

June 1, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket No. 4227
2012 Standard Offer Service Procurement Plan and
2012 Renewable Energy Standards Procurement Plan
Rebuttal Testimony of Margaret M. Janzen

Dear Ms. Massaro:

On behalf of National Grid¹ enclosed please find the rebuttal testimony of Margaret M. Janzen concerning the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid.

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4227
2012 STANDARD OFFER SUPPLY PROCUREMENT PLAN AND
2012 RENEWABLE ENERGY SERVICE PROCUREMENT PLAN
WITNESS: MARGARET M. JANZEN**

REBUTTAL TESTIMONY

OF

MARGARET M. JANZEN

JUNE 1, 2011

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1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Margaret M. Janzen, and my business address is 100 East Old Country Road,
4 Hicksville, NY 11801.

5
6 Q. Have you previously filed testimony in this proceeding?

7 A. Yes, in this docket.

8
9 **II. Purpose of Rebuttal Testimony**

10 Q. What is the purpose of your rebuttal testimony?

11 A. The Company would like to take this opportunity to respond to certain recommendations
12 regarding the Company’s proposed SOS and RES procurement plans for 2012 addressed
13 in the direct testimony of Richard Hahn filed on behalf of the Rhode Island Division of
14 Public Utilities and Carriers (“Division”).

15
16 **III. Response to the Division**

17 Q. What does Mr. Hahn recommend with regards to the Company’s proposed “flat” bid
18 price for the entire contract term for each Residential Group bid block?

19 A. Mr. Hahn recommends that the Company should continue to provide SOS suppliers the
20 option to provide varying “shaped” bid prices for each month of the block or one “flat”
21 bid price for the entire block.

1 Q. What is the rationale for Mr. Hahn's recommendation?

2 A. Mr. Hahn provides several reasons in support of this recommendation. First, Mr. Hahn
3 contends that minimizing deferrals will not decrease retail rate volatility because retail
4 rates are changed on the same schedule regardless of bid price format. Second, Mr. Hahn
5 states that "flat" bid prices would not make it substantially easier to compare and analyze
6 bids. Third, Mr. Hahn does not believe that the Company's supplier survey provides
7 sufficient basis for the Company to conclude that there would be little to no premium
8 associated with "flat" pricing. Fourth, Mr. Hahn suggests that if there were benefits to
9 "flat" bid prices, it would also apply to the Commercial Group customers. Finally, Mr.
10 Hahn indicates that a "flat" bid price could make the comparison of bids slightly more
11 difficult for 18 and 24 month contract terms due to the Company's proposal to award
12 RES pricing for the first year only.

13

14 Q. What is your response to Mr. Hahn's recommendation to allow SOS suppliers to submit
15 varying "shaped" bid prices for each month of the block or one "flat" bid price for the
16 entire block?

17 A. I respectfully disagree with Mr. Hahn's recommendation for the following reasons.

18

19 First, better alignment of supply costs with the Company's SOS revenue would minimize
20 deferrals and result in a smaller adjustment to the residential customers' Standard Offer
21 Service rates through the application of a smaller Standard Offer Adjustment Factor,

1 which recovers, or refunds, any under or over collection of Standard Offer Service costs.

2 Therefore these smaller rate adjustments will result in less retail rate volatility

3
4 Second, the primary goal of “flat” pricing is to better align the Company’s revenues with
5 the supply costs. Ease in identifying the lowest bid is only a secondary benefit to “flat”
6 bid pricing. However, in this regard, “flat” bids do improve the ability to identify the
7 lowest bidder, because the load assumptions each bidder might use to calculate its bid
8 might be different than those used by the Company. To coincide with flat retail rates, the
9 most transparent bids in a competitive solicitation would be “flat” bid prices that already
10 incorporate these load assumptions. .

11
12 Third, in the past the Company has found value in utilizing feedback from wholesale
13 suppliers as one of the inputs in developing efficient procurement policy. The
14 Company’s request to the suppliers on the impact of “flat” as compared to “shaped”
15 pricing indicated that responses regarding these pricing options would assist the
16 Company’s preparation of the Standard Offer Service Procurement Plan. Only one
17 respondent indicated that there may potentially be a premium; therefore the Company
18 reasonably concluded that there may be little to no premium associated with this “flat”
19 price format.

20

21

1 Fourth, unlike the Residential Group, some rate classes within the Commercial Group are
2 defaulted to the Variable Price Option, which is a monthly “shaped” Standard Offer
3 Service rate. Rate C-06 customers are defaulted to the Fixed Price Option, which is a
4 “flat” Standard Offer Service rate, while Rate G-02 and the outdoor lighting classes are
5 defaulted to the Variable Price Option. While all Commercial Group customers have the
6 option to choose between the two rate structures, approximately 63% of the total
7 Commercial Group’s volume is recovered through the Variable Price Option. The
8 Company believes its current contract pricing better aligns the Commercial Group’s
9 supply costs with their revenue; therefore the Company recommends continuing to solicit
10 “shaped” bids prices for this group.

11
12 Finally, the Company wishes to clarify that it does not evaluate “bundled” bids of SOS
13 and RES pricing. Suppliers submit prices for SOS supply, and also separate RES pricing
14 for each vintage year, if applicable, in order to satisfy the Company’s RES compliance
15 obligations. The competitive solicitation process would first select the lowest SOS
16 winning bid. The Company will then compare the winning supplier’s RES pricing by
17 vintage year to the current market prices for each vintage year. The Company evaluates
18 RES pricing separately from the SOS bids, thus a “flat” bid price would not hinder the
19 award of SOS purchases for 18 and 24 month contract terms if the Company’s proposal
20 to evaluate bidders’ RES pricing for the first year is accepted.

21

1 Q. What is your response to Mr. Hahn’s recommendation to restore the paragraph regarding
2 communications between bidders to the SOS RFP Notice (Template) – Schedule 5 and
3 the RES RFP Notice (Template) – Schedule 9?

4 A. This paragraph prohibits suppliers from disclosing any information relating to its
5 proposal to other suppliers. Although this provision was intended to prevent collusive
6 activity between bidders, its overly broad sweep can have the unintended effect of
7 preventing legitimate communications between suppliers. For example, recently a
8 supplier removed itself from an RFP after its legal team determined that it could not
9 comply with this language. Unless a supplier owns sufficient generation, the supplier
10 must contact companies with generation in order to develop its bid, which would include
11 the cost of underlying hedges. The supplier typically solicits pricing and quantities,
12 which are then held until the final bid date. These potential hedging transactions would
13 be dependent upon the supplier being awarded a contract through the RFP. Therefore, in
14 recognition that this language is more restrictive than is necessary and in order to not
15 reduce the number of bidders, the Company proposed to remove this language in the RFP
16 documents. However, if the Commission prefers to retain this language, the Company
17 will reinsert the language in the RFP documents.

18
19 Q. What is your response to Mr. Hahn’s recommendation to include a summary of all bids
20 received in response to any solicitation for SOS power supplies?

21

1 A. Schedule 6, the SOS RFP Summary (Template), contains the results of the indicative and
2 final bids including the number of bids submitted by block, all submitted prices for each
3 month, as well as a “Bidder Key” to identify the bidders. The RFP Summary is an
4 attachment to the quarterly Standard Offer Service rate filings. The Company agrees that
5 there is value in providing this information sooner and will provide a summary to the
6 Division immediately after the receipt of indicative and final bids.

7
8 Q. What is your response to Mr. Hahn’s recommendation to create a bid premium
9 calculation for each block?

10 A. While the Company would be able to create a calculation as illustrated in Exhibits RSH-2
11 and RSH-3, the Company does not believe that that this information would be helpful in
12 deciding whether to accept bids, since winning bids are accepted on the basis of lowest
13 price. Also, it is the Company’s opinion that the “robustness” of the competitive
14 solicitation process is best measured by the number of bidders participating in the RFP
15 process.

16
17 **IV. Conclusion**

18 Q. Does this conclude your rebuttal testimony?

19 A. Yes.

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and sent via U.S. Mail to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



June 1, 2011

Docket No. 4227 National Grid – 2012 SOS and RES Procurement Plans Service List updated 4/1/11

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