

May 4, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4605 - 2017 Standard Offer Service Procurement Plan
2017 Renewable Energy Standard Procurement Plan
National Grid Rebuttal Testimony**

Dear Ms. Massaro:

On behalf of National Grid¹, I am enclosing the Rebuttal Testimony of Margaret M. Janzen for filing in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please call me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4605 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

May 4, 2016

Date

**Docket No. 4605 - National Grid – 2017 Standard Offer Service (SOS) and
2017 Renewable Energy Standard (RES) Procurement Plans
Service List updated 3/18/16**

Name/Address	E-mail Distribution	Phone
Jennifer Brooks Hutchinson, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Jennifer.hutchinson@nationalgrid.com ;	401-784-7667
	Celia.obrien@nationalgrid.com ;	
	margaret.janzen@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	James.Ruebenacker@nationalgrid.com ;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov ;	401-274-4400
	Steve.scialabba@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Joseph.shilling@dpuc.ri.gov ;	
	dmacrae@riag.ri.gov ;	
	jmunoz@riag.ri.gov ;	
Richard Hahn Daymark Energy Advisors One Washington Mall, 9 th floor Boston, MA 02108	rhahn@daymarkea.com ;	617-778-2467
	mneal@daymarkea.com ;	
File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2017
	Alan.nault@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
	Cynthia.WilsonFrias@puc.ri.gov ;	
Office of Energy Resources Nicholas Ucci Christopher Kearns	Nicholas.ucci@energy.ri.gov ;	
	Christopher.Kearns@energy.ri.gov ;	
	Danny.Musher@energy.ri.gov ;	

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 4605
2017 STANDARD OFFER SERVICE PROCUREMENT PLAN
2017 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN
REBUTTAL TESTIMONY OF MARGARET M. JANZEN**

REBUTTAL TESTIMONY

OF

MARGARET M. JANZEN

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 4605
2017 STANDARD OFFER SERVICE PROCUREMENT PLAN
2017 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN
REBUTTAL TESTIMONY OF MARGARET M. JANZEN

TABLE OF CONTENTS

I.	Introduction	1
II.	Purpose of Rebuttal Testimony	1
III.	Response to the Division	1
IV.	Conclusion	6

I. Introduction

Q. Please state your name and business address.

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

Q. Have you previously filed testimony in this proceeding?

A. Yes.

II. Purpose of Rebuttal Testimony

Q. What is the purpose of your rebuttal testimony?

A. The purpose of this rebuttal testimony is for The Narragansett Electric Company d/b/a
National Grid (the Company) to respond to certain statements and recommendations in
the Memorandum of Mr. Richard Hahn of Daymark Energy Advisors on behalf of the
Rhode Island Division of Public Utilities and Carriers (the Division), regarding the
Company's proposed Standard Offer Service (SOS) Procurement Plan (2017 SOS Plan)
and Renewable Energy Standard (RES) Procurement Plan for 2017.

III. Response to the Division

**Q. In footnote 1 of his Memorandum, Mr. Hahn refers to the pricing for 12-month
contracts as detailed on Page 16 of Ms. Janzen's testimony and in Schedule 2C.**

**Please clarify which bid blocks would require flat bid pricing in the proposed 2017
SOS Plan.**

A. Schedule 2C "2017 SOS Plan Residential Customers," is reproduced below.

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 4605
2017 STANDARD OFFER SERVICE PROCUREMENT PLAN
2017 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN
REBUTTAL TESTIMONY OF MARGARET M. JANZEN
PAGE 2 OF 7**

Residential Solicitations

	Apr-2017	May-2017	Jun-2017	Jul-2017	Aug-2017	Sep-2017	Oct-2017	Nov-2017	Dec-2017	Jan-2018	Feb-2018	Mar-2018	Apr-2018	May-2018	Jun-2018	Jul-2018	Aug-2018	Sep-2018	Oct-2018	Nov-2018	Dec-2018	Jan-2019	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019							
Final Bid Date														NOTE:																							
														Approved FRS solicitations that have been purchased are shown in yellow - 2016 SOS Plan.																							
														Approved FRS solicitations are shown in white - 2016 SOS Plan.																							
														Requested FRS shaped solicitations are shown in green - 2017 SOS Plan.																							
														Requested FRS 12 month flat solicitations are shown in dark green - 2017 SOS Plan.																							
2016 Q1	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%																									
2016 Q2	20%	20%	20%	20%	20%	20%																															
2016 Q3	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%																									
2016 Q4	20%	20%	20%	20%	20%	20%																															
2017 Q1	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	20%	20%	20%	20%	20%	20%																			
2017 Q2							20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%																				
2017 Q3							20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%															
2017 Q4													20%	20%	20%	20%	20%	20%	20%	20%	20%	20%															
2018 Q1													20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%							
2018 Q2																			20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%					
2018 Q3																			20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%					
2018 Q4																									20%	20%	20%	20%	20%	20%	20%	20%	20%				
2019 Q1																															20%	20%	20%	20%	20%	20%	20%
On-Going Spot Market Purchases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%						

NOTE:
Approved FRS solicitations that have been purchased are shown in yellow - 2016 SOS Plan.
Approved FRS solicitations are shown in white - 2016 SOS Plan.
Requested FRS shaped solicitations are shown in green - 2017 SOS Plan.
Requested FRS 12 month flat solicitations are shown in dark green - 2017 SOS Plan.
Solicitations shaded in gray are illustrative of the SOS plan.

Page 16 of the Direct Testimony of Margaret M. Janzen specifies the proposed modifications to the Residential and Commercial Groups' schedules. It describes that the new schedules will consist of alternating 12-month and 18-month contracts.¹ In 2017 and subsequent years, the 18-month contracts will be procured in the first and third quarters (2017Q1, 2017Q3, 2018Q1, 2018Q3, etc.) as indicated in Schedule 2C. Each dark green bid block in Schedule 2C represents the 12-month component of the 18-month contract procured in 2017 and will have a flat price (i.e., one price from one supplier for the entire 12-month period).

Each light green bid block in Schedule 2C is a six-month bid block procured in 2017 and has a shaped price (i.e., different prices for each month of the bid block). The six-month bid block would be the second bid block component of the 18-month contract. The six-

¹ Page 16, lines 16-17. Direct Testimony of Margaret M. Janzen.

1 month bid block would also be the two bid block components of the 12-month contract.

2 As described in the testimony, “The 12 month contracts will consist of two 6 month
3 shaped bid blocks.”² In 2017 and subsequent years, these 12-month contracts will be
4 procured in the second and fourth quarter each year (2017Q2, 2017Q4, 2018Q2, 2018Q4,
5 etc.) as indicated in Schedule 2C.

6 In summary, when all Full Requirements Service contracts have been completed, each
7 month will have five Full Requirements Service contracts for 100% of the load, and 40%
8 of each month will consist of flat 12-month bid blocks. The remaining 60% of each
9 month will consist of shaped six-month bid blocks.

10 **Q. Mr. Hahn disagrees that the Company’s proposed shaped bid blocks will provide a**
11 **seasonal price signal. Please respond.**

12 A. To clarify, the Company uses the term “seasonal price signal” to differentiate winter rates
13 (October-March) from summer rates (April-September). Since the Residential Group’s
14 SOS rate is “fixed” during the rate period, these customers do not experience varying
15 monthly prices. Rather, the only price change these customers experience is the shift
16 from the winter rate to summer, and so on. This change from one rate period to another
17 is what the Company refers to in Ms. Janzen’s Direct Testimony as the “seasonal price
18 signal.” Thus, only a six-month bid block can impact the differential between summer
19 and winter rates, and it does not matter whether the six-month bid block is shaped or flat.

² Page 16, lines 19-20, Direct Testimony of Margaret M. Janzen

1 In summary, the proposed shaped bid blocks are six months in duration which results in a
2 price change from season to season. The Company notes, however, that a seasonal price
3 signal could be accomplished with a six-month bid block that is either shaped or flat as
4 Mr. Hahn proposes.

5 **Q. Are flat bid prices necessary to eliminate potential issues associated with the SOS**
6 **Billing Adjustment?**

7 A. No. The PUC eliminated the SOS Billing Adjustment in its Open Meeting decision on
8 July 1, 2015, thus removing any issue associated with shaped prices.

9 In the past, a SOS Billing Adjustment would arise when Residential and Commercial
10 SOS customers on the fixed rate option switched from SOS to electricity supply provided
11 by a Non-regulated Power Producer (NPP). The SOS Billing Adjustment could have
12 been either a charge or a credit due to the difference between the monthly-shaped SOS
13 transaction prices and the fixed six-month retail SOS rate, and would appear on the
14 applicable customer's bill. While the Company continues to determine the amount of
15 SOS Billing Adjustments, it does not apply them to customers' bills. Rather, any under-
16 or over-recovery of SOS costs related to a SOS customer switching to a NPP are
17 recovered from all distribution customers.

18 Requiring flat bid prices does not eliminate the costs and credits associated with
19 customers switching to a NPP; rather it simply shifts these amounts to the wholesale
20 suppliers. These suppliers will likely embed any expected costs in its SOS bids which

1 will affect only SOS customers. In order to implement the under- or over-recovery of
2 SOS costs associated with customers leaving SOS for the competitive market, the
3 Company proposed recovery of these costs from all customers, rather than just SOS
4 customers, in the 2016 SOS Plan, Docket No. 4556, which was approved by the PUC at
5 the July 1, 2015 Open Meeting.

6 The Company's proposal of flat bid blocks for 40% of Residential and Commercial
7 Groups' SOS supply will shift some of these costs and credits to SOS customers.
8 However, the Company believes the resulting benefit of decreased volatility in SOS rates
9 due to flat 12-month bid blocks outweighs this possible cost increase.

10 **Q. Why does the Company's 2017 SOS Plan include a combination of shaped and flat**
11 **bid blocks?**

12 A. The Company believes a portfolio constructed entirely of flat bid blocks may result in
13 higher costs than one that consists of shaped six-month bid blocks as a result of increased
14 risk premiums and decreased bidder participation. Therefore, in order to minimize the
15 impact to SOS rates, the Company proposed that flat 12-month bid blocks be used for
16 only 40% of its obligations for the Residential and Commercial Groups. On balance, the
17 Company believes that this flat 12-month bid component will reduce rate volatility,
18 resulting in a net benefit for customers.

19 **Q. Mr. Hahn's recommends implementing flat bid blocks for the entire portfolio.**
20 **Please respond.**

1 A. The Company is aware that SOS rates may increase due to potential incremental costs in
2 flat price bids. The Company sought to mitigate this increase in SOS rates with its
3 balanced approach of using flat and shaped bid blocks. The Company's proposal of flat
4 12-month bid blocks for 40% of a given month, with the remaining 60% procured
5 through shaped six-month bid blocks, reduces rate volatility compared to previous SOS
6 procurement plans, while continuing to provide seasonal market price signals.

7 It should also be noted that a portfolio comprised of only flat bid blocks will completely
8 remove monthly cost variability and will, therefore, eliminate the Variable Price Option
9 for the Commercial Group.

10 **IV. Conclusion**

11 **Q. Please summarize your position.**

12 A. The Company's 2017 SOS Plan is designed to procure in a least-cost manner while
13 striking an appropriate balance between rate volatility and seasonal market price signals.
14 The 2017 SOS Plan includes flat 12-month bid blocks for a portion of its obligation to
15 reduce rate volatility and it includes six-month bid blocks to provide seasonal market
16 price signals. The use of shaped bids for the majority of its portfolio may also reduce the
17 SOS rate compared to a 100% flat portfolio.

18 The Company's 2017 SOS Plan is also flexible. In subsequent plans, depending on
19 market conditions and stakeholder feedback, the Company may propose to adjust the
20 percentage of flat 12-month bid blocks in the portfolio. If rate stability becomes

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
RIPUC DOCKET NO. 4605
2017 STANDARD OFFER SERVICE PROCUREMENT PLAN
2017 RENEWABLE ENERGY STANDARD PROCUREMENT PLAN
REBUTTAL TESTIMONY OF MARGARET M. JANZEN
PAGE 7 OF 7

1 preferred, the Company can easily increase the number of flat 12-month bid blocks in the
2 portfolio. Conversely, it can reduce the number flat 12-month bid blocks solicited if a
3 stronger seasonal price signal is preferred.

4 Finally, the Company would like to note that if the PUC prefers a 100% flat bid price
5 portfolio as Mr. Hahn recommends, the Company can implement this portfolio structure
6 without issues.

7 **Q. Does this conclude your rebuttal testimony?**

8 **A. Yes.**