under
15 there the date -- the months of "August", "September",
16 and "October" appear. Is that an error? In other
17 words, should that be "February", "March", and "April"
18 heading those columns?

19 A. Yes, you are correct. That is a typographical error.
20 That should read "February", "March", and "April".

21 Q. Okay. Thank you. And, if we go to Line 9, for each of
22 those months, that's the rate at retail for Default
23 Service for the Large Customer Group for those separate
24 months, is that correct?

{DE 09-010} [REDACTED FOR PUBLIC USE] {12-17-09}

[WITNESS: Janzen]

1 A. Yes, that is correct.

2 Q. Okay. And, if you would go to the following page,
3 which has the "Illustrated Weighted Average Default
4 Service Rates". If we go to Line 20, there is a rate
5 of "8.378" cents per kilowatt-hour. Is that the
6 average weighted -- well, maybe it's appropriate to say
7 the "weighted average rate"?

8 A. Yes, that is.

9 Q. If we move to your next schedule, which is MMJ-7, this
10 schedule shows rate changes. And, am I correct in
11 reading your testimony that the "Illustrated Weighted
12 Average Default Service" rate at the bottom of that
13 page compare the weighted average for the three month
14 period November 2009 through January 2010, with the
15 weighted average for February through April 2010?

16 A. That is correct.

17 Q. And, it's -- just for purposes of the record, that's
18 Page 1 of 7 of MMJ-7. And, so, the bill impacts that
19 we see in this, in the right-hand column on the page,
20 are bill impacts based on the differences between the
21 weighted average for the current three month period,
22 compared to the proposed three month period?

23 A. That is correct.

24 MS. AMIDON: Okay. And, now, I'm going

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[WITNESS: Janzen]

1 to ask Mr. McCluskey to assist me with cross.

2 MR. McCLUSKEY: Okay.

3 BY MR. McCLUSKEY:

4 Q. Staying with the same exhibit, Page 1 of 7, MMJ-7.

5 Just focusing on the weighted average Default Service
6 component of the rate for G-1, you're showing there a
7 15.1 percent increase in the Default Service component.
8 But the overall bill impact is 10 percent, correct?

9 A. That's correct.

10 Q. Now, if we could switch to Bates stamp 66, could you
11 just explain what the intent of this exhibit is?

12 A. This is a comparison of the changes in futures prices
13 to change in the procurement costs for various periods.
14 And, the futures prices on this page are for electric
15 and for gas futures. And, this is one of the
16 verification steps our team does with regards to taking
17 averages across each of these three-month periods, and
18 then comparing them to the futures pricing, and then
19 comparing consecutive periods to each other, and period
20 one to period three in addition to that.

21 Q. Okay. So, the two periods that you are comparing, one
22 is the three months that is the subject of this
23 hearing, February through April, and the other is the
24 current three-month period that we're in, correct?

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[WITNESS: Janzen]

1 A. That's correct.

2 Q. This is the same three-month period you were comparing
3 on MMJ-7?

4 A. That is correct.

5 Q. Okay. And, we can see back on Bates stamp 66 the
6 _____ percent increase for the Default Service
7 component. Before I get into my main question, why is
8 the average of _____ different from the average on Bates
9 stamp 128? Is it just the difference between simple
10 and weighted or is it something else?

11 A. I believe these are the -- these are the prices from
12 the -- the wholesale prices, --

13 Q. Yes.

14 A. -- versus the Default Service rate.

15 Q. Oh. So, one is the full retail rate and the other one
16 is the wholesale price?

17 A. Yes.

18 Q. Okay. So, back onto 66, this exhibit is showing that
19 NYMEX prices from one period to the next went down by
20 11 percent, but the power price that resulted from your
21 bid went up by ___ percent. And, I believe power prices
22 follow pretty closely changes in gas prices. So, could
23 you explain what's happening here?

24 A. Sure. Yes. Actually, there is a difference in the

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[WITNESS: Janzen]

1 direction of the increase versus the decrease in these
2 wholesale prices versus the natural gas futures.
3 However, we did see that the prices we got were -- they
4 were commensurate with the futures prices for electric.
5 So, we saw that there was actually a disconnect in the
6 futures prices between gas and electric. They tend --
7 you're correct, that they do tend to track each other,
8 and our electric prices tend to track both the electric
9 futures and the gas. However, for this particular
10 period, period two versus period three, there was a
11 difference. They did not have a correlation to each
12 other. However, I would point out that the comparison
13 of period one to period three, all of the futures
14 pricing and the wholesale pricing does match up. So,
15 we did see a bit of a futures anomaly pricing in that
16 particular comparison.

17 Q. Did the Company investigate why electric futures did
18 not track gas futures?

19 A. We did take a look at this. And, we believe that it
20 was due to -- it could be due to several factors, but
21 one of them, the main factor, could be that the date at
22 which we took a look at the natural gas pricing for
23 September 9th, the particular -- there was some
24 volatility in natural gas pricing around that date due

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[WITNESS: Janzen]

1 to hurricane season. So, we think that particular
2 snapshot of the futures for that allowed for that sort
3 of decrease, compared to the pricing on December 9th,
4 the futures prices as of that date.

5 Q. I wonder if the Company could do an analysis to
6 essentially to essentially do this exercise for several
7 days around the bid day? Because, presumably, this
8 June -- is it June 10th -- I'm sorry, June 10th. And,
9 September 9th, was that the -- what's the relevance of
10 September 9th, if I could ask that question?

11 A. That would be the date that the futures pricing, it's
12 that particular average of the prices of the futures
13 for that date is when the comparison to the following
14 period, the prices for December 9th, that's the one
15 that's driving that -- the 5.826 being higher on
16 September 9th, versus dropping down to 5.2 on
17 December 9th.

18 Q. Maybe I could ask it this way. Was September 9th the
19 bid date for the prior three-month period?

20 A. I don't recall the exact date.

21 Q. Or, was December the 9th the bid date for the current
22 three-month period?

23 A. That was.

24 Q. It was. So, I would suspect and hope that

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[WITNESS: Janzen]

1 September 9th was the date for the prior three-month
2 period.

3 A. (Witness nodding affirmatively).

4 Q. Could the Company do an analysis around those two dates
5 to determine whether December 9th there was an anomaly
6 in the futures prices on that day? You following what
7 I'm looking for?

8 A. Yes. Yes. Exactly.

9 Q. Okay. And, if you could submit that as a response to
10 this question please.

11 A. We will prepare that analysis and submit it.

12 CHAIRMAN GETZ: Mr. McCluskey, is that
13 something you would like to see before we issue a ruling
14 in this case or is that something more forward-looking?

15 MR. McCLUSKEY: It's -- It shouldn't
16 impact the Commission's decision. The bottom line is the
17 Company's power costs that resulted from the bid are not
18 significantly different from the other utility in the
19 state. Although, they are showing significantly different
20 increases relative to the prior period. That has to do
21 with prices in the prior period. But we think their bid
22 price is competitive, based on what happened elsewhere.
23 So, that shouldn't -- the answer to this question should
24 not impact the Commission's decision in this proceeding.

[WITNESS: Janzen]

1 CHAIRMAN GETZ: Okay. Well, let's
2 reserve as Exhibit 18 a response to the record request for
3 the analysis requested by Mr. McCluskey.

4 (Exhibit 18 reserved)

5 MS. AMIDON: We have nothing further.

6 CHAIRMAN GETZ: Thank you. Commissioner
7 Below.

8 CMSR. BELOW: Thank you. Good
9 afternoon.

10 BY CMSR. BELOW:

11 Q. Looking at Page 8 of your testimony, you referred to
12 the fact that you had put out an RFP for RECs in
13 January, May, and October, and had shared the results
14 with Staff prior to executing a contract, and has --
15 but has -- I take it you have subsequently contracted
16 for all of those accepted bids. And, would that
17 include the ones shown in Exhibit 16, the second sheet
18 that shows bids received on November 23rd, 2009, is
19 that the results of the October RFP?

20 A. Yes, that is.

21 Q. And, where it says it's recommended that you "execute
22 purchase agreements", those have now actually been
23 executed, is that correct?

24 A. Yes, they have.

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[WITNESS: Janzen]

1 CMSR. BELOW: Okay. Thank you. That's
2 all.

3 CHAIRMAN GETZ: Okay. Nothing further
4 from the Bench for the witness. Is there anything in
5 addition, Ms. Matthews?

6 MS. MATTHEWS: We're all set. Thank
7 you.

8 CHAIRMAN GETZ: Okay. Ms. Matthews,
9 another issue that we discussed in the similar case this
10 morning with respect to Unitil is the conformity of the
11 RFP here and the new Default Service energy services rates
12 and the Commission's actions in acquiring those rates,
13 their conformity with the Integrated Least Cost Resource
14 Plan. I don't know if Staff has discussed that issue with
15 you in any way. But, under RSA 378:40 and 41, rate
16 actions by the Commission, there's a requirement that they
17 be -- that it be in conformity with the Company's pending
18 Integrated Least Cost Resource Plan. Yes, well, with
19 their most recently approved plan. And, my understanding,
20 from Staff's testimony or statements from Staff in the
21 previous case is that National Grid has been granted a
22 waiver of the plan, except to the extent that it applies
23 to distribution issues, that doesn't apply to generation
24 issues. I don't know if Ms. Amidon or Mr. McCluskey wants

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1 to clarify or add to my synopsis of the issues?

2 MR. McCLUSKEY: No, I believe that was
3 correct. The waiver applies to the generation component
4 of the business, I believe is what you said. There is no
5 waiver of a requirement to file a plan for distribution.
6 So, there is no generation-related IRP for Grid that they
7 could claim the Default Service procurement practices are
8 consistent with, I think is the essence of the discussion
9 this morning with regard to Unitil.

10 CHAIRMAN GETZ: I guess, other than the
11 issue of whether it's consistent with the approved
12 procedures for seeking and issuing RFPs and having the
13 Default Service rates, energy service rates applied
14 pursuant to those orders, is that correct?

15 MR. McCLUSKEY: Certainly, the Company's
16 procurement of power and renewable resources are both done
17 based on competitive bidding processes. Which I would
18 think would be consistent with least cost planning
19 principles, because both aim to minimize costs. So, I
20 think then Default Service procurement and REC
21 procurements are consistent with general principles of
22 least cost planning.

23 CHAIRMAN GETZ: Okay. So, essentially,
24 for the purposes of today, since I guess you don't have a

1 witness prepared to address this issue, to make you aware
2 that this is something that should be addressed in future
3 proceedings of this nature, and it might prove helpful to
4 have a conversation with Staff after the conclusion of
5 this hearing about these issues.

6 Okay. Is there anything else then?

7 Well, let's see, any objection to striking identifications
8 and admitting the exhibits into evidence?

9 (No verbal response)

10 CHAIRMAN GETZ: Hearing no objection,
11 they will be admitted into evidence. And, opportunity for
12 closing statements. Ms. Amidon.

13 MS. AMIDON: Thank you, Mr. Chairman.
14 The Staff has reviewed the filing, and we believe that the
15 Company followed the solicitation, bid evaluation and
16 selection process, which the Commission approved back in
17 2006. And, we believe that the resulting rates are
18 market-based. And, I want to concur with what Mr.
19 McCluskey said, that the design of the Settlement
20 Agreement and for Default Service procurement and for RECs
21 procurement were intended to guide the Company to the
22 least cost means of complying with the Default Service and
23 with the RPS requirements.

24 In conclusion, we recommend the

1 Commission approve this order -- I mean, this petition.

2 CHAIRMAN GETZ: Thank you.

3 Ms. Matthews.

4 MS. MATTHEWS: Thank you. National Grid
5 respectfully requests that the Commission approve the
6 proposed Default Service rates for the Large Customer
7 Group no later than Monday, December 21st, so the rates
8 can become effective for usage on and after February 1st.
9 And, we also respectfully request that you grant the
10 Company's Motion for Confidential Treatment.

11 CHAIRMAN GETZ: All right. With that,
12 we'll close the hearing and take the matter under
13 advisement. Thank you.

14 (Whereupon the hearing ended at 2:02
15 p.m.)

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