

Granite State Electric Company
d/b/a National Grid

Default Service

For the Period Beginning
February 1, 2009

Testimony and Schedules
of
John D. Warshaw

ORIGINAL	
N.H.P.U.C. Case No.	DE 08-011
Exhibit No.	18
Witness	John D. Warshaw
DO NOT REMOVE FROM FILE	

December 15, 2008

Submitted to:
New Hampshire Public Utilities Commission
Docket No.

Submitted by:

nationalgrid

DIRECT TESTIMONY

OF

JOHN D. WARSHAW

Table of Contents

I.	<u>Introduction</u>	1
II.	<u>Purpose of Testimony</u>	2
III.	<u>Bidding Process</u>	3
IV.	<u>Results of Bidding</u>	5
V.	<u>Renewable Portfolio Standard</u>	6
VI.	<u>Proposed Default Service Rates</u>	9
VII.	<u>Conclusion</u>	12

1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is John D. Warshaw, and my business address is 55 Bearfoot Road,
4 Northborough, Massachusetts 01532.

5

6 Q. Please state your position.

7 A. I am a Principal Analyst in Regulated Electric Load and Distributed Generation – New
8 England for National Grid USA Service Company, Inc. I conduct power procurement
9 and energy supply related activities for National Grid’s New England operating
10 companies, including Granite State Electric Company d/b/a National Grid (“Granite
11 State”). These activities include the procurement of power for Default Service for
12 Granite State.

13

14 Q. Will you describe your educational background and training?

15 A. I graduated from the State University of New York Maritime College in 1977 with a
16 Bachelor of Science in Nuclear Science. I received a Masters in Business Administration
17 from Northeastern University in 1986. In 1992, I earned a Masters of Arts in Energy and
18 Environmental Management from Boston University.

19

20 Q. What is your professional background?

21 A. In May 2000, I joined the National Grid USA Service Company as a Principal Analyst in
22 Energy Supply – New England. In my position I have conducted a number of
23 solicitations for wholesale power to meet the needs of National Grid USA’s New

1 England distribution companies. I also administer both short-term and long-term power
2 purchase agreements for National Grid USA's New England distribution companies.
3 Prior to my employment at National Grid USA, I was employed at COM/Energy (now
4 NSTAR) from 1992 to 2000. From 1992 to 1997, I was a Rate Analyst in Regulatory
5 Affairs at COM/Energy responsible for supporting state and federal rate filings. In 1997,
6 I transferred to COM/Electric to work in Power Supply Administration.
7

8 **II. Purpose of Testimony**

9 Q. What is the purpose of your testimony?

10 A. The purpose of my testimony is to request approval of the Default Service rates for the
11 Large and Medium Commercial and Industrial Customer Group ("Large Customer
12 Group"¹) resulting from Granite State's recent procurement of Default Service power
13 supply. To support this request, I will describe the process used by Granite State to
14 procure Default Service for the Large Customer Group for the three-month period
15 February 1, 2009 through April 30, 2009. My testimony presents National Grid's
16 proposed Default Service rates, including rate adjustments, for usage on and after
17 February 1, 2009, in accordance with the Default Service Adjustment Provision and
18 Default Service Cost Reclassification Adjustment Provision of the Company's tariff, and
19 the Settlement Agreement in Docket No. DE 05-126, approved by the Commission in
20 Order No. 24,577 (January 13, 2006) ("Settlement Agreement"). Finally, my testimony
21 will describe how the Company proposes to meet the Renewable Portfolio Standard
22 obligation.

¹ Customers taking service under General Long-Hour Service Rate G-2 or General Service Time-Of-Use Rate G-1 of

1

2 **III. Bidding Process**

3 Q. Why does Granite State need to procure Default Service for the Large Customer Group
4 for the period beginning February 1, 2009?

5 A. Granite State's currently effective Default Service supply contract for the Large
6 Customer Group expires on January 31, 2009. Therefore, to assure that Default Service
7 will continue to be available to these customers, Granite State requires a new Default
8 Service supply arrangement beginning February 1, 2009.

9

10 Q. Please describe the process Granite State used to procure its Default Service supply.

11 A. Granite State conducted the procurement of Default Service supply in accordance with
12 applicable New Hampshire rules and regulations including Granite State Electric
13 Company's Second Amended Restructuring Settlement Agreement ("Restructuring
14 Settlement"), RSA 374-F ("New Hampshire Act"), and the terms of the Settlement
15 Agreement approved by the Commission pursuant to Order No. 24,577² issued on
16 January 13, 2006 in Docket No. DE 05-126 (the "Order"). Granite State and its retail
17 electric distribution affiliates in Massachusetts, Massachusetts Electric Company and
18 Nantucket Electric Company (together "Mass. Electric"), (all three companies together
19 "National Grid"), issued a joint request for proposals ("RFP") for certain power supply
20 services (including Granite State's Default Service) from suppliers. The RFP sought a

the Company's Retail Delivery Tariff.

² The Order granted Granite State's August 1, 2005 Petition for Post-Transition Service Default Service Proposal as amended by the Post-Transition Service Default Service Proposal Settlement Agreement filed with the Commission on November 18, 2005 ("Settlement Agreement"). Granite State's original proposal filed August 1, 2005 and the subsequent Settlement Agreement will together be referred to as the "Settlement Agreement" throughout my testimony.

1 supply for Granite State's Default Service, and a portion of Mass. Electric's Basic
2 Service supply. This is consistent with the process approved by the Commission in the
3 Order. This process is also consistent with past procurements.³
4

5 Q. Could you describe the nature of the RFP that National Grid issued?

6 A. On October 31, 2008, National Grid issued an RFP to over twenty-five potential
7 suppliers soliciting power supplies for the period February 1, 2009 through April 30,
8 2009. National Grid also distributed the RFP to all members of the NEPOOL Markets
9 Committee and posted the RFP on its energy supply website. As a result, the RFP had
10 wide distribution throughout the New England energy supply marketplace. The RFP
11 requested fixed pricing for each month of service on an as-delivered energy basis. Prices
12 could vary by month and by service – that is, the prices did not have to be uniform across
13 the entire service period or between Granite State and Mass. Electric. A copy of the RFP
14 is provided as Schedule JDW-1.
15

³ See Order No. 24,163, at 7 (April 25, 2003), Order No. 24,412 at 9 (December 22, 2004), Order No. 24,539 at 9 (October 31, 2005), Order No. 24,609 at 10 (March 28, 2006), Order No. 24,637 at 10 (June 22, 2006), Order No. 24,675 at 10 (September 29, 2006), Order No. 24,715 at 8 (December 15, 2006), Order No. 24,736 at 10 (March 26, 2007), Order No. 24,764 at 9 (June 22, 2007), Order No. 24,787 at 11 (September 21, 2007), Order No. 24,810 at 10-11 (December 17, 2007), Order No. 24,836 at 11-12 (March 21, 2008), Order No. 24,862 at 9-10 (June 20, 2008) and Order No. 24,902 at 12-13 (September 29, 2008).

1 **IV. Results of Bidding**

2 Q. Did Granite State receive responses to the RFP?

3 A. Yes. Indicative proposals were received on December 3, 2008 and a confidential
4 summary of the proposals was shared with Commission Staff soon after. Final proposals
5 were received on December 10, 2008. None of the bidders made their provision of
6 Granite State's Default Service contingent upon the provision of any other service. A
7 summary of the RFP process and bid evaluation is included in Schedule JDW-2.

8

9 Q. How do the current futures prices for electricity and natural gas compare to the futures
10 prices at the time of the May 9, 2008 and August 8, 2008 RFPs?

11 A. The futures market prices for electricity and natural gas at the time of the May 9, 2008
12 and August 8, 2008 procurements as well as current futures market prices are shown in
13 Schedule JDW-3.

14

15 Q. Did Granite State select any of those proposals?

16 A. Yes. Granite State evaluated the bids received and selected the supplier that (i) provided
17 a bid that was conforming to the RFP, (ii) had the lowest price, (iii) met the credit
18 requirements described in the RFP, and (iv) passed our qualitative evaluation. On
19 December 10, 2008, Granite State entered into a wholesale Transaction Confirmation
20 with PSEG Energy Resources & Trade LLC. ("PSEG-ERT"), the winning bidder for the
21 Large Customer Group block, to provide Default Service to the Large Customer Group
22 for the three-month period February 1, 2009 through April 30, 2009. Together, a
23 Transaction Agreement and a Master Power Agreement provide the terms for the

1 purchase of Default Service from a supplier. A copy of the PSEG-ERT Master Power
2 Agreement was filed with the Commission on September 22, 2008 in Docket No. DE 08-
3 011. The Transaction Confirmation between Granite State and PSEG-ERT, with certain
4 confidential sections redacted, is attached hereto as Schedule JDW-4.

5
6 **V. Renewable Portfolio Standard**

7 Q. What is the Renewable Portfolio Standard (“RPS”) obligation for 2009?

8 A. As specified in the RPS law⁴, the RPS obligation for calendar year 2009 is a minimum of
9 six percent (6%) of Granite State’s Default Service load, of which at least one-half
10 percent (0.5%) can come from Class I New Renewable Energy Resources, at least four
11 and one-half percent (4.5%) can come from Class III Existing Renewable Energy
12 Resources and at least one percent (1.0%) can come from Class IV Existing Renewable
13 Energy Resources.

14
15 Q. How does Granite State expect to satisfy its RPS obligations consistent with the RPS
16 rules as promulgated by the Commission?

17 A. On December 9, 2008, Granite State entered into a settlement agreement with
18 Commission Staff and the Office of Consumer Advocate, intended to resolve all issues
19 associated with the process by which Granite State shall comply with the requirements of
20 the RPS law and PUC 2500 rules (“RPS Settlement”). The RPS Settlement was also filed
21 for the Commission’s consideration in this docket on December 9, 2008. Granite State is
22 respectfully requesting that the Commission approve the RPS Settlement as filed.

4 N.H. RSA 362-F.

1 Q. Is Granite State's current Default Service procurement consistent with the terms of the
2 RPS Settlement?

3 A. Yes. As described in Section II, 2 of the RPS Settlement on page 3, Granite State
4 requested that Default Service suppliers provide a RPS compliance adder to take on the
5 RPS obligation for the Large Customer Group in the RFP. If accepted, the winning
6 supplier would be required to provide Granite State with sufficient RECs to meet the RPS
7 requirements associated with the load it would be serving. If not accepted, Granite State
8 would seek to purchase RPS RECs at a lower cost through a separate solicitation using a
9 process similar to the one used for procuring Default Service, and as set forth in the RPS
10 Settlement.

11
12 Q. What were the criteria Granite State used to evaluate the RPS compliance adders?

13 A. Granite State evaluates the RPS compliance adders by comparing them to market prices.
14 At this time, Granite State is unaware of any market data for New Hampshire RPS RECs.
15 As a result, Granite State used the ACPs for the various classes as a proxy for market
16 prices. While the RPS compliance adder from the winning bidder was slightly lower than
17 the ACPs, we believe that Granite State could get lower costs by purchasing RECs in the
18 wholesale marketplace once that market develops. Granite State plans to issue an RFP in
19 the future for the acquisition of RECs. If Granite State is unable to purchase sufficient
20 RECs to meet its NH RPS obligations, it will then, consistent with the RPS rules, make
21 ACPs to the Renewable Energy Fund.

1 Q. Is Granite State proposing any changes to the current RPS Adder at this time?

2 A. No. Granite State is including in its Default Service rates an RPS Adder of 0.199 ¢/kWh
3 in 2009 for the Large Customer Group. Granite State has proposed to use this RPS Adder
4 until such time as the Company is able to contract for RECs. The Company has not yet
5 contracted for RECs.

6

7 Q. How did Granite State calculate the RPS Adder?

8 A. As shown in Schedule JDW-5, Granite State calculated the wholesale RPS costs on a per
9 MWh basis. The Company then converted the wholesale RPS costs to a retail cost by
10 multiplying the calculated costs by the average Granite State loss factor and then dividing
11 by ten in order to convert from a \$/MWh wholesale cost to a ¢/kWh rate for retail use.

12

13 Q. What costs did Granite State use to develop its RPS Adder?

14 A. As a proxy for actual RPS costs, the RPS Adder is based on the Alternative Compliance
15 Payment ("ACP") rates for the Class I, III and IV obligations.

16

17 Q. What happens if Granite State's actual RPS compliance costs are different from that used
18 in calculating the RPS Adder?

19 A. As previously described in the Company's September 22, 2008 Default Service filing in
20 Docket No. DE 08-011, Granite State will reconcile its costs to comply with the RPS law
21 with the revenue received from customers from the RPS Adder. RPS law compliance
22 costs will be included in the Default Service reconciliation which is filed as part of the
23 Default Service filing to be made in March 2009. Since the RPS Adder will be added to

1 rates for Default Service, the revenue associated with the charge will inherently be
2 included in revenue associated with Default Service. The Company will add a column to
3 its reconciliations for Default Service to identify the costs incurred that are associated
4 with purchasing RECs and any ACPs ultimately made. This will ensure that revenue
5 billed relating to the RPS Adder is matched against costs incurred to comply with the
6 RPS law. If the actual costs to procure RECs are less than or greater than those used to
7 develop the RPS Adder, any over or under collection will be included as part of the
8 annual reconciliation.

9
10 **VI. Proposed Default Service Rates**

11 Q. Please summarize the commodity cost at the retail meter based on Granite State's
12 expected procurement cost and used to develop the proposed retail rates.

13 A.. Granite State estimates the procurement costs for Default Service at the retail customer
14 meter for each month to be as set forth in Schedule JDW-6.

15 The simple average of the commodity costs for the Large Customer Group is 8.121¢ per
16 kWh compared to the simple average Default Service costs of 10.251¢ per kWh for the
17 period November 2008 through January 2009. The commodity costs at the retail
18 customer meter (¢ per kWh) were calculated by multiplying the commodity costs at the
19 wholesale level (\$ per MWh) by the applicable loss factor and then dividing the results
20 by ten. The applicable loss factors can be found in the RFP summary in Schedule JDW-
21 2.

22

1 Q. What are the Default Service rates that the Company is proposing for the Large Customer
2 Group?

3 A. As presented in Schedule JDW-6, the Company is proposing monthly Default Service
4 rates for the Large Customer Group based on the three monthly contract prices contained
5 in the supply agreement with the winning Default Service supplier for the Large
6 Customer Group. These base rates are adjusted by the currently effective Default Service
7 Cost Reclassification Adjustment Factor to recover administrative costs associated with
8 Default Service in accordance with Second Revised Page 93 of its tariff. On line (3)
9 these rates are further adjusted by the currently effective Default Service Adjustment
10 Factor in accordance with the Second Revised Page 87 of the Company's tariff. Finally,
11 on line (4) these rates are adjusted by the currently effective RPS Adder. As displayed
12 on line (5), the proposed base Default Service rates for the Large Customer Group are
13 9.125¢ per kilowatt-hour, 8.014¢ per kilowatt-hour, and 7.943¢ per kilowatt-hour for the
14 months of February 2009 through April 2009.

15
16 Q. How will Granite State reconcile any difference in costs associated with Default Service?

17 A. To the extent that the actual cost of procuring Default Service varies from the amounts
18 billed to customers for the service, Granite State will continue to reconcile the difference
19 through a reconciliation mechanism pursuant to Granite State's Default Service
20 Adjustment Provision contained in its currently effective tariff on Second Revised Page
21 87.

22

1 Q. How and when is the Company proposing that these rate changes be implemented?

2 A. Consistent with the Commission's rules on the implementation of rate changes, the
3 Company is proposing that these Default Service rates become effective for usage on and
4 after February 1, 2009.
5

6 Q. Has the Company determined the impact of these rate changes on customer bills?

7 A. Yes. The Company has provided typical bill impacts in Schedule JDW-7. For customers
8 in the Large Customer Group, the bill impacts when going from the currently approved
9 January 2009 rate to the proposed February 2009 rate are decreases ranging from 15.3%
10 to 17.5%.
11

12 Q. Has the Company prepared a revised Summary of Rates tariff page reflecting the
13 proposed rates?

14 A. No. The Company has already submitted a revised Summary of Rates tariff page
15 reflecting proposed rates for January 1, 2009 in Docket No. DE 08-149. Upon receiving
16 orders in Docket No. DE 08-149 and in this proceeding, the Company will file a revised
17 Summary of Rates tariff page, reflecting the appropriate approved rates.
18

19 Q. Has the Company included the most recent quarterly report of migration information
20 based on monthly migration by customer class and load, as required by the Commission's
21 Order No. 24,715 in Docket No. DE 06-115?

22 A. The quarterly report of customer migration information for the third quarter of calendar
23 year 2008 is included as Schedule JDW-8.

1 **VII. Conclusion**

2 Q. When will Granite State issue the next RFP for Default Service?

3 A. Both the Large Customer Group rates proposed in this filing and the current Small
4 Customer Group rates expire on April 30, 2009. Per the terms of the Settlement
5 Agreement, Granite State will issue an RFP for both customer groups in February 2009.
6 For purposes of notice to the Commission, the following table illustrates National Grid's
7 proposed timeline for the next two RFPs:

8

RFP	February 2009 RFP	May 2009 RFP
RFP Issued	February 13, 2009	May 08, 2009
Indicative Bids Due	March 4, 2009	June 03, 2009
Final Bids Due	March 11, 2009	June 10, 2009
Contract Execution	March 11, 2009	June 10, 2009
Default Service Filing to Commission	March 16, 2009	June 15, 2009
Commission Order Needed	March 23, 2009	June 22, 2009
Service Begins	May 1, 2009	August 1, 2009

9

10 Q. Does this conclude your testimony?

11 A. Yes. It does.

Schedules
Table of Contents

Schedule JDW-1	Default Service RFP February 1, 2009 through April 30, 2009
Schedule JDW-2	Default Service Procurement Summary
Schedule JDW-3	Comparison of Change in Futures Prices to Change in Procurement Costs
Schedule JDW-4	Default Service Contract for the Large Customer Group February 1, 2009 through April 30, 2009
Schedule JDW-5	Renewable Portfolio Standard Adder
Schedule JDW-6	Summary of Large Customer Group Default Service Rates
Schedule JDW-7	Typical Bill Impacts
Schedule JDW-8	Quarterly Customer Migration Report

SCHEDULE JDW – 1

**Default Service RFP
February 1, 2009 through April 30, 2009**

Request For Power Supply Proposals To Provide The Following Services:

Default Service in:
Massachusetts
New Hampshire

For the Period:

February 1, 2009 –
April 30, 2009

October 31, 2008

national**grid**

REQUEST FOR POWER SUPPLY PROPOSALS

1. Overview

1.1 Background

Legislation and restructuring settlement agreements in Massachusetts¹ and New Hampshire² provide for competition in the electric utility industry by extending competition in the wholesale power supply markets to retail customers through the provision of retail access to all customers.

The Massachusetts Act provides access to the competitive retail electricity market for all retail customers of National Grid in Massachusetts (Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid) as of March 1, 1998. The Massachusetts Act requires each distribution company to provide default service (“MA Default Service”) to those customers that are not receiving generation service from a competitive supplier.

In New Hampshire, the Restructuring Settlement provides access to the competitive retail electricity market for all retail electric customers of National Grid in New Hampshire (Granite State Electric Company d/b/a National Grid) as of July 1, 1998 pursuant to the provisions of the New Hampshire Act. The Restructuring Settlement and the New Hampshire Act require National Grid to provide default service (“NH Default Service”) to those customers that are not receiving generation service from a competitive supplier³.

MA Default Service and NH Default Service together will be referred to as “Default Service”.

1.2 MA Default Service

The Massachusetts Act requires MA Default Service to be competitively procured. The Massachusetts Department of Telecommunications and Energy

¹ Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein, Chapter 164 of The Massachusetts Acts of 1997 (“Massachusetts Act”).

² Granite State Electric Company’s Second Amended Restructuring Settlement Agreement (“Restructuring Settlement”) and RSA 374-F (“New Hampshire Act”).

³ The New Hampshire Act specifies that Transition Service ends at midnight on April 30, 2006. All Transition Service customers who did not choose a competitive supplier by April 30, 2006 began receiving NH Default Service on May 1, 2006. A settlement agreement approved by the New Hampshire Public Utilities Commission on January 13, 2006 in Order No. 24,577 provides for the procurement of NH Default Service commencing May 1, 2006 (“DS Settlement Agreement”).



(“MDTE”) initiated a generic proceeding on rules and procedures for the provision and pricing of MA Default Service⁴. The MDTE ordered all electric companies in Massachusetts to procure MA Default Service through competitive solicitations by customer group (residential, commercial and industrial) and to procure such power at fixed monthly prices⁵. The MDTE also ordered electric companies to procure power for each customer group on a zone-specific basis based on the three Standard Market Design (“SMD”) Load Zones in Massachusetts⁶. Retail pricing for MA Default Service is to be provided on a zone-specific basis for the industrial customer group while retail MA Default Service prices for the residential and commercial customer groups are to be averaged across the zones served by the utility.

The MDTE ordered electric companies to procure power for their residential and commercial customer groups on a staggered basis (securing 50% of their MA Default Service supply for a twelve-month term semi-annually)⁷. The MDTE also ordered electric companies to procure power for the industrial customer group (i.e., larger customers) on a quarterly basis⁸. Additional changes regarding the procurement of MA Default Service may result from the Massachusetts Department of Public Utilities’ (“MDPU”) ⁹, D.T.E. 04-115, “The Procurement of Default Service Power Supply for Residential and Small Commercial Customers” initiated on December 6, 2004. If the MDPU issues an order prior to executing agreements with Respondents, National Grid will incorporate any required changes into the agreements.

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet its MA Default Service requirements.

1.3 Massachusetts Customer Groups

For the purposes of this solicitation, the Massachusetts customer groups are defined as:

Customer Group	Rate Class
Residential	R-1, R-2, R-4 and R-E
Commercial	G-1 and street lights

⁴ Docket D.T.E. 99-60.

⁵ See Dockets D.T.E. 99-60-A and D.T.E. 99-60-B.

⁶ See Docket D.T.E. 02-40-A.

⁷ See Docket D.T.E. 02-40-B.

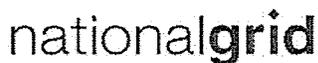
⁸ See Docket D.T.E. 02-40-C.

⁹ Effective April 11, 2007, the MDTE ceased to exist. Two new agencies have been established in its place: The Department of Telecommunications & Cable will handle telecommunications and cable issues and The Department of Public Utilities will handle electric, gas, siting, pipeline, water and transportation issues.

Request for Power Supply Proposals

October 31, 2008

Page 3



Industrial	G-2 and G-3
------------	-------------

1.4 NH Default Service

The DS Settlement Agreement in New Hampshire and the New Hampshire Act require National Grid to provide NH Default Service to those customers that are not receiving generation service from a competitive energy supplier, including those customers who were receiving Transition Service on April 30, 2006 and have not chosen a competitive supplier since that date. In compliance with the DS Settlement Agreement, National Grid will procure NH Default Service by customer group (small customer group and large customer group). For the small customer group, National Grid will procure 100% of their NH Default Service supply for a six-month period. For the large customer group, National Grid will procure 100% of their NH Default Service supply for a three-month period.

National Grid is hereby seeking proposals from qualified power suppliers to supply firm, load-following power to meet its NH Default Service requirements.

1.5 New Hampshire Customer Groups

For the purposes of this solicitation, the New Hampshire customer groups are defined as:

Customer Group	Rate Class
Small Customer Group	D, D-10, G-3, M, T and V
Large Customer Group	G-1 and G-2

2. Description of Services

2.1 Description

Appendix A contains an overview of the services covered by this Request for Proposal ("RFP"). The Appendix provides:

- A brief description of MA Default Service;
- A brief description of NH Default Service;
- The eligibility requirements for a customer to obtain or leave Default Service;

2.2 Expected Loads

National Grid is unable to predict the amount of load that will be required to meet the needs of each customer group, if any. National Grid's customers are free to leave Default Service at any time to take service from competitive suppliers. The ability of customers to enroll or return to Default Service is described in Appendix A.

On March 14, 2007 the MDTE approved the City of Marlborough's plan for a Municipal Aggregation (Docket D.T.E. 06-102). The City of Marlborough has executed an agreement with a supplier to provide service to residential and business customers in the city. Industrial customers have a 30-day "opt-out" period in which they can choose to remain on National Grid's Default Service and not be switched to the Municipal Aggregation service. In order to allow Bidders to evaluate the impact of this change on National Grid's Industrial Customer Group load in the WCMA Load Zone, National Grid is providing a summary of the customer counts and aggregate loads (by rate class) for the City of Marlborough. National Grid cannot provide individual customer information or hourly loads for the City of Marlborough. National Grid is unable to provide an estimate of how many customers will actually be served by the Municipal Aggregation and how many will choose to remain with National Grid's default service.

To assist Respondents in determining the potential load requirements, National Grid is able to provide the following information on its Power Procurement Web Site:

For MA Default Service:

- Aggregate historical wholesale hourly load information for MA Default Service (since March 1, 1998);
- Aggregate historical wholesale hourly loads for MA Default Service by customer group (since November 1, 2000);
- Historic hourly loads by SMD Load Zone and customer group for MA Default Service (since March 1, 2003);
- Marlboro customer count and aggregate load data;
- Reports showing the number of customers enrolled in various electric services and energy consumption at retail by rate class can be found at the Division of Energy Resource's ("DOER") Electric Deregulation page.

For NH Default Service:

- Aggregate historical wholesale hourly load information for NH Default Service (from December 1, 2002 to April 30, 2006);
- Aggregated historical hourly load information for NH Default Service (since May 1, 2006)
- Aggregate historical wholesale hourly load information for Transition Service by the four customer groups (from July 1, 2002 to April 30, 2006). The Transition Service customer groups are defined as:

Customer Group	Rate Class
Residential	D, D-10, M & T
Small Commercial	G-3 and V
Medium Commercial	G-2
Industrial	G-1

Note: As a result of Transition Service ending on April 30, 2006, all customers not taking service from a competitive supplier were transferred to either the small customer group or the large customer group of NH Default Service on May 1, 2006. In order to estimate NH Default Service load for the large customer group, the medium commercial and industrial Transition Service and pre May 1, 2006 NH Default Service loads will need to be combined into one service. For the small customer group, the residential and small commercial Transition Service loads will need to be combined into one service.

For All Services:

- Class average load shapes at the retail meter point;
- Historical customer counts, as of the last billing day in each month, by each National Grid company, SMD Load Zone (since March 1, 2003) and rate class. These counts represent the number of active accounts in each rate class as of the last billing day in each month;
- Historical customer counts for customers taking service from a competitive supplier, as of the last billing day in each month, by rate class.
- ICAP tags as of the last day of the month for each load asset.

Please use the following link to access the site:

<http://www.nationalgridus.com/energysupply/>

Click on "Data" at the upper right of the screen to access Load data, Customer Count data, Class Average Load Shapes and ICAP Tags. This site is open to anyone with the above link. No user id or password is required to access the data on the site.

2.3 Load Blocks

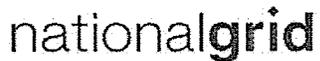
National Grid's total Default Service requirements covered by this RFP are broken down into the following four load blocks:

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
A	Industrial	SEMA	100%	MA Default Service	02/01/09 – 04/30/09

Request for Power Supply Proposals

October 31, 2008

Page 6



B	Industrial	WCMA	100%	MA Default Service	02/01/09 – 04/30/09
C	Industrial	NEMA	100%	MA Default Service	02/01/09 – 04/30/09
D	Large	NH	100%	NH Default Service	02/01/09 – 04/30/09

The load blocks in the SEMA Load Zone include National Grid's customers on the Island of Nantucket.

A Respondent may bid on any number of load blocks that it wishes to serve. A Respondent wishing to serve the entire load for a particular customer group should submit a bid for each load block of that customer group. Respondents may not limit the amount of service that may be purchased for a given load block. Proposals that contain limits on the amount of service provided will be rejected¹⁰.

The amount of load for each load block to be supplied by the winning Supplier(s) will be determined in accordance with the procedure contained in Article 6 of the applicable proposed Master Power Agreement, a copy of which is provided in Appendices B and C.

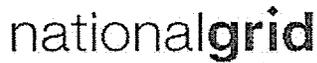
2.4 Massachusetts Retail Customer Rates

During the term of service covered by this RFP, National Grid intends, in accordance with MDPU orders, to establish retail rates for generation service for MA Default Service customers ("Basic Service Rates"). Such Basic Service Rates will reflect National Grid's purchase costs for such service due to commitments made as a result of this and previous RFPs and those costs associated with arranging MA Default Service (see below).

The retail rates for the industrial customer group will vary by SMD Load Zone based on the winning bids. National Grid will file proposed Basic Service Rates with the MDPU following execution of an agreement(s) with a winning supplier(s). The Basic Service Rates charged to retail customers during the term of service covered by this RFP will be as ultimately approved by the MDPU.

In Docket D.T.E. 02-40-B, the MDTE determined that it is appropriate to include other costs an electric company incurs in providing MA Default Service in its Basic Service Rates. In Docket D.T.E. 03-88-E, the MDTE ordered National Grid to include those costs associated with arranging MA Default Service in its Basic Service Rates. National Grid implemented this change with the Default

¹⁰ For example, a Respondent offering to supply Block A load must agree to supply 100% of the needs of that load block during every month of the Period (for example, 100% of the total load of the Industrial customer group in the SEMA Load Zone). The Respondent may not offer to serve Block A provided that the amount of service purchased does not exceed [specified value] MW in any hour.



Service Cost Reclassification Adjustment Provision (MDTE No. 1084) to include such charges with the provision of MA Default Service to its customers

2.5 New Hampshire Retail Customer Rates

During the term of service covered by this RFP, National Grid intends, in accordance with the DS Settlement Agreement, to establish retail rates for generation service for NH Default Service customers ("Energy Service Rates"). The Energy Service Rates will reflect National Grid's purchase costs for such service due to commitments made as a result of this RFP. The DS Settlement Agreement also requires National Grid to include in its Energy Service Rates a surcharge to account for the administrative costs associated with NH Default Service. The Energy Service Rates will be as ultimately approved by the New Hampshire Public Utilities Commission ("NHPUC").

2.6 Effectiveness of Contracts (MA and NH)

Any agreement(s) entered into for the delivery of MA Default Service pursuant to this solicitation will be subject to the MDPU's favorable review of the results of National Grid's solicitation for Default Service. Section 1 of the Massachusetts Master Power Supply Agreement Form of Confirmation addresses the possibility that the MDPU does not favorably review the results of National Grid's solicitation for Default Service.

Any agreement(s) entered into for the delivery of NH Default Service pursuant to this solicitation will be subject to the approval by the NHPUC of the retail rates prior to the agreement(s) becoming effective. Section 1 of the New Hampshire Master Power Supply Agreement Form of Confirmation addresses the possibility that the NHPUC may not approve the retail rates.

Any agreement(s) entered into for the delivery of NH Default Service pursuant to this solicitation will be subject to the approval by the NHPUC of the retail rates prior to the agreement(s) becoming effective. Section 3.1 of the New Hampshire Power Supply Agreement addresses the possibility that the NHPUC may not approve the retail rates.

3. General Provisions

3.1 Terms and Conditions

The winning Supplier(s) will be selected to provide Default Service to the applicable customer groups/load blocks during the term covered by this RFP. Up to four (4) separate Suppliers may be selected – one for each load block. Default Service will be provided by such Supplier(s) to National Grid in accordance with the terms and conditions of the Power Supply Agreements. A copy of the



proposed Master Power Supply Agreement for Massachusetts is provided in Appendix B, a copy of the proposed Master Power Supply Agreement for New Hampshire is provided in Appendix C. The winning Supplier(s) will be required to execute the applicable Master Power Supply Agreement(s) and confirmations within three (3) business days of being notified that it has been selected as the winning Supplier.

Any suggested modifications to the proposed Agreement(s) are to be included with Respondent's response to this RFP.

3.2 Proposal Process and Submission Dates

The following table outlines the key dates associated with this procurement process.

Process Step	Date
Issue Request for Proposal	October 31, 2008
Submit Respondent Proposal Information and Proposed Agreement Modifications	November 14, 2008– 5pm EPT
Submit Indicative Pricing	December 3, 2008– 10am EPT
Submit Final Pricing	December 10, 2008– 10am EPT
Execute Agreements and Submit solicitation process summary, Agreements and retail rates to MDPU and NHPUC, as applicable	No later than three business days after receipt of all executed agreements.
MDPU Reviews and Approves both Agreements and Basic Service Rates	No later than five business days after filing of Basic Service Rates
NHPUC Reviews and Approves Default Service Rates	No later than five business days after filing of Default Service Rates
Service Begins	February 1, 2009

One (1) copy of a Respondent's Proposal Information and proposed agreement modifications must be received at the following address:

Mr. John D. Warshaw
Regulated Electric Load and Distributed Generation
National Grid
55 Bearfoot Road
Northboro, MA 01532
(508) 421-7357
(508) 421-7335 (fax)
e-mail: john.warshaw@us.ngrid.com

Proposal information may be submitted by facsimile or e-mail.

National Grid is conducting the procurement process in three steps. The first step is for Respondents to provide National Grid with their background information,



financial information, and proposed agreement modifications by 5:00 p.m. EPT on Friday, November 14, 2008. Upon receipt, National Grid will evaluate each Respondent's qualifications and proposed agreement modifications.

The second step in this process is for Respondents to provide indicative Pricing Information by 10:00 a.m. EPT on Wednesday, December 3, 2008 at the above address. National Grid will evaluate the indicative pricing and request, if required, clarifications from Respondents.

The third step is for Respondents to provide final Pricing Information by 10:00 a.m. EPT on Wednesday, December 10, 2008 at the above address. National Grid intends to evaluate the final pricing and select a Supplier(s) that day. Respondents are requested to specify the manner in which they will accept a binding acceptance of their offer by National Grid prior to receipt of an executed agreement (verbal, letter of intent, e-mail or executed agreement) or they will be deemed to be bound by National Grid's acceptance communicated in any of the preceding manners.

Within three business days of receipt of all executed agreements, National Grid will file with the MDPU and the NHPUC a confidential summary of the solicitation process, the executed agreement(s) and proposed Basic Service Rates or Energy Service Rates, respectively.

Consistent with its rules, the MDPU will have five business days to review the results of National Grid's solicitation for Default Service. If the MDPU takes no action, National Grid's proposed Default Service price will go into effect. If the Department issues an order disapproving or rejecting the results of National Grid's solicitation for Default Service, the agreement between National Grid and Supplier(s) shall become null and void.

Consistent with its rules, the NHPUC will have five business days to either approve the proposed Energy Service Rates or reject them. If the NHPUC denies National Grid's request for approval of the retail rates, the agreement(s) will be void and the parties will have no further obligation under the agreements(s).

National Grid, at its sole discretion, reserves the right to issue additional instructions or requests for additional information, to extend the due date, to modify any provision in this RFP or any appendix thereto and to withdraw this RFP.

3.3 Contact Person/Questions

All questions regarding this Request for Proposal should be directed to John D. Warshaw at the address provided above.

3.4 Right to Select Supplier



National Grid shall have the exclusive right to select or reject any and/or all of the proposals submitted at any time, for any reason.

4. Service Features

4.1 Commencement Date of Supply

Service from the winning Supplier(s) to National Grid shall begin as of HE 0100 EPT on the date specified in the table found in Section 2.3 – Load Blocks.

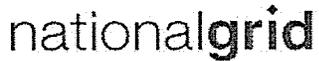
Service from National Grid to individual customers who are taking Default Service in each customer group as of the Commencement Date, if any, will continue with the winning Supplier(s) providing such service to National Grid as of the Commencement Date.

Service from National Grid to individual customers taking Default Service as of the Commencement Date shall begin on the customer's meter reading date following notification/determination that a customer will be commencing Default Service or such other date designated by National Grid consistent with National Grid's Tariff for Off Cycle Meter Read For Switch of Supplier Provision, M.D.T.E. No. 1053-A in Massachusetts, or the Off Cycle Meter Read for Switch of Supplier Provision, Original Page 92, of National Grid's *Tariff for Retail Delivery Service for the Period after New England Power Company Divests Substantially All of Its Non-Nuclear Generation, N.H.P.U.C. No. 17* in New Hampshire.

National Grid's procedures provide for customers to be switched from one service option to another (e.g., from Default Service to a competitive supplier, from one competitive supplier to another competitive supplier, from a competitive supplier to Default Service) on their normal cycle meter reading dates. However, there may be circumstances (e.g., default of a competitive supplier) that might require a customer to be switched to Default Service "off-cycle". In such case, the customer will be switched to Default Service on a date designated by National Grid consistent with National Grid's Off Cycle Meter Read For Switch of Supplier Provision, M.D.T.E. No. 1053-A in Massachusetts, or the Off Cycle Meter Read for Switch of Supplier Provision, Original Page 92, of National Grid's *Tariff for Retail Delivery Service for the Period after New England Power Company Divests Substantially All of Its Non-Nuclear Generation, N.H.P.U.C. No. 17* in New Hampshire.

4.2 Termination Date of Supply

Service from the winning Supplier(s) to National Grid shall terminate at HE 2400 EPT on the dates specified in the table found in Section 2.3 – Load Blocks.



Individual customers taking Default Service from National Grid may terminate the service at any time. Terminations may include, but not be limited to, (i) a customer's taking competitive service from a competitive supplier, (ii) disconnection of service by National Grid in accordance with regulations and procedures approved by the MDPU or the NHPUC, or (iii) closing of a customer's account. National Grid's procedures provide for customers electing to terminate such service to be switched to their successor service on their normal cycle meter reading date following the date that National Grid receives notification of such switch. However, there may be circumstances which might require a customer to be terminated "off-cycle". In such a case, the customer will be terminated from Default Service on a date to be determined by National Grid.

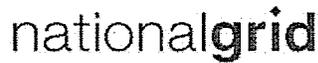
4.3 Delivery Points

The Supplier(s) of Default Service will be responsible for delivering power to the nodes/zones representing the actual locations of the Default Service loads. The Supplier(s) of each of the services will be responsible for any PTF losses allocated by the ISO related to the services. The locations of the Default Service load assets are as follows:

Company	SMD Load Zone	Load Asset	Load Asset Name	Load Block
Nantucket	SEMA	10021	NANT-DEF SVC-ICG LOAD	A
MECo	SEMA	7605	DEF SVC-MECO-ICG LOAD_4006	A
MECo	WCMA	7707	DEF SVC-MECO-ICG LOAD_4007	B
MECo	NEMA	7807	DEF SVC-MECO-ICG LOAD_4008	C
GSECo	NH	11437	GSECO-DEF SVC LARGE CG LOAD	D

4.4 Form of Service

The Supplier(s) of each Load Block shall be responsible for meeting the specified service requirements for all of National Grid's customers in a specific Load Block. These service requirements include the generation and/or market procurement and delivery to the delivery point(s) of the portion of the electric capacity, energy and ancillary services required to meet the needs of National Grid's ultimate customers taking such service. National Grid will implement the transfer of these responsibilities to the Supplier(s) by updating the asset registration for each of the above Load Assets. National Grid will assign to the Supplier(s) the applicable Ownership Share for each Load Asset. Once a Supplier's obligation terminates, National Grid will terminate the Supplier's Ownership Share of a Load Asset.



The Supplier(s) shall be responsible for all obligations, requirements, and costs associated with the Supplier(s) having the Load Asset Ownership Share which shall include but not be limited to the day-ahead load obligations and real-time load obligations at the nodes/zones of each Load Asset. A more complete description of a Supplier(s)'s responsibilities can be found in the proposed Master Power Supply Agreements in Appendices B and C of this RFP.

The Supplier(s) shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. The Supplier(s) shall be responsible for all components of any Locational Marginal Prices the Supplier must pay in delivery of the services. These components include, but are not limited to, the day-ahead and real-time energy, marginal losses, and congestion charges. As the supplier of such services, the Supplier(s) will be responsible for all present or future requirements and associated costs (to the extent such charges are not imposed on National Grid as a transmission charge by NEPOOL or the ISO) associated with the services and any other requirements, market products, expenses or charges imposed by NEPOOL or the ISO, as they may be in effect from time to time.

The Supplier(s) will also be responsible for all transmission and distribution losses associated with delivery of the electricity from the delivery point to the Default Service customer's meter. A description of the estimation process for determining supplier hourly load can be found in Appendix A of the proposed Master Power Supply Agreements, found in Appendices B and C of this RFP.

National Grid will make arrangements with the ISO for transmission service over the PTF and non-PTF, from and after the Delivery Point to the Customers' meters. National Grid will be billed by the ISO and the applicable Participating Transmission Owner(s) for these services. National Grid will pay these bills and collect the costs, along with National Grid's distribution costs, from its retail customers through its retail delivery service tariffs. Any other transmission or distribution costs will be the Supplier(s)' responsibility.

4.5 Implementation of the Massachusetts Renewable Energy Portfolio Standards ("RPS")

The Massachusetts Act requires the Massachusetts Division of Energy Resources ("DOER") to establish a renewable energy portfolio standard for all retail electricity suppliers selling electricity to end-use consumers in the Commonwealth. These requirements require National Grid to demonstrate that at least four percent (4%) of its electricity sales in 2009 are supplied from "new" renewable energy generation sources (to be known as Class I resources in 2009). The DOER's website contains a section on the Renewable Energy Portfolio requirements, including the final regulations, 225 CMR 14.00.

<http://www.state.ma.us/doer/rps/index.htm>



As requested in Section 5.2 below, National Grid requests Respondents to separately bid the cost of MA-RPS compliance equivalent to 4% of sales in 2009¹¹. National Grid will have the option to select bids that include or exclude the MA-RPS component.

If National Grid accepts bids with the RPS component, National Grid will require the winning Supplier(s) to utilize the NEPOOL Generation Information System ("NEPOOL GIS") to provide NEPOOL GIS Certificates that comply with the requirements of the RPS regulations. Respondents may propose alternate methods for demonstrating compliance. In each monthly invoice for a service that includes the RPS component, National Grid will take a credit equal to the product of the RPS obligation and the Alternative Compliance Payment. Once a Supplier delivers the required number of NEPOOL GIS Certificates, the credit will be returned to the Supplier.

4.6 Implementation of the New Hampshire Renewable Portfolio Standards ("RPS")

In 2007 the State of New Hampshire enacted an Electric Renewable Portfolio Standards law ("NH-RPS Law") (RSA 362-F) to foster the development of renewable energy sources to meet New Hampshire's energy needs. The NH-RPS Law requires all retail electricity suppliers to source a minimum portion of their energy needs from a portfolio of renewable energy resources. On June 2, 2008, the New NHPUC issued final rules (Chapter PUC 2500) implementing the NH-RPS Law. These rules can be found at:

<http://www.puc.state.nh.us/Regulatory/Rules/Puc2500.pdf>

These rules require National Grid to demonstrate that a portion of its electricity sales in 2009 are supplied from a mix of renewable energy generation sources. They are:

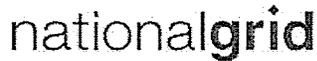
Class I consists of new renewable generators that began operation after January 1, 2006).

Class II consists of new generators utilizing solar technologies.

Class III consists of existing generators utilizing: 1) biomass technologies with a gross nameplate capacity of 25 MW or less; and 2) methane gas.

Class IV consists of existing qualifying small hydroelectric generators with a gross nameplate capacity of 5 MW or less.

¹¹ The Electric Restructuring Act of 1997 was recently modified by the Green Communities Act of 2008. At this time National Grid is only seeking NEPOOL-GIS Certificates to meet its Class I Resource obligations. National Grid will be seeking to meet the other obligations contained in the Green Communities Act at a later date.



The renewable requirements as a percent of sales are divided into 4 separate classes and summarized below:

Year	Class I	Class II	Class III	Class IV	Total
2009	0.5	0.0	4.5	1.0	6.0

National Grid requests Respondents to separately bid the cost of NH-RPS compliance equivalent to 6.0% in 2009. National Grid will have the option to select bids that include or exclude the NH-RPS component.

If National Grid accepts bids with the NH-RPS components, National Grid will require the winning Supplier(s) to utilize the NEPOOL Generation Information System (“NEPOOL GIS”) to provide NEPOOL GIS Certificates that comply with the requirements of the NH-RPS rules. Respondents may propose alternate methods for demonstrating compliance. In each monthly invoice for a service that includes the NH-RPS component, National Grid will take a credit equal to the product of the NH-RPS obligation and the applicable Alternative Compliance Payment. Once a Supplier delivers the required number of NEPOOL GIS Certificates, the credit will be returned to the Supplier.

5. Proposal Requirements

5.1 Format of Proposal

The information required by National Grid to evaluate each proposal is identified in Appendix D. Respondents may simply complete the forms provided in Appendix D in any legible fashion and return them to John D. Warshaw as provided in Section 3.2. In addition, proposals should contain explanatory, descriptive and/or supporting materials as necessary.

5.2 Proposed Pricing

Respondents must specify the price at which they will provide Default Service for each Load Block on which they are bidding to serve. Purchases will be made on an “as-delivered” energy basis with prices stated on a fixed \$/MWh basis. Such prices may vary by SMD Zone, calendar month and by customer group, but must be uniform for the entire calendar month and cover the entire term of this Request for Proposals.

Prices which contain demand components, minimum purchase requirements or which vary by time-of-use within a calendar month will be rejected. Prices which exclude one or more market costs (e.g. Installed Capability, uplift costs, etc.) may, at National Grid’s discretion, be rejected.

Request for Power Supply Proposals

October 31, 2008

Page 15



National Grid intends to pay a Supplier(s) based on the billing determinants as defined in the proposed Power Supply Agreement. These billing determinants are the loads as reported to the ISO, which include transmission and distribution losses, and exclude any PTF losses allocated to the Supplier by the ISO during the settlement.

National Grid is seeking the following pricing:

- **All-Inclusive Bids:** For each Load Block (A through D), a price which includes all costs. Should National Grid select this option, (1) suppliers would be responsible for all costs including capacity market charges and (2) Suppliers would not be responsible for supplying the RPS component.
- **Pass-Through Bids:** For only the New Hampshire Load Block (D), a price which includes all costs except capacity market costs. Should National Grid select this option, Suppliers would be responsible for all costs including the cost of capacity associated with the New Hampshire Load Blocks which National Grid would pay to the supplier on a pass-through basis based on the Suppliers actual costs subject to an appropriate cap.
- **RPS Compliance:** Price, on a separate \$ per MWh basis for Supplier to provide the RPS component for Load Blocks A through C. Should National Grid select this option, the RPS Compliance Bid price would be added to the All-Inclusive Bid price and the Supplier would provide the applicable quantity of NEPOOL GIS Certificates (see Section 4.5).

On June 16, 2006, the Federal Energy Regulatory Commission ("FERC") issued an Order in Docket No. ER03-563-060 approving a settlement agreement ("FERC Settlement") adopting the Forward Capacity Market ("FCM") as an alternative to ISO-New England, Inc.'s proposal to establish a locational installed capacity mechanism. On October 31, 2006 FERC issued an Order on Rehearing and Clarification denying a request for rehearing and affirming its decision to approve the FERC Settlement. Although consolidated appeals filed by the Maine PUC and Massachusetts and Connecticut Attorneys General in December of 2006 are currently pending in the Court of Appeals for the District of Columbia Circuit, these appeals do not stay implementation of the FCM transition payments that began on December 1, 2006. To address the event that the appeals are successful and market participants are required to make retroactive refunds of the FCM transition payments to Suppliers, National Grid will include the following terms in any transactions it enters into as a result of this Request for Proposals:

If the FERC Order #117¶61,133 (2006) ("Order") dated October 31, 2006 regulating the activity of the New England capacity market is challenged on appeal in federal court and the Order is reversed or modified as a result



of said appeal such that the effect of the reversal or modification results in refunds or reduced transition payments paid by the Seller, and associated with the Load Assets identified in Section 4 of this Confirmation, then the Seller shall pay to Buyer any such refunds or reduced transition payments. Any such refunds will be paid by Seller to Buyer within five (5) Business Days of receipt by Seller. Seller shall provide information to Buyer in sufficient detail for Buyer to verify accuracy of such refunds. Any such reduced transition payments will be included in the applicable monthly Invoice as a credit to Buyer. Seller shall include in the monthly Calculation that accompanies the monthly Invoice sufficient information for Buyer to verify accuracy of any such credits.

5.3 Terms and Conditions

Service will be provided pursuant to the terms of the proposed Master Power Agreements provided in Appendices B and C. Should a Respondent request National Grid to consider any changes to the proposed terms, such request must be presented to National Grid with its Proposal Information by November 14, 2008.

5.4 New England Market Participation

Each Respondent must indicate whether it has an executed and accepted Market Participant Service Agreement with ISO New England or if it plans to execute an agreement and, if so, at what point it is in the application process and the time frame for completing the process. Respondents must also provide evidence of agreements with a Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations.

5.5 Competitive Supplier Registration

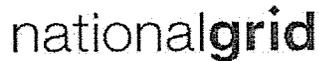
The service provided by the Supplier(s) of Default Service to National Grid is a wholesale transaction between the Supplier(s) and National Grid; therefore, the Supplier(s) do not have to be licensed or registered suppliers with any state regulatory commission.

5.6 Regulatory Approvals

The Supplier(s) of the services covered by this Request for Proposal must obtain and maintain all necessary regulatory approvals required to enable it to provide the applicable service; such approvals must be obtained prior to February 1, 2009.

6. Retail Customer Relationships

6.1 Customer Billing



All customers taking Default Service covered by this RFP will be retail customers of National Grid. As the retail provider of such service, National Grid will bill customers for the Default Service provided.

6.2 Customer Bill Inserts in Massachusetts

The Supplier(s) of MA Default Service may furnish a one-page bill insert which National Grid may include in the bill that it sends to each customer taking such service in the applicable customer group and Load Zone in Massachusetts during the delivery term. Bill inserts may be included in only one monthly billing cycle during the term of service. Inserts shall be printed on 60# Mountie Matte paper, shall be three and one-quarter inches high by six and one-quarter inches wide in size and may be of any typeface *except* ITC Century and ITC Franklin Gothic.

The Supplier(s) must inform National Grid at least sixty (60) days prior to the start of the monthly billing cycle in which it seeks National Grid to include its insert in applicable MA Default Service customer bills. National Grid will respond within seven (7) days if it can accommodate the request, provide an estimate of the cost of additional postage to be paid by the Supplier(s) in order to include the insert in the requested monthly billing cycle, or suggest an alternate monthly billing cycle. Customer bill inserts must be received by National Grid at least ten (10) days prior to the start date of its inclusion in customer bills. National Grid will be responsible for including only the number of inserts that are provided to them. National Grid will not be responsible for returning to the Supplier(s) unused inserts unless the Supplier(s) have made arrangements for its return. National Grid reserves the right to schedule bill inserts in order to minimize postage and handling costs.

6.3 Notification of Enrollments and Terminations

National Grid will provide electronic notification to the Supplier(s) of Default Service customer enrollments and terminations within a customer group. Enrollment information will include account number, rate class and commencement date of service. Termination information will include account number, rate class and termination date of service. Such notifications shall only be provided when a Supplier establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from National Grid at least fourteen (14) days prior to the day on which a Supplier desires to commence electronic receipt.

6.4 Customer Service

National Grid, as the retail provider of Default Service, will provide customer service to all customers receiving Default Service.



7. **Load Response Program**

National Grid fully supports load response programs and has successfully developed and implemented many programs over the years. Respondents are encouraged to include load response programs for various customer groups as part of their proposals. National Grid will work with winning Supplier(s) to implement the proposed load response program during the term of service.

8. **Selection Process**

The principal criteria to be used in evaluating proposals will include:

- Lowest evaluated bid price by Load Block;
- Respondent's ability to meet the credit requirements established in the proposed Master Power Supply Agreements provided in Appendices B and C;
- Firmness of delivery;
- The supplier's past experience in providing similar services to National Grid;
- The supplier's past experience in providing similar services to other companies in New England;
- The supplier's past experience in providing similar services to other companies in other regions;
- The supplier's demonstrated understanding of its obligations under the proposed Power Supply Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the supplier's ability to provide the requirements to National Grid's Default Service customers.

9. **Credit Requirements**

In order to protect National Grid's Default Service customers from the risk of Supplier(s) default, a winning Supplier(s) must be able to demonstrate it has the financial resources to perform during the term of the agreement. Respondents that are rated by a major credit rating agency must provide the ratings assigned by such agencies. Respondents that are not rated by a major credit rating agency must provide the following information to enable National Grid to evaluate a Respondent's financial strength:

- Respondent's organizational history
- Date of establishment



- Initial (if founded within the last ten years) and current capitalization
- Certified financial statements, including balance sheets and statements of income and cash flow with respect to the two previous fiscal years and the most recent interim period
- Forms 10-K and 10-Q, submitted to the United States Securities and Exchange Commission for the two previous fiscal years, if applicable;
- Short-term and long-term debt ratings from Moody's Investor Service or Standard & Poor's Corporation
- Corporate affiliates or joint venture partners including any details regarding financial limitations between partners or affiliates.

If a Respondent has provided this information to National Grid or an affiliate in a response to a previous RFP, then the Respondent needs only to identify the date and to whom the information was submitted and update the previously provided information.

National Grid agrees that it will treat the information it receives from Respondents in a confidential manner and will not, except as required by law or regulatory authority, disclose such information to any third party or use such information for any purpose other than in connection with this RFP.

APPENDIX A

DESCRIPTION OF SERVICES

Massachusetts Electric Company Nantucket Electric Company MA Default (Basic) Service	
Description	Electric Service provided to retail customers who are not taking service from a competitive supplier.
Eligibility Requirements	Service to customers can be initiated by: a) A customer notifying National Grid that it wishes to terminate service from its competitive supplier and commence Default Service. b) A competitive supplier notifying National Grid that it is terminating service to a customer. c) A competitive supplier ceasing to provide service to a customer without notifying National Grid. d) A customer moves into National Grid’s service territory and does not affirmatively choose a competitive supplier.
Aggregate Number of Customers Taking Service and Historical Load Profiles	Note: Historic customer count data and historical hourly load profiles are available at National Grid’s procurement web site: <p style="text-align: center;">http://www.nationalgridus.com/energysupply/</p>

Granite State Electric Company NH Default (Energy) Service	
Description	Service provided to retail customers who are not taking service from a competitive energy supplier.
Eligibility Requirements	Service to customers is initiated by: a) A customer notifying National Grid that it wishes to terminate service from its competitive energy supplier and commence Default Service. b) A competitive energy supplier notifying National Grid that it is terminating service to a customer. c) A competitive energy supplier ceasing to provide service to a customer without notifying National Grid. d) A customer moves into National Grid’s service territory and does not affirmatively choose a competitive energy supplier.
Aggregate Number of Customers Taking Service and Historical Load Profiles	Note: Historic customer count data and historical hourly load profiles are available at National Grid’s procurement web site: <p style="text-align: center;">http://www.nationalgridus.com/energysupply/</p>

APPENDIX B

PROPOSED MASSACHUSETTS MASTER POWER SUPPLY AGREEMENT

APPENDIX C

PROPOSED NEW HAMPSHIRE MASTER POWER SUPPLY AGREEMENT

APPENDIX D

REQUIRED PROPOSAL INFORMATION

RESPONDENT: _____

1. General Information

Name of Respondent	
Principal contact person < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Secondary contact person (if any) < Name < Title < Company < Mailing address < Telephone number (office) < Telephone number (cell) < Fax number < E-mail address	
Legal form of business organization of Respondent (e.g., sole proprietorship, partnership, limited partnership, joint venture, or corporation)	
State(s) of incorporation, residency and organization Indicate whether Respondent is in good standing in all states in which Respondent is authorized to do business and, if not, which states and the reason it is not.	
If Respondent is a partnership, the names of all general and limited partners. If Respondent is a limited liability company, the names of all direct owners.	
Description of Respondent and all affiliated entities and joint ventures transacting business in the energy sector	

RESPONDENT: _____

2. Financial Information

Current debt rating for Respondent (include ratings and names of rating agencies).	
Date Respondent's last fiscal year ended.	
Total revenue for Respondent for the most recent fiscal year.	
Total net income for Respondent for the most recent fiscal year.	
Total assets for Respondent as of the close of the previous fiscal year.	
Copy of the Respondent's most recent balance sheet, income statement and cash flow statement.	
Copy of the Respondent's most recent audited balance sheet, income statement and cash flow statement.	

3. Defaults and Adverse Situations

<p>Describe, in detail, any situation in which Respondent (either individually or as part of a consortium, joint venture or other group), or an affiliate of Respondent, defaulted or was deemed to be in noncompliance of its contractual obligations to transact business in the energy sector within the past five years including, without limitation, to purchase or deliver energy, capacity or other market products at retail or wholesale, or for the purchase or sale of electricity or natural gas, and including any financing agreements or financing provisions of any agreement.</p> <p>Explain the situation, its outcome and all other relevant facts associated with the event.</p> <p>If there was litigation, provide the case caption, index number and court.</p> <p>Identify the name, title and telephone number of the principal manager of the customer/client who asserted the event of default or noncompliance.</p>	
--	--

RESPONDENT: _____

<p>Has Respondent, or any affiliate of Respondent, in the last five years, (a) consented to the appointment of, or was taken in possession by, a receiver, trustee, custodian or liquidator of a substantial part of its assets, (b) filed a bankruptcy petition in any bankruptcy court proceeding, (c) answered, consented or sought relief under any bankruptcy or similar law or failed to obtain a dismissal of an involuntary petition, (d) admitted in writing of its inability to pay its debts when due, (e) made a general assignment for the benefit of creditors, (f) was the subject of an involuntary proceeding seeking to adjudicate that Party bankrupt or insolvent, (g) sought reorganization, arrangement, adjustment, or composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.</p>	
<p>Describe any facts presently known to Respondent that might adversely affect its ability to provide the service(s) bid herein as provided for in the RFP</p>	

4. NEPOOL AND POWER SUPPLY EXPERIENCE

<p>Is Respondent a member of NEPOOL?</p>	
<p>Does Respondent have an executed and accepted Market Participant Service Agreement with ISO New England?</p>	
<p>Name of Market Participant if Respondent will have another Market Participant be responsible for its market settlement obligations .</p>	
<p>Describe Respondent’s experience and record of performance in the areas of power marketing, brokering, sales, and/or contracting, for the last five years within NEPOOL and/or the New England region.</p>	
<p>Provide three references (name, title and contact information) who have contracted with the Respondent for similar load following services within the last 2 years.</p>	

RESPONDENT: _____**5. CONFLICTS OF INTEREST**

Briefly describe any known conflicts of interest between bidder or an affiliate of bidder and Buyer, National Grid USA or any affiliates of the foregoing.	
Enumerate any litigation, claims or complaints asserted by bidder or an affiliate of bidder, against Buyer, National Grid or an affiliate of any of the foregoing.	
Enumerate any litigation, claims or complaints asserted against bidder or an affiliate of bidder by Buyer, National Grid or an affiliate of any of the foregoing.	

6. SCOPE OF BID AND TERMS OF SALE

Will Respondent execute a contract substantially similar to the proposed Master Power Agreements contained in Appendices B, C and D? Explain any proposed modifications.	
List all regulatory approvals required before service can commence.	

RESPONDENT: _____

7. Proposed Pricing (Respondent required to use bidding spreadsheet included on procurement web site)

Massachusetts Default Service

Bid Block	SMD Zone	Customer Group	Period		Monthly Pricing - \$/MWh (all inclusive - without RPS Component)			
			From	To	Feb-09	Mar-09	Apr-09	
A	SEMA	Industrial	01-Feb-09	01-Apr-09				
B	WCMA	Industrial	01-Feb-09	01-Apr-09				
C	NEMA	Industrial	01-Feb-09	01-Apr-09				
RPS Compliance Adder			2009		\$/MWh			

New Hampshire Default Service

Bid Block	SMD Zone	Customer Group	Period		Monthly Pricing - \$/MWh (all inclusive – without RPS Component)			
			From	To	Feb-09	Mar-09	Apr-09	
D	NH	Large	01-Feb-09	01-Apr-09				
					Monthly Pricing - \$/MWh (pass-through of capacity costs, w/o RPS)			
D	NH	Large	01-Feb-09	01-Apr-09				
RPS Compliance Adder			2009		\$/MWh			

SCHEDULE JDW – 2

Default Service Procurement Summary

**NATIONAL GRID
 DEFAULT SERVICE PROCUREMENT SUMMARY
 FOR THE PERIOD
FEBRUARY 2009 – APRIL 2009**

RFP Issued

National Grid issued its Request for Power Supply Proposals (“RFP”) on October 31, 2008 directly to over [REDACTED] suppliers for the service period February 2009 through April 2009.

The RFP was also distributed to all members of the NEPOOL Markets Committee and posted on National Grid’s energy supply web site. As a result, the RFP had wide distribution throughout the New England energy supply marketplace.

The procurement was conducted in accordance with applicable New Hampshire rules and regulations including Granite State Electric Company’s Second Amended Restructuring Settlement Agreement (“Restructuring Settlement”), RSA 374-F (“New Hampshire Act”) and Granite State Electric Company Post-Transition Service Default Service Proposal Settlement Agreement (“New Hampshire Settlement Agreement”) approved by the New Hampshire Public Utilities Commission on January 13, 2006 in Order No. 24,577.

This procurement was also conducted in accordance with applicable Massachusetts rules and regulations including the various orders in D.T.E. Dockets 99-60A, 99-60B, 99-60C, 02-40A, 02-40B and 02-40C and was consistent with prior procurements conducted by National Grid.

The RFP sought:

- 100% of the New Hampshire Large Customer Group Default Service requirements for the period February 2009 through April 2009;
- 100% of the Massachusetts Industrial Customer Group Default Service requirements for the period February 2009 through April 2009;

National Grid requested all-inclusive pricing for all blocks and also pass-through (of capacity costs) pricing for only the New Hampshire blocks. Pass-through pricing would have National Grid compensate a supplier at its actual capacity costs subject to appropriate price caps.

These requirements were divided into 4 distinct load blocks. A description of each load block is provided in Attachment 1.

**Key RFP
Dates**

The RFP was issued on October 31, 2008.

Supplier information and contract comments were received on November 24 2008.

Indicative bids were received on December 3, 2008.

Final bids were received on December 10, 2008.

**Contract
Submissions**

All bidders had previously executed Master Power Agreements with National Grid and so contract revisions were unnecessary.

**Indicative
Bids**

Indicative bids were received on December 3, 2008 from [REDACTED] bidders.

The indicative bids were evaluated and ranked (see Attachments 2 and 3). Indicative pricing was used only to determine current market price, to prepare an initial ranking of bids and to identify any bidding anomalies. The retail prices in Attachment 3 were calculated by adjusting the wholesale prices in Attachment 2 by the ratio of wholesale purchases to retail deliveries over the twelve-month period ending November 30, 2008.

The lowest indicative bids for each load block were compared to National Grid's estimate of expected indicative bids based on two methodologies.

One method estimates expected bid prices based on [REDACTED]

The second method estimates expected bid prices based on [REDACTED]

In evaluating the bid prices, National Grid compared the average expected bid prices for each block from the two methods above to the lowest average indicative bid price for the block. [REDACTED]

[REDACTED]

[REDACTED]

In addition to evaluating the bid price and ability to meet credit requirements, National Grid also performed a qualitative review of each bidder's ability to provide Default Service during the service period based on the following:

- The bidder's past experience in providing similar services to National Grid or its affiliates;
- The bidder's past experience in providing similar services to other companies in New England;
- The bidder's past experience in providing similar services to other companies in other regions;
- The bidder's demonstrated understanding of the market rules related to the provision of Default Service;
- The bidder's demonstrated understanding of its obligations under the proposed Purchase Power Agreement; and
- Whether there have been any past or are any present events that are known that may adversely affect the bidder's ability to provide Default Service.

National Grid concluded that all bidders were qualified to provide Default Service and would be capable of providing any required contract security.

Regulatory Communication

The results of the New Hampshire indicative bids were shared with staff of the New Hampshire Public Utilities Commission ("NHPUC") on December 3, 2008.

The results of the Massachusetts indicative bids were shared with staff of the Massachusetts Department of Public Utilities ("MADPU") on December 9, 2008.

Final Bids

Final bids were received on December 10, 2008 from [REDACTED] bidders.

The final bids were evaluated and ranked (see Attachments 6 and 7)

[REDACTED]

A summary of the number of conforming bids per block is provided

in the following table:

Block - # Bids	Block - # Bids	Block - # Bids
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Capacity Cost Treatment

On March 6, 2006 ISO-NE filed a settlement agreement with FERC in the LICAP proceeding which provides for a forward capacity market beginning in 2010. As an interim measure, ISO-NE has instituted a transitional market beginning in December 2006. On June 15, 2006 the FERC approved the filing with no changes. On November 1, 2006 the FERC issued an Order denying all requests for rehearing and upheld its original conclusions that the settlement agreement represents a just and reasonable outcome consistent with the public interest. Since then a number of parties have filed appeals of the FERC ruling in federal court. On March 28, 2008 the DC Circuit issued its decision regarding the appeals and remanded the matter back to the FERC. The DC Circuit has granted the parties time to seek rehearing of its decision. Due to the pending rehearing appeals, National Grid required all suppliers to agree to provide to National Grid any refunds or reduced capacity payments incurred if the pending appeals result in refunds or reduced transition payments during the period of this RFP.

As a result of the pending appeals in Federal Court regarding the forward capacity market, the staff of the New Hampshire Public Utilities Commission recommended that National Grid continue to request bidders to (i) submit a price that includes the cost of all market products in an as-delivered energy rate (“All Inclusive Bid Price”) and (ii) submit a second price that includes all market products on an as-delivered energy basis except the capacity market costs which would be paid as an additional cost on a pass through basis of actual costs (“Pass Through Bid Price”) for the February 2009 - April 2009 period.

An analysis of the indicative bids showed that the value bidders placed on capacity was less than National Grid’s forecast of capacity costs. A summary of the New Hampshire indicative bids can be found in Attachment 8. National Grid calculated capacity values based on a transition payment of \$3.75/kW-month in the approved capacity market settlement and available market data. A summary of this calculation can be found in Attachment 9.

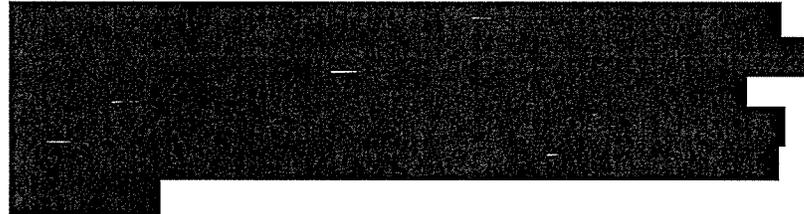
As required by the New Hampshire Settlement Agreement, National Grid shared the indicative bids with the staff of the New Hampshire Public Utilities Commission and indicated that it would accept final

bids on an all-inclusive basis if the capacity costs in the final bids were consistent with those received in the indicative bids. The staff agreed with this recommendation.

The capacity value provided by the lowest bidder in its final bids was less than National Grid's expected values. National Grid awarded the New Hampshire supply on an all-inclusive basis. Locking in the capacity costs eliminates the actual load risk that would be associated with the cost of the pass-through option. A summary of the New Hampshire final bids can be found in Attachment 10.

Analysis and Award

The lowest final bids for each load block were compared to National Grid's estimate of expected bids based on the two methodologies described above (see Indicative Bids). The calculations of these expected prices can be found in Attachments 11 and 12.



Due to the competitive nature of the bids received for these blocks (more than one bid received in response to an open, competitive solicitation and the bids falling within the expected cost range when adjusted for current capacity costs), National Grid awarded supply for each block based on the lowest bid price.

Attachment 13 provides a summary of the winning supplier for each block as well as the basis for the award. Attachment 14 provides a bidder key to help identify bidders.

Renewable Portfolio Standard

The Massachusetts load covered by this RFP is subject to a 4% Renewable Portfolio Standard ("RPS") requirement in calendar year 2009.

National Grid evaluated the cost of obtaining the RPS certificates

**New
Hampshire
Renewable
Energy
Portfolio
Standard**

associated with the load requirements from the bidders versus its most recent solicitation for RPS certificates (redacted certificate) and an estimated 2009 ACP rate of \$60.08 per certificate. National Grid decided to include RPS requirements for those winning bidders that were at or below (redacted) per REC. Attachment 15 provides an analysis of the proposed RPS cost adders contained in the final bids. These range from (redacted) per 2009 certificate.

The winning Bidders the RPS cost adders were lower than National Grid's target. National Grid agreed to include the RPS adder in the purchase price.

National Grid evaluated the cost of obtaining the NH-RPS certificates associated with the load requirements from the bidders versus making an ACP for the load. As shown in Attachment 15, the winning bidder's NH-RPS value was slightly lower than ACP. National Grid believes that these prices are too close to ACP and will instead purchase NH-RPS certificates through a separate solicitation at a later date.

Retail Rate

The expected retail rates, excluding administrative cost adders, were based on the wholesale bids that were awarded supply in the current procurement and are not blended with costs incurred in other procurements.

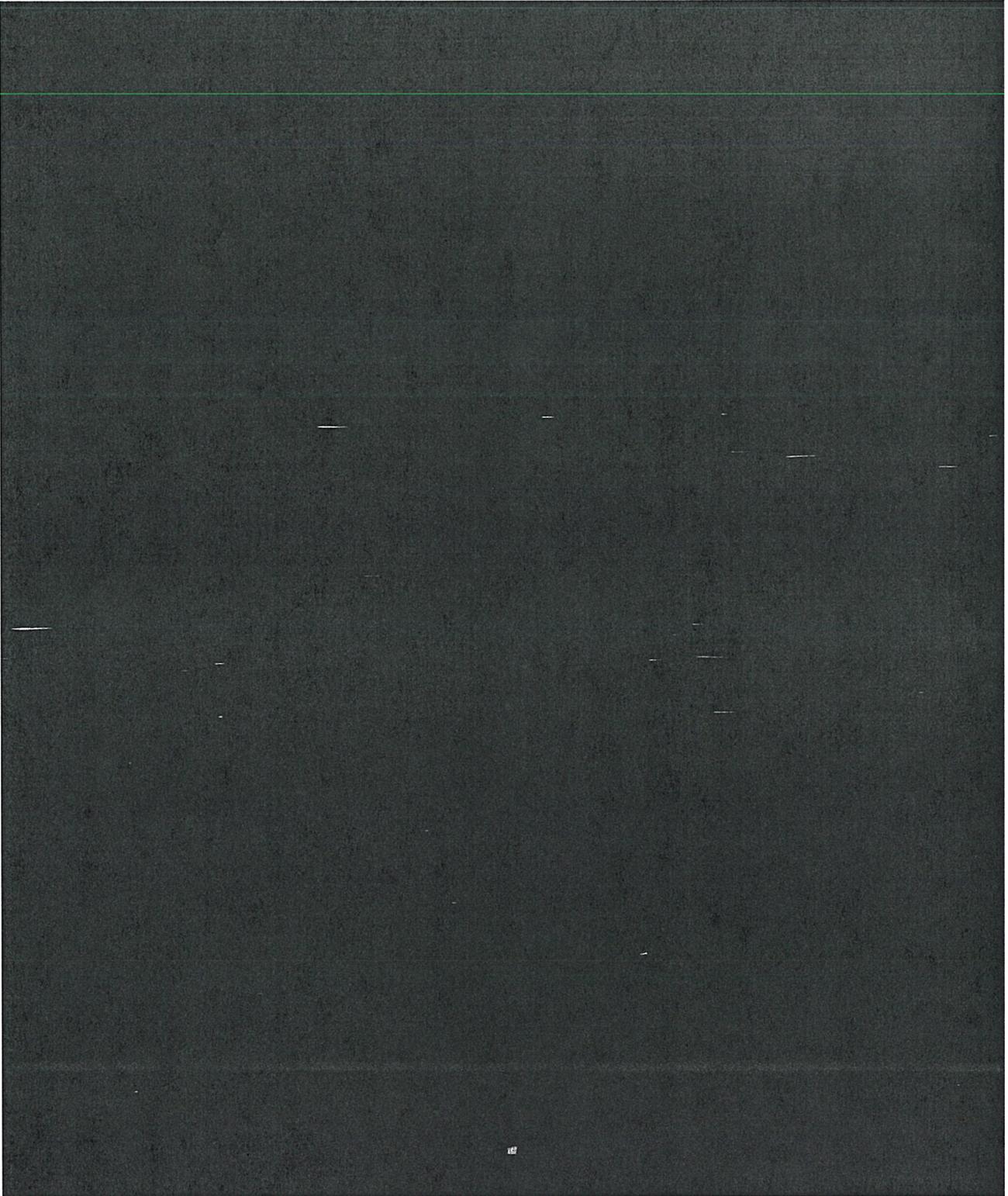
All retail rates were calculated (redacted)

A summary of the final retail rates for each block is provided in Attachment 16.

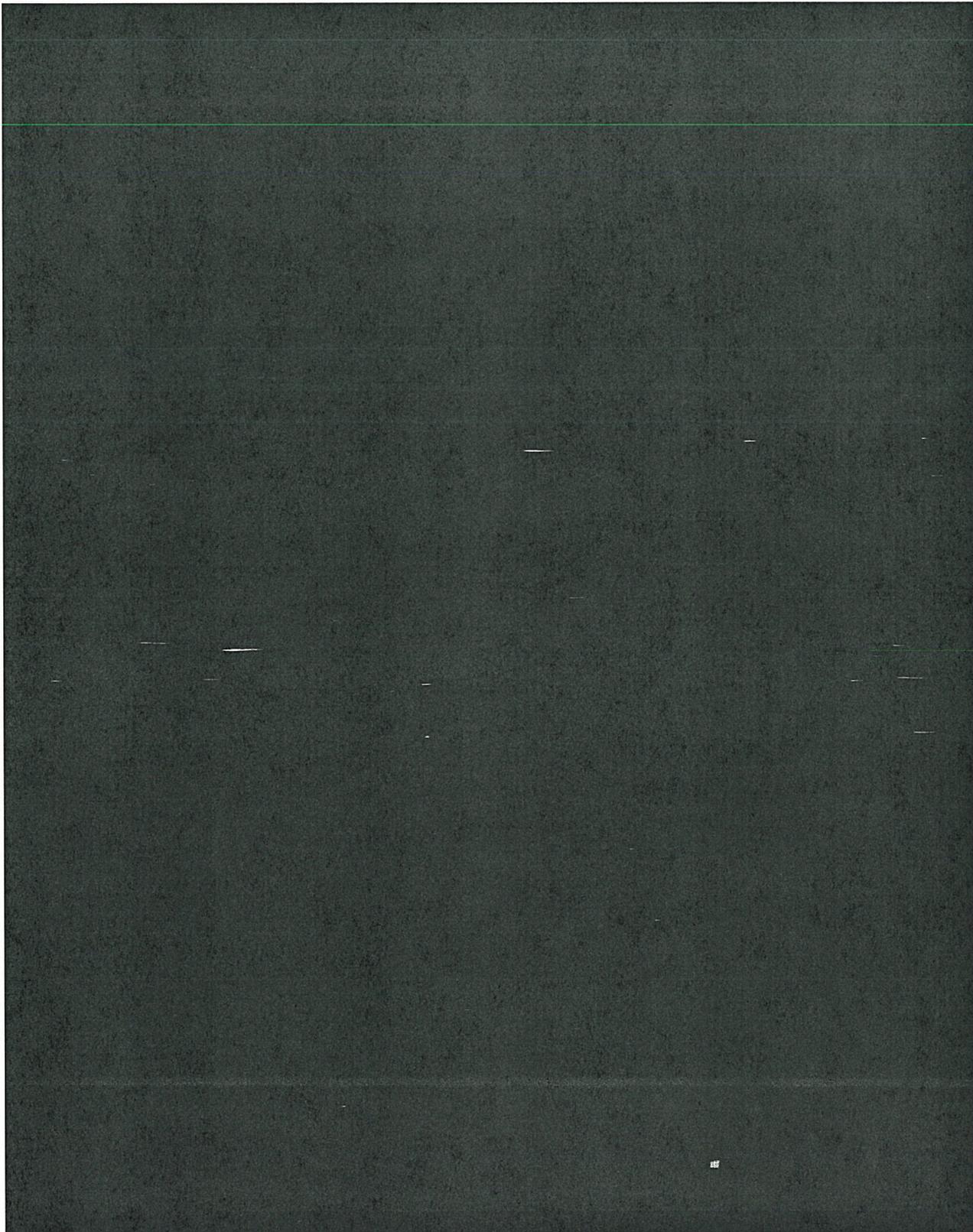
ATTACHMENT 1
LOAD BLOCK DESCRIPTIONS

Load Block	Customer Group	SMD Load Zone	Load Share	Type of Service	Period
A	Industrial	SEMA	100%	MA Default Service	02/01/09 – 04/30/09
B	Industrial	WCMA	100%	MA Default Service	02/01/09 – 04/30/09
C	Industrial	NEMA	100%	MA Default Service	02/01/09 – 04/30/09
D	Large	NH	100%	NH Default Service	02/01/09 – 04/30/09

ATTACHMENT 2
INDICATIVE BID RANKING AT WHOLESALE (\$/MWh)
BLOCKS A – D

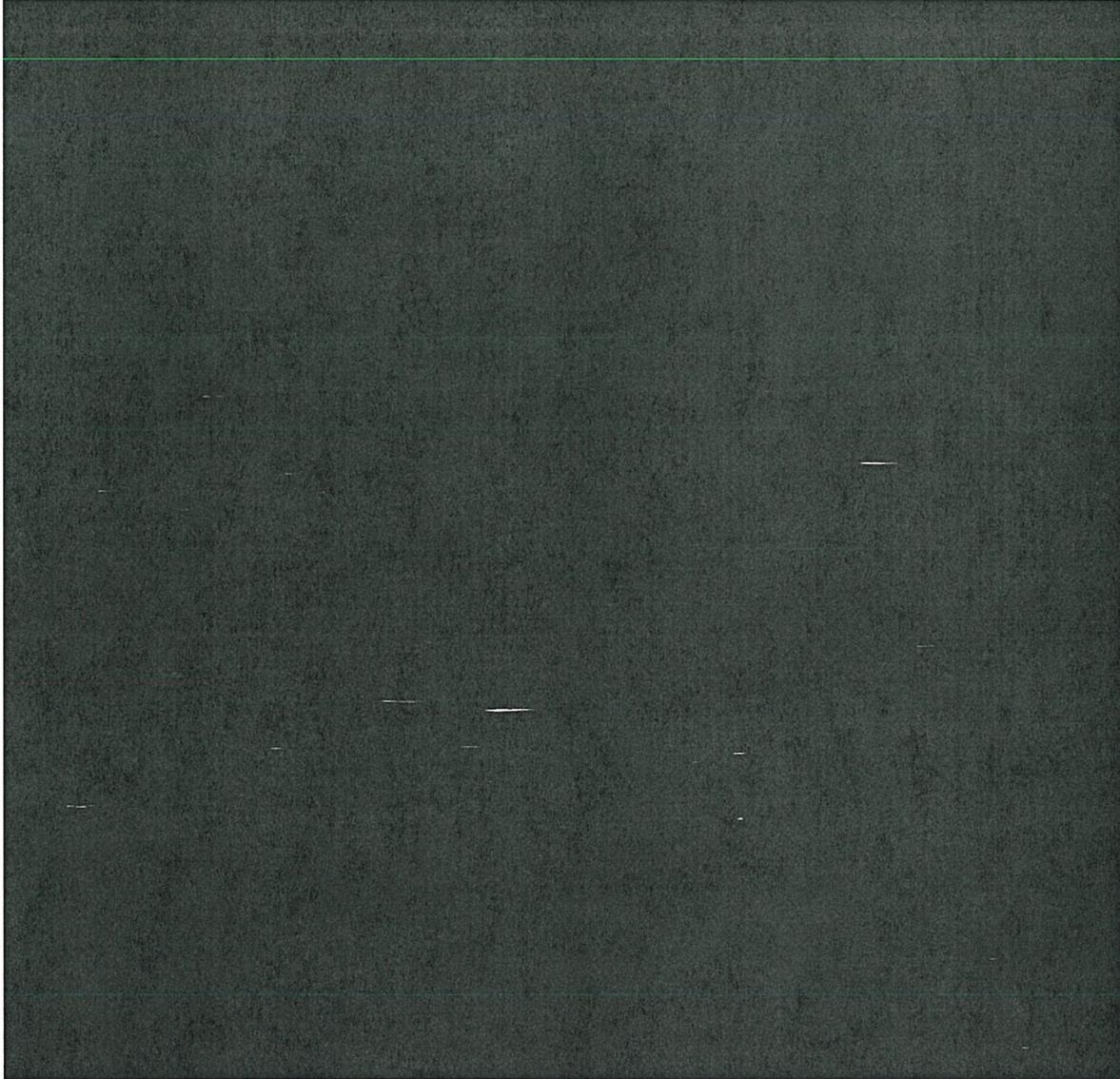


ATTACHMENT 3
INDICATIVE BID RANKING AT RETAIL (¢/kWh)



ATTACHMENT 4
ESTIMATED INDICATIVE PRICES

FEBRUARY 2009 – APRIL 2009 PERIOD

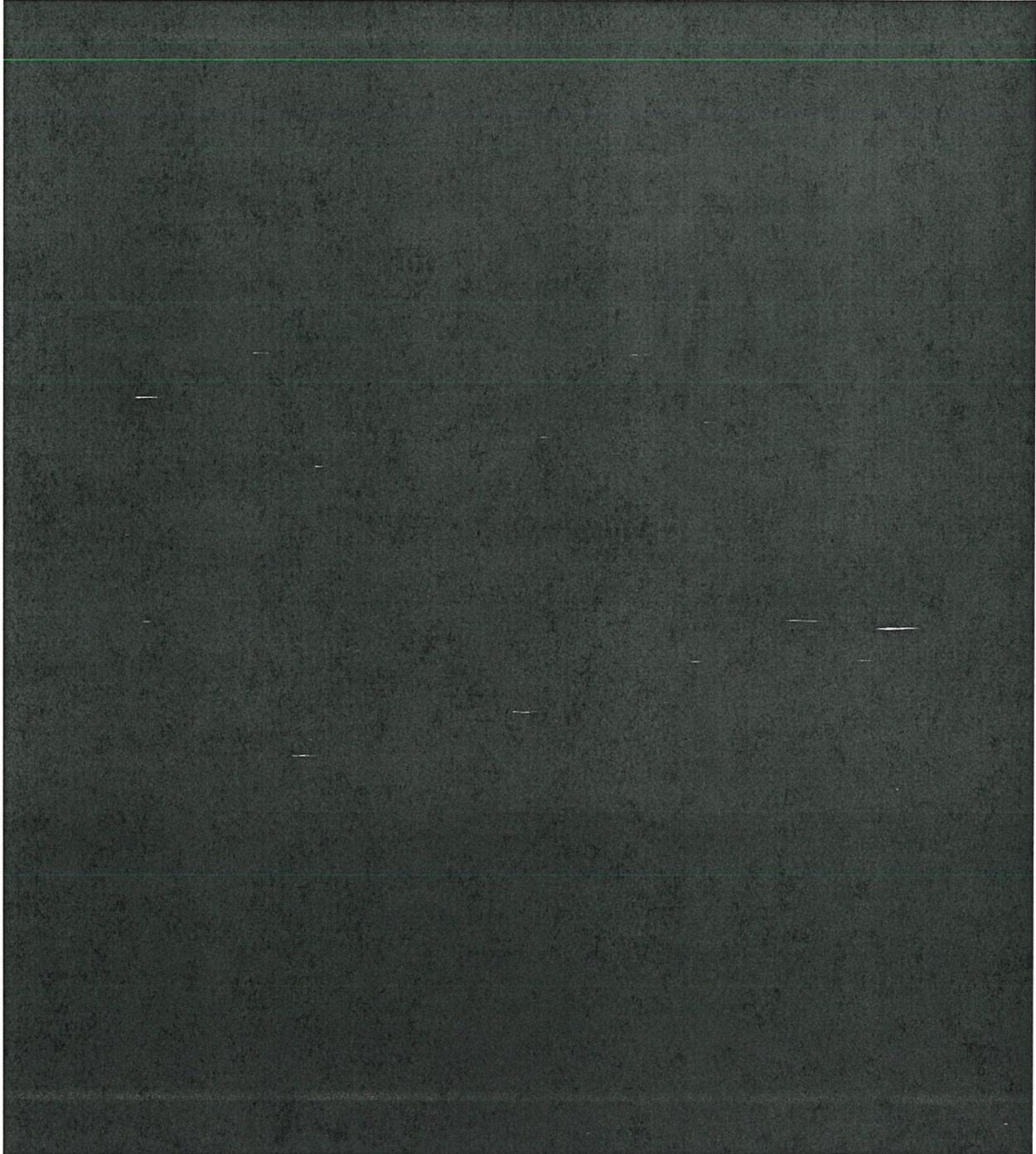


**ATTACHMENT 5
ESTIMATED INDICATIVE PRICES**

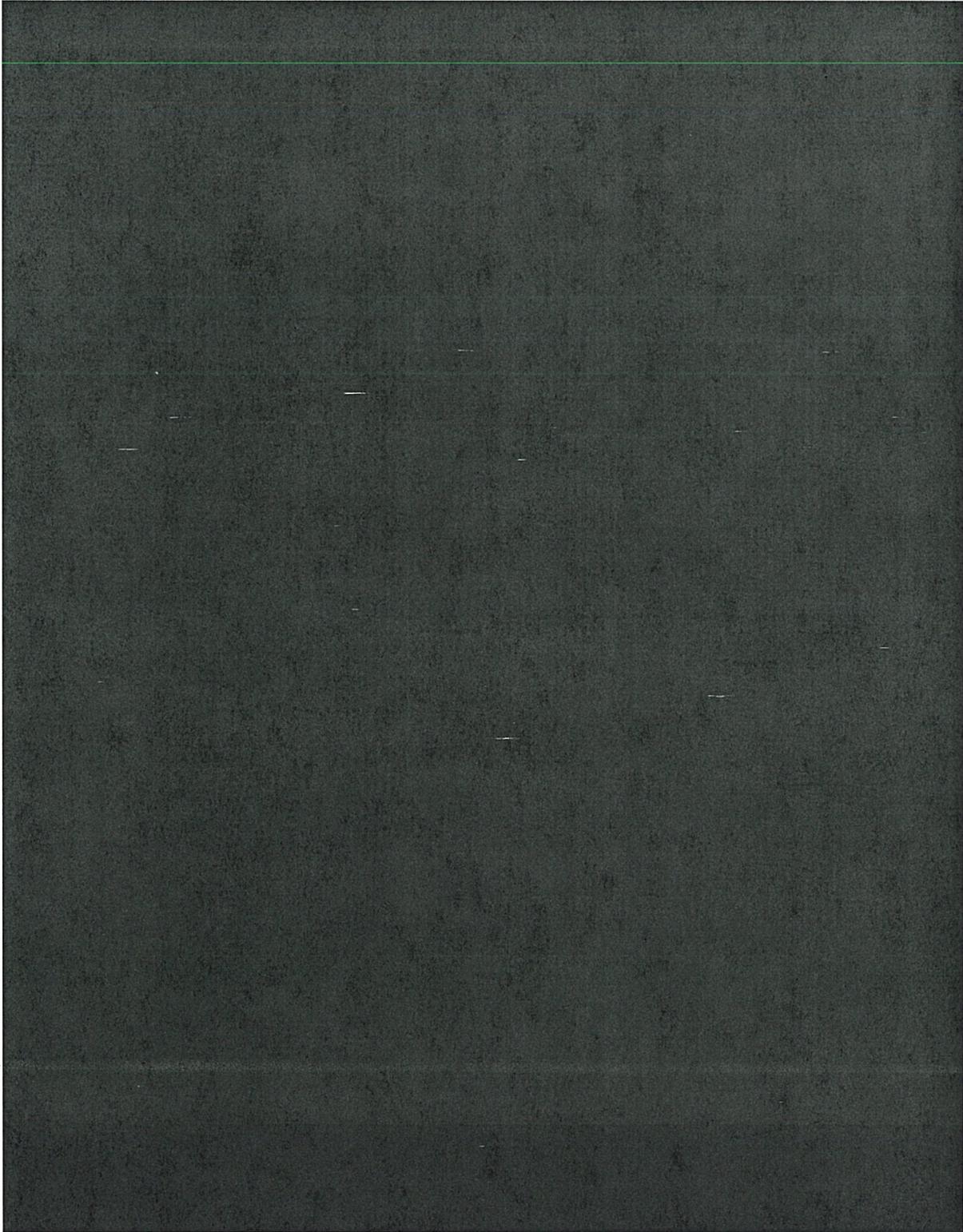
FEBRUARY 2009 – APRIL 2009 PERIOD



ATTACHMENT 6
FINAL BID RANKING AT WHOLESALE
WITHOUT RPS (\$/MWh)
BLOCKS A – D

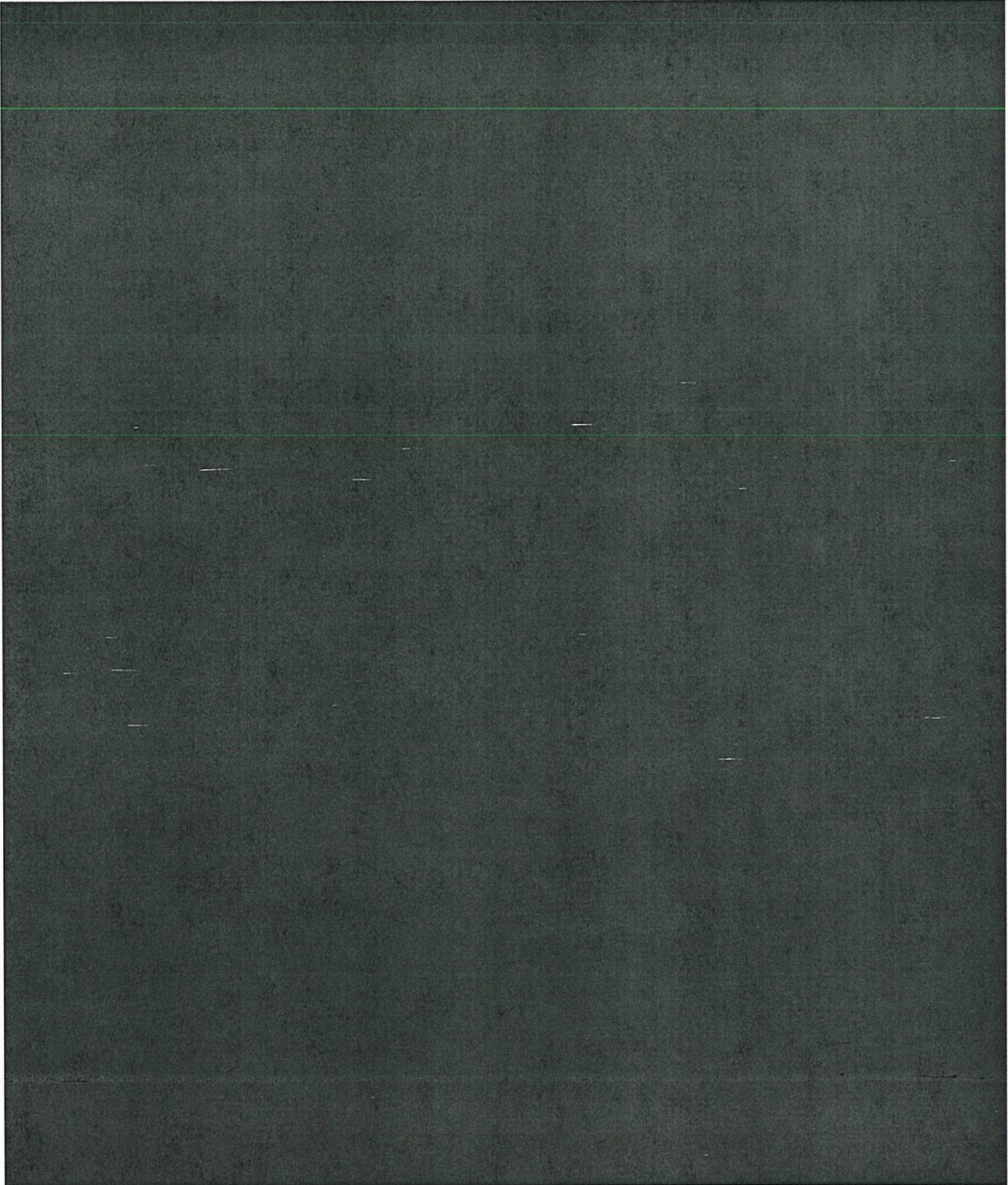


ATTACHMENT 7
FINAL BID RANKING AT RETAIL
WITHOUT RPS (¢/kWh)
BLOCKS A – D



ATTACHMENT 8

**COMPARISON OF INDICATIVE BIDDER CAPACITY COSTS TO
NGRID CAPACITY COSTS FOR NEW HAMPSHIRE LARGE LOADS (\$/MWH)**



ATTACHMENT 9
NGRID CALCULATED VALUE OF CAPACITY COSTS

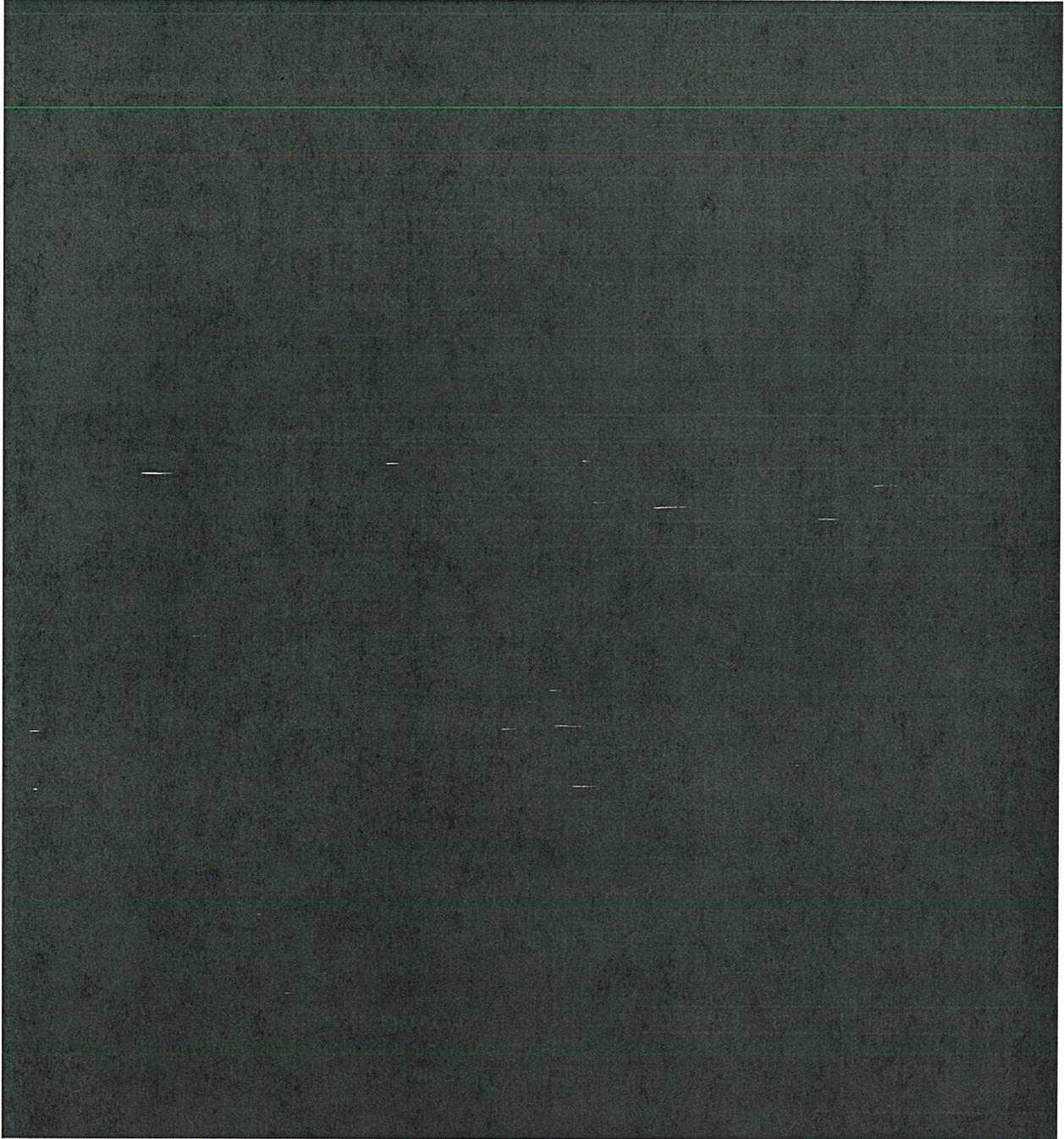
		FORECAST					
		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	
(a)	Seasonal Claimed Capability	33,013	33,013	33,013	33,013	33,013	
(b)	not used						
(c)	Pool Generation UCAP	33,013	33,013	33,013	33,013	33,013	
(d)	Load Response & ODR	2,781	2,781	2,781	2,781	2,781	
(e)	ICAP Credits (HQICC, NYPA, other)						
(f)	ICAP Import Contracts						
(g)	ICAP Imports contracts & credits	3,367	3,367	3,367	3,367	3,367	
(h)	ICAP Import Rights exercised & granted						
(i)	Actual Imports as % of Import Rights						
(j)	Pool Total Supply UCAP	39,161	39,161	39,161	39,161	39,161	
							RFP Period Average
(k)	Granite Large UCAP Obligation (#11437)	84,386	84,386	84,386	84,386	84,386	
(l)	UCAP %	0.22%	0.22%	0.22%	0.22%	0.22%	
(m)	UCAP Cost	\$316,448	\$316,448	\$316,448	\$316,448	\$316,448	
(n)	Granite Large RT Load	17,117	22,402	21,518	17,117	22,402	
(o)	UCAP Rate - \$/MWh	\$18.49	\$14.13	\$14.71	\$18.49	\$14.13	\$16.04

Notes
 12/01/2006 06/01/2008 06/01/2009
 Transition Payment \$3,050 \$3,750 \$4,100

- (a) From ISO-NE SCC Report issued February 1, 2008
- (b) not used
- (c) Either: (X) From ICAP monthly settlement SR_MTHSTLICAP report (Actual) or (Y) ISO-NE SCC Report
- (d) From ICAP monthly settlement SR_MTHSTLICAP report
- (e) From ICAP monthly settlement SR_MTHSTLICAP report
- (f) From ICAP monthly settlement SR_MTHSTLICAP report
- (g) Either: (X) Sum of rows (c) through (f) (actual) or previous year's ICAP imports
- (h) Either: (X) From most recent ICAP monthly settlement SR_MTHSTLICAP report, or (Y) sum of grandfathered rights
- (i) Row (g) Divided by Row (h) (actual) or last actual monthly value (forecast)
- (j) Either: (X) sum of rows (c) through (f) (actual) or (Y) sum of rows (c) through (g) (forecast)
- (k) Either: (X) From most recent SD_MTHSTLICAPLAOWNER monthly settlement report, or (Y) product of row (g) times row (
- (l) Either: (X) row (h) divided by row (g) or (Y) last actual % calculated
- (m) Row (h) times Transition Payment
- (n) **Either: (X) sum of hourly load reported to the ISO during the month or (Y) forecast of hourly load using NGRID system forecast**
- (o) Row (j) divided by row (k)

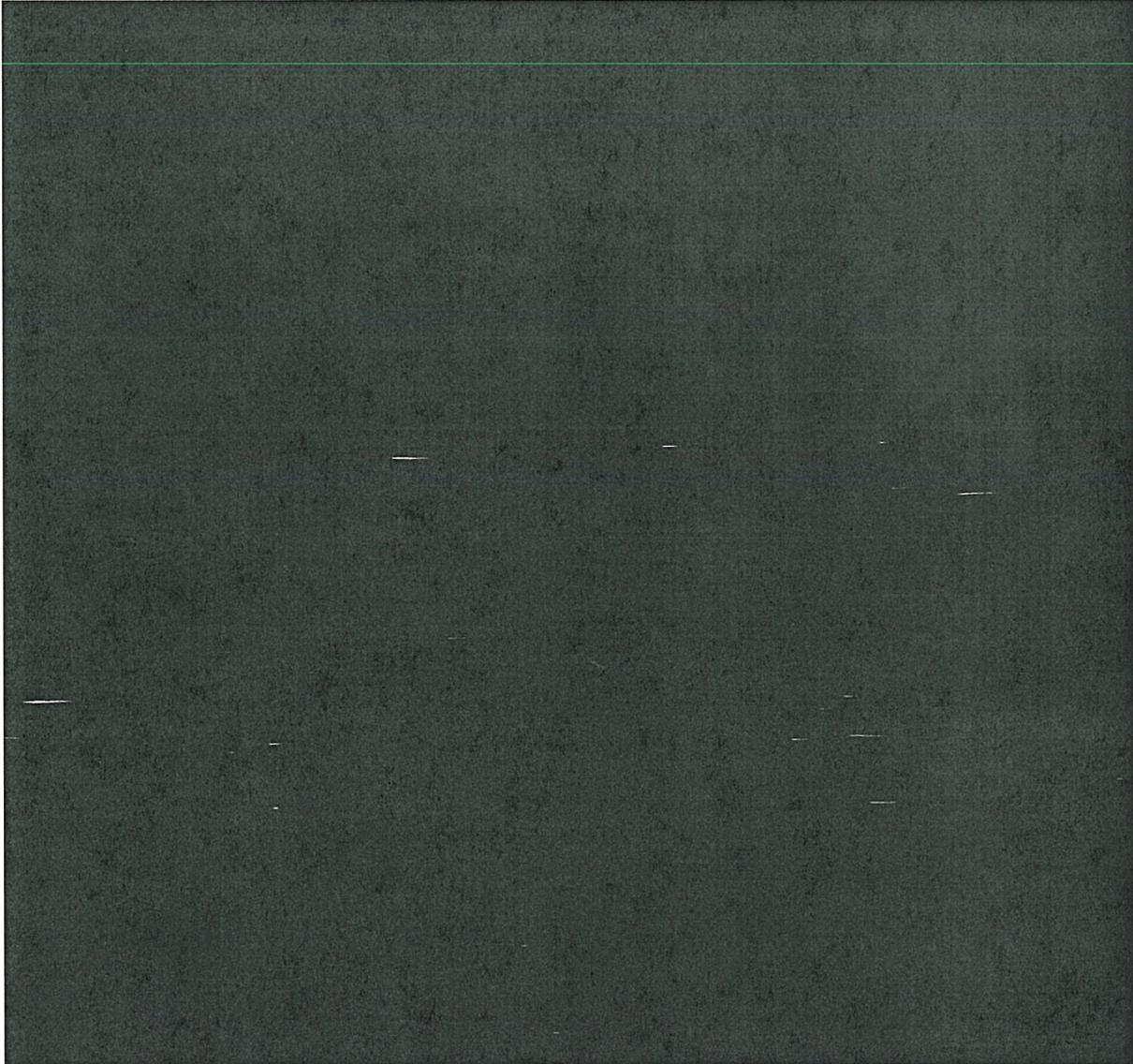
Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	
		21,518	17,117	22,402	

ATTACHMENT 10
COMPARISON OF FINAL BIDDER CAPACITY COSTS TO
NGRID CAPACITY COSTS FOR NEW HAMPSHIRE LARGE LOAD(\$/MWH)



**ATTACHMENT 11
ESTIMATED FINAL PRICES**

FEBRUARY 2009 – APRIL 2009 PERIOD



**ATTACHMENT 12
ESTIMATED FINAL PRICES**

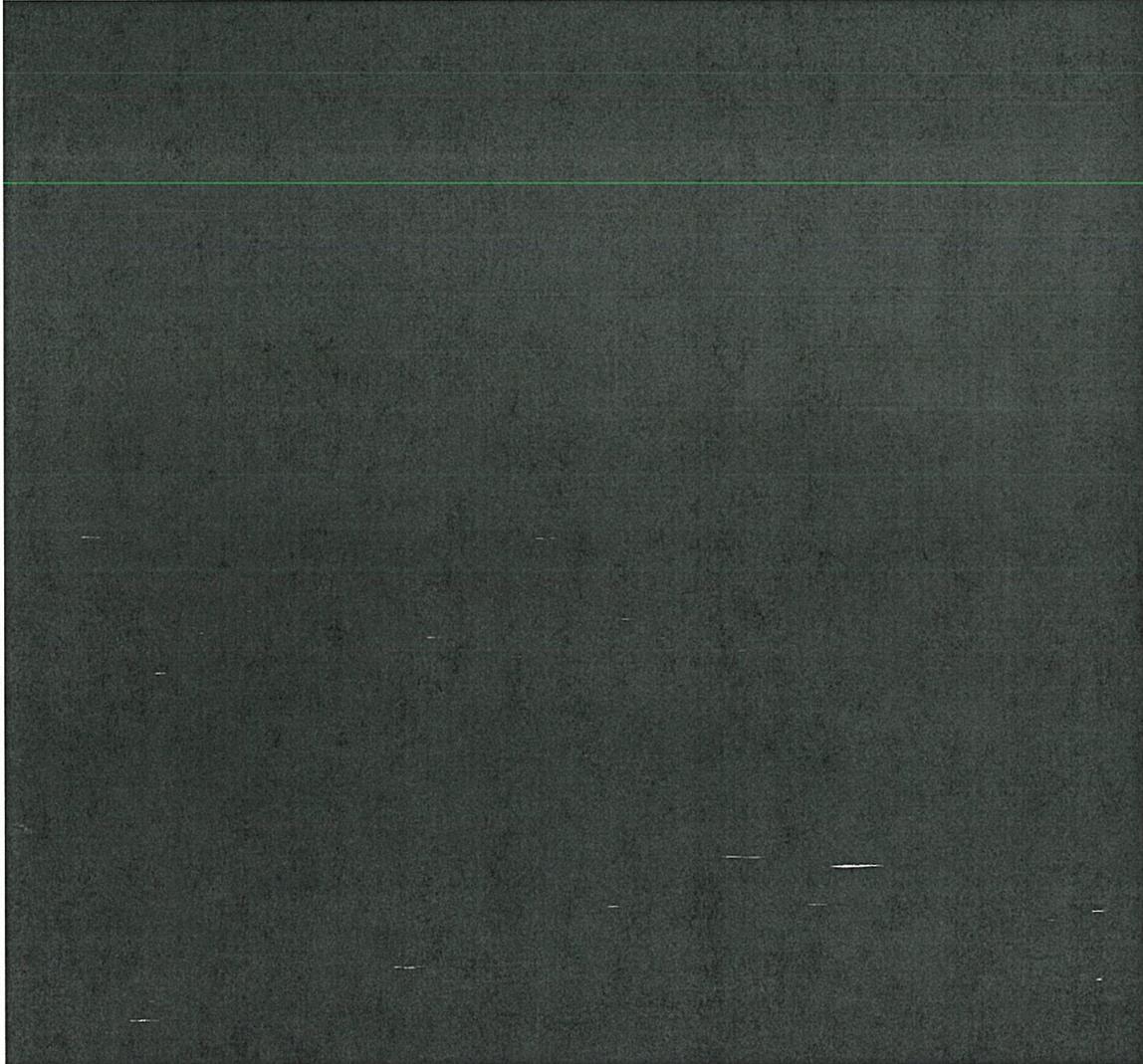
FEBRUARY 2009 – APRIL 2009 PERIOD



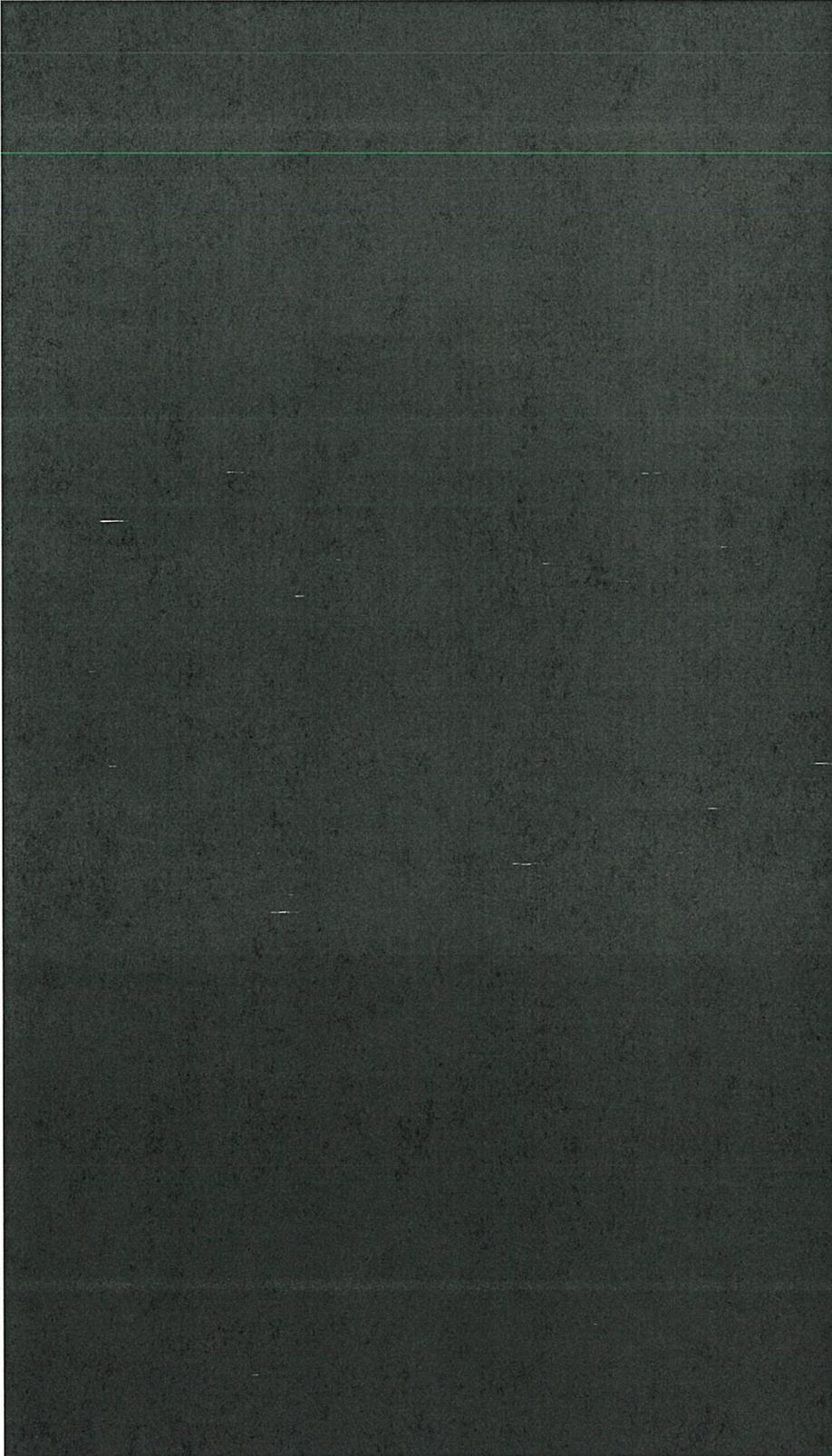
ATTACHMENT 13
SUMMARY OF LOAD BLOCK AWARDS

Load Block	Customer Group	Load Zone	Supplier	Basis for Award
A	Industrial	SEMA	[REDACTED]	Lowest bidder in Block
B	Industrial	WCMA	[REDACTED]	Lowest bidder in Block
C	Industrial	NEMA	[REDACTED]	Lowest bidder in Block
D	Large	NH	[REDACTED]	Lowest bidder in Block

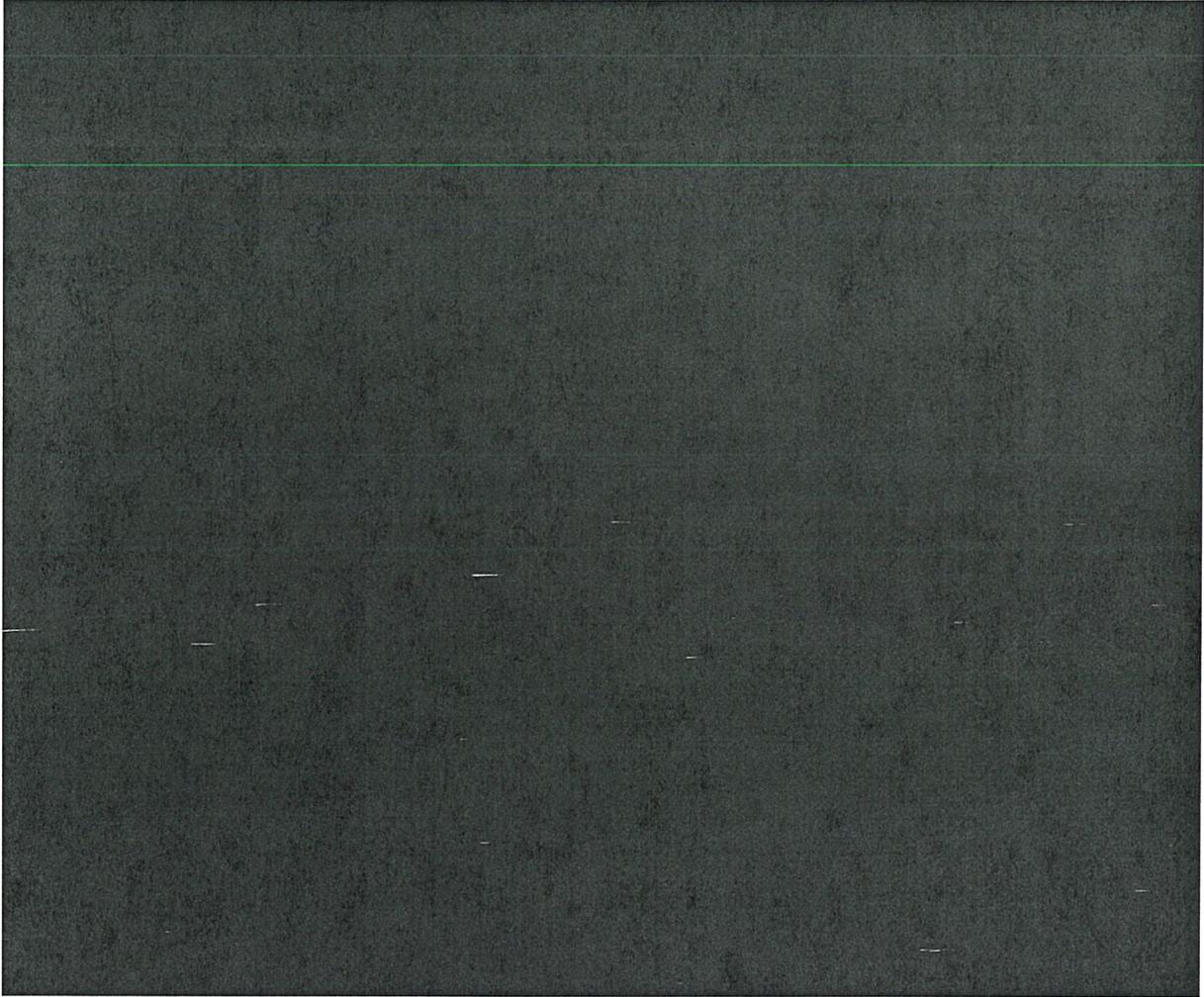
ATTACHMENT 14
BIDDER KEY



ATTACHMENT 15
SUMMARY OF RPS BIDS



ATTACHMENT 16
RETAIL RATES BASED ON FINAL BID PRICES (¢/kWh)



SCHEDULE JDW – 3

**Comparison of Change in Futures Prices to
Change in Procurement Costs**

SCHEDULE JDW – 4

**Default Service Contract for the Large Customer Group
February 1, 2009 through April 30, 2009**

Granite State Electric Company
Master Power Agreement Confirmation
December 11, 2008
Page 2 of 5

[REDACTED]				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

(i) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

7. Modifications to the Master Power Agreement

7.1 Forward Capacity Market Transition Payments

If the recent FERC Order #1179161,133 (2006) ("Order") dated October 31, 2006 regulating the activity of the New England capacity market is challenged on appeal in federal court and the Order is reversed or modified as a result of said appeal such that the effect of the reversal or modification results in refunds or reduced transition payments paid by the Seller, and associated with the Load Assets identified in Section 4 of this Confirmation, then the Seller shall pay to Buyer any such refunds or provide a credit to Buyer as a result of Seller's reduced transition payments, as applicable provided that the amount owed to Seller by Buyer exceeds the amount of the credit. Any such refunds will

Granite State Electric Company

Master Power Agreement Confirmation

December 11, 2008

Page 3 of 5

be paid by Seller to Buyer within five (5) Business Days of receipt by Seller. Seller shall provide information to Buyer in sufficient detail for Buyer to verify accuracy of such refunds. Any such reduced transition payments paid by Seller will be included in the applicable monthly Invoice as a credit to Buyer. The Contact Rates under this Transaction, however, shall not be modified or changed. Seller shall include in the monthly Calculation that accompanies the monthly Invoice sufficient information for Buyer to verify accuracy of any such credits.

7.2 Section 3.7 shall be deleted in its entirety and replaced with the following:

At Seller's election, the Buyer shall provide notices contemplated by Sections 3.2, 3.3 and 3.4 via electronic file transfer. Such election shall only be effective when Seller (i) establishes a Windows or Unix file server with capability of sending and receiving File Transfer Protocol ("FTP"), files with Pretty Good Privacy ("PGP"), Encryption/Decryption, and (ii) verifies its ability to transfer files to and receive files from the Buyer at least fourteen (14) days prior to the day on which Seller desires to commence electronic receipt.

7.3 The first paragraph of 7.2 (c) "Remedies Upon Default" shall be deleted in its entirety and replaced with the following:

(c) In the event of termination for an Event of Default as provided in Section 7.1, in addition to any amounts owed for performance (or failure to perform) hereunder prior to such termination, the non-defaulting Party may recover, without duplication, its direct damages resulting from such Event of Default; such damages shall include the positive (if any) present value of this Agreement to the non-defaulting Party for the portion of the Delivery Term remaining at the time of such termination, to be determined by reference to market prices, transaction costs and the estimated load quantity for the remaining portion of the Delivery Term based upon the load quantity that would have been delivered on an hourly basis had such Delivery Term and this Agreement been in effect during the comparable period in the previous calendar year, with such load quantity adjusted for known changes in the load for the remaining portion of the Delivery Term ("Termination Damages"). The Termination Damages shall include all reasonably incurred transaction costs and expenses that otherwise would not have been incurred by the non-defaulting Party. In determining its Termination Damages, the non-defaulting Party shall offset its losses and costs by any gains or savings realized by the non-defaulting Party as a result of the termination. Seller and Buyer agree that the foregoing provision is intended to reflect a mutually acceptable measure of damages for such Event of Default.

8. Confidentiality

Articles 2, 3, 4, 5 and 6 of this Confirmation are Confidential Terms within the

Granite State Electric Company
[REDACTED]
Master Power Agreement Confirmation
December 11, 2008
Page 4 of 5

meaning of Article 23 of the Master Power Agreement.

9. Ratification of the Terms and Conditions of the Agreement

(a) Except as expressly amended or waived by this Confirmation, the terms, conditions, covenants, agreements, warranties and representations contained in the Master Power Agreement are in all respects ratified, confirmed and remade as of the date hereof and, except as amended or waived hereby, shall continue in full force and effect.

(b) Nothing in this Confirmation shall, or shall be construed to, alter or amend any other Confirmation.

10. Counterparts

This Confirmation may be executed in counterparts, all of which together shall constitute one and the same instrument.

This Confirmation constitutes part of and is subject to the terms and provisions of such Master Power Agreement.

Remainder of Page Intentionally Left Blank

Granite State Electric Company
[REDACTED]
Master Power Agreement Confirmation
December 11, 2008
Page 5 of 5

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Confirmation on their behalf as of the date first above written.

GRANITE STATE ELECTRIC COMPANY

Name: Madison N. Milhous, Jr.
Title: Authorized Signatory

[REDACTED]

[REDACTED]

SCHEDULE JDW – 5

Renewable Portfolio Standard Adder

	YEAR		
	2007	2008	2009
<u>Section 1: Calculation of Class I Renewable Energy Resource Charge</u>			
(1) Class I Alternative Compliance Payment	\$57.12	\$58.58	\$60.08
(2) Class I Renewable Energy Resource Obligation	0.00%	0.00%	0.50%
(3) Incremental Cost - \$/MWh		\$0.00	\$0.30
<u>Section 2: Calculation of Class II Renewable Energy Resource Charge</u>			
(1) Class II Alternative Compliance Payment	\$150.00	\$153.84	\$157.78
(2) Class II Renewable Energy Resource Obligation	0.00%	0.00%	0.00%
(3) Incremental Cost - \$/MWh		\$0.00	\$0.00
<u>Section 3: Calculation of Class III Renewable Energy Resource Charge</u>			
(1) Class III Alternative Compliance Payment	\$28.00	\$28.72	\$29.46
(2) Class III Renewable Energy Resource Obligation	0.00%	3.50%	4.50%
(3) Incremental Cost - \$/MWh		\$1.01	\$1.33
<u>Section 4: Calculation of Class IV Renewable Energy Resource Charge</u>			
(1) Class IV Alternative Compliance Payment	\$28.00	\$28.72	\$29.46
(2) Class IV Renewable Energy Resource Obligation	0.00%	0.50%	1.00%
(3) Incremental Cost - \$/MWh		\$0.14	\$0.29
<u>Section 5: Calculation of Renewable Portfolio Standard Adder</u>			
(4) Sum of Class III and Class IV Incremental Costs - \$/MWh		\$1.15	\$1.92
(5) Renewable Portfolio Standard Adder to be included in Retail Rates - ¢/kWh		0.119	0.199

Notes

- (1) 2008 ACP- as corrected by the NH legislature in July 2008.
2009 ACP based on CPI increase from 2007 to 2008, as published by NHPUC.
- (2) From 362-F:3 of NH RPS legislation
- (3) Line (1) times Line (2)
- (4) Sum of all Line 3's
- (5) Line (4) times 1.038 (average NH loss factor for 12 month period ending August 2008) divided by 10 to convert from \$/MWh to ¢/kWh.
- (6) CPI Adjustment 1.0256

SCHEDULE JDW – 6

**Summary of Large Customer Group
Default Service Rates**

Granite State Electric Company
 Summary of Proposed Large Customer Group Proposed Default Service Rates

		Medium and Large C&I		
		<u>February</u>	<u>March</u>	<u>April</u>
(1)	[REDACTED]	[REDACTED]		
(2)	[REDACTED]	[REDACTED]		
(3)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(4)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(5)	Base Default Service Rate (\$/kWh)	\$0.08885	\$0.07774	\$0.07703
(6)	Default Service Cost Reclassification Adjustment Factor (\$/kWh)	\$0.00032	\$0.00032	\$0.00032
(7)	2008 Default Service Reconciliation Adjustment Factor (\$/kWh)	\$0.00009	\$0.00009	\$0.00009
(8)	Renewable Portfolio Standard Adder	<u>\$0.00199</u>	<u>\$0.00199</u>	<u>\$0.00199</u>
(9)	Total Default Service Rate (\$/kWh)	\$0.09125	\$0.08014	\$0.07943

- (1) Wholesale loads for the 12 month period ending November 2008
- (2) Retail loads for the 12 month period ending November 2008
- (3) Line (1) ÷ Line (2), rounded to five decimal places
- (4) Contractor Wholesale Price
- (5) Line (3) x Line (4) / 1000, truncated to five decimal places
- (6) Current approved Default Service Reclassification Adjustment Factor (Effective for usage on and after May 1, 2008), recovers the costs associated with unbundling of Default Service related administrative costs
- (7) Current approved 2008 Default Service Adjustment Factor (Effective for usage on and after May 1, 2008)
- (8) Current approved Renewable Portfolio Standard Adder (Effective for usage on and after January 1, 2009)
- (9) Line (5) + Line (6) + Line (7) + Line (8)

SCHEDULE JDW – 7

Typical Bill Impacts

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-1 Default Service Customers

Hours Use	kWh Split				(1)		(2)		(1) vs (2)		
	250 On-Peak	60.00%	Off-Peak	40.00%							
kW	Monthly kWh	On-Peak kWh	Off-Peak kWh	Total	Present Rates Default Service	Retail Delivery	Total	Proposed Rates Default Service	Retail Delivery	Overall Increase (Decrease) Amount	%
200	50,000	30,000	20,000	\$7,421.32	\$5,780.50	\$1,640.82	\$6,203.32	\$4,562.50	\$1,640.82	(\$1,218.00)	-16.4%
300	75,000	45,000	30,000	\$11,086.02	\$8,670.75	\$2,415.27	\$9,259.02	\$6,843.75	\$2,415.27	(\$1,827.00)	-16.5%
400	100,000	60,000	40,000	\$14,750.72	\$11,561.00	\$3,189.72	\$12,314.72	\$9,125.00	\$3,189.72	(\$2,436.00)	-16.5%
500	125,000	75,000	50,000	\$18,415.42	\$14,451.25	\$3,964.17	\$15,370.42	\$11,406.25	\$3,964.17	(\$3,045.00)	-16.5%
1,000	250,000	150,000	100,000	\$36,738.92	\$28,902.50	\$7,836.42	\$30,648.92	\$22,812.50	\$7,836.42	(\$6,090.00)	-16.6%

	<u>Present Rates</u>	<u>Proposed Rates</u>
Customer Charge	\$91.92	\$91.92
Distribution Charge		
On Peak kWh	kWh x \$0.00190	\$0.00190
Off Peak kWh	kWh x \$0.00057	\$0.00057
Distribution Demand Charge	kW x \$4.02	\$4.02
Def. Serv. Adj. Fctr	kWh x \$0.00000	\$0.00000
Transmission Charge	kWh x \$0.00918	\$0.00918
Stranded Cost Charge	kWh x \$0.00050	\$0.00050
System Benefits Charge	kWh x \$0.00330	\$0.00330
Electricity Consumption Tax	kWh x \$0.00055	\$0.00055
<u>Supplier Services</u>		
Default Service	kWh x \$0.11561	\$0.09125

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-1 Default Service Customers

Hours Use	kWh Split				(1)		(2)		(1) vs (2)	
	350 On-Peak	50.00%	Off-Peak	50.00%						
kW	Monthly kWh	On-Peak kWh	Off-Peak kWh	Total	Present Rates Default Service	Retail Delivery	Total	Proposed Rates Default Service	Retail Delivery	Overall Increase (Decrease) Amount %
200	70,000	35,000	35,000	\$10,022.17	\$8,092.70	\$1,929.47	\$8,316.97	\$6,387.50	\$1,929.47	(\$1,705.20) -17.0%
300	105,000	52,500	52,500	\$14,987.30	\$12,139.05	\$2,848.25	\$12,429.50	\$9,581.25	\$2,848.25	(\$2,557.80) -17.1%
400	140,000	70,000	70,000	\$19,952.42	\$16,185.40	\$3,767.02	\$16,542.02	\$12,775.00	\$3,767.02	(\$3,410.40) -17.1%
500	175,000	87,500	87,500	\$24,917.55	\$20,231.75	\$4,685.80	\$20,654.55	\$15,968.75	\$4,685.80	(\$4,263.00) -17.1%
1,000	350,000	175,000	175,000	\$49,743.17	\$40,463.50	\$9,279.67	\$41,217.17	\$31,937.50	\$9,279.67	(\$8,526.00) -17.1%

	<u>Present Rates</u>	<u>Proposed Rates</u>
Customer Charge	\$91.92	\$91.92
Distribution Charge		
On Peak kWh	kWh x \$0.00190	\$0.00190
Off Peak kWh	kWh x \$0.00057	\$0.00057
Distribution Demand Charge	kW x \$4.02	\$4.02
Def. Serv. Adj. Fctr	kWh x \$0.00000	\$0.00000
Transmission Charge	kWh x \$0.00918	\$0.00918
Stranded Cost Charge	kWh x \$0.00050	\$0.00050
System Benefits Charge	kWh x \$0.00330	\$0.00330
Electricity Consumption Tax	kWh x \$0.00055	\$0.00055

Supplier Services

Default Service	kWh x \$0.11561	\$0.09125
-----------------	-----------------	-----------

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-1 Default Service Customers

Hours Use kWh Split
 450 On-Peak 45.00%
 Off-Peak 55.00%

kW	Monthly kWh	On-Peak kWh	Off-Peak kWh	(1)			(2)			(1) vs (2)	
				Total	Default Service	Retail Delivery	Total	Default Service	Retail Delivery	Amount	%
200	90,000	40,500	49,500	\$12,623.69	\$10,404.90	\$2,218.79	\$10,431.29	\$8,212.50	\$2,218.79	(\$2,192.40)	-17.4%
300	135,000	60,750	74,250	\$18,889.57	\$15,607.35	\$3,282.22	\$15,600.97	\$12,318.75	\$3,282.22	(\$3,288.60)	-17.4%
400	180,000	81,000	99,000	\$25,155.45	\$20,809.80	\$4,345.65	\$20,770.65	\$16,425.00	\$4,345.65	(\$4,384.80)	-17.4%
500	225,000	101,250	123,750	\$31,421.34	\$26,012.25	\$5,409.09	\$25,940.34	\$20,531.25	\$5,409.09	(\$5,481.00)	-17.4%
1,000	450,000	202,500	247,500	\$62,750.75	\$52,024.50	\$10,726.25	\$51,788.75	\$41,062.50	\$10,726.25	(\$10,962.00)	-17.5%

	<u>Present Rates</u>	<u>Proposed Rates</u>
Customer Charge	\$91.92	\$91.92
Distribution Charge		
On Peak kWh	kWh x \$0.00190	\$0.00190
Off Peak kWh	kWh x \$0.00057	\$0.00057
Distribution Demand Charge	kW x \$4.02	\$4.02
Def. Serv. Adj. Fctr	kWh x \$0.00000	\$0.00000
Transmission Charge	kWh x \$0.00918	\$0.00918
Stranded Cost Charge	kWh x \$0.00050	\$0.00050
System Benefits Charge	kWh x \$0.00330	\$0.00330
Electricity Consumption Tax	kWh x \$0.00055	\$0.00055

Supplier Services

Default Service	kWh x \$0.11561	\$0.09125
-----------------	-----------------	-----------

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-1 Default Service Customers

Hours Use kWh Split
 450 On-Peak 40.00%
 Off-Peak 60.00%

kW	Monthly kWh	On-Peak kWh	Off-Peak kWh	(1)			(2)			(1) vs (2)	
				Total	Present Rates Default Service	Retail Delivery	Total	Proposed Rates Default Service	Retail Delivery	Overall Increase (Decrease) Amount	%
200	90,000	36,000	54,000	\$12,617.70	\$10,404.90	\$2,212.80	\$10,425.30	\$8,212.50	\$2,212.80	(\$2,192.40)	-17.4%
300	135,000	54,000	81,000	\$18,880.59	\$15,607.35	\$3,273.24	\$15,591.99	\$12,318.75	\$3,273.24	(\$3,288.60)	-17.4%
400	180,000	72,000	108,000	\$25,143.48	\$20,809.80	\$4,333.68	\$20,758.68	\$16,425.00	\$4,333.68	(\$4,384.80)	-17.4%
500	225,000	90,000	135,000	\$31,406.37	\$26,012.25	\$5,394.12	\$25,925.37	\$20,531.25	\$5,394.12	(\$5,481.00)	-17.5%
1,000	450,000	180,000	270,000	\$62,720.82	\$52,024.50	\$10,696.32	\$51,758.82	\$41,062.50	\$10,696.32	(\$10,962.00)	-17.5%

	<u>Present Rates</u>	<u>Proposed Rates</u>
Customer Charge	\$91.92	\$91.92
Distribution Charge		
On Peak kWh	kWh x \$0.00190	\$0.00190
Off Peak kWh	kWh x \$0.00057	\$0.00057
Distribution Demand Charge	kW x \$4.02	\$4.02
Def. Serv. Adj. Fctr	kWh x \$0.00000	\$0.00000
Transmission Charge	kWh x \$0.00918	\$0.00918
Stranded Cost Charge	kWh x \$0.00050	\$0.00050
System Benefits Charge	kWh x \$0.00330	\$0.00330
Electricity Consumption Tax	kWh x \$0.00055	\$0.00055

Supplier Services

Default Service	kWh x \$0.11561	\$0.09125
-----------------	-----------------	-----------

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-2 Default Service Customers

Hours Use 250

kW	Monthly kWh	(1)			(2)			(1) vs (2)	
		Total	Present Rates Default Service	Retail Delivery	Total	Proposed Rates Default Service	Retail Delivery	Overall Increase (Decrease) Amount	%
20	5,000	\$766.91	\$578.05	\$188.86	\$645.11	\$456.25	\$188.86	(\$121.80)	-15.9%
50	12,500	\$1,880.37	\$1,445.13	\$435.24	\$1,575.87	\$1,140.63	\$435.24	(\$304.50)	-16.2%
75	18,750	\$2,808.25	\$2,167.69	\$640.56	\$2,351.50	\$1,710.94	\$640.56	(\$456.75)	-16.3%
100	25,000	\$3,736.11	\$2,890.25	\$845.86	\$3,127.11	\$2,281.25	\$845.86	(\$609.00)	-16.3%
150	37,500	\$5,591.87	\$4,335.38	\$1,256.49	\$4,678.37	\$3,421.88	\$1,256.49	(\$913.50)	-16.3%

		<u>Present Rates</u>		<u>Proposed Rates</u>
Customer Charge		\$24.61		\$24.61
Distribution Charge	kWh x	\$0.00088		\$0.00088
Distribution Demand Charge	kW x	\$4.44		\$4.44
Def. Serv. Adj. Fctr	kWh x	\$0.00000		\$0.00000
Transmission Charge	kWh x	\$0.00986		\$0.00986
Stranded Cost Charge	kWh x	\$0.00050		\$0.00050
System Benefits Charge	kWh x	\$0.00330		\$0.00330
Electricity Consumption Tax	kWh x	\$0.00055		\$0.00055

Supplier Services

Default Service		\$0.11561	kWh x	\$0.09125
-----------------	--	-----------	-------	-----------

Granite State Electric Company
 Proposed February 1, 2009 Default Service Rates
 Calculation of Monthly Typical Bill
 Impact on Rate G-2 Default Service Customers

Hours Use 300

kW	Monthly kWh	(1)			(2)			(1) vs (2)	
		Total	Present Rates Default Service	Retail Delivery	Total	Proposed Rates Default Service	Retail Delivery	Overall Increase (Decrease) Amount	%
20	6,000	\$897.61	\$693.66	\$203.95	\$751.45	\$547.50	\$203.95	(\$146.16)	-16.3%
50	15,000	\$2,207.11	\$1,734.15	\$472.96	\$1,841.71	\$1,368.75	\$472.96	(\$365.40)	-16.6%
75	22,500	\$3,298.37	\$2,601.23	\$697.14	\$2,750.27	\$2,053.13	\$697.14	(\$548.10)	-16.6%
100	30,000	\$4,389.61	\$3,468.30	\$921.31	\$3,658.81	\$2,737.50	\$921.31	(\$730.80)	-16.6%
150	45,000	\$6,572.11	\$5,202.45	\$1,369.66	\$5,475.91	\$4,106.25	\$1,369.66	(\$1,096.20)	-16.7%

		<u>Present Rates</u>	<u>Proposed Rates</u>
Customer Charge		\$24.61	\$24.61
Distribution Charge	kWh x	\$0.00088	\$0.00088
Distribution Demand Charge	kW x	\$4.44	\$4.44
Def. Serv. Adj. Fctr	kWh x	\$0.00000	\$0.00000
Transmission Charge	kWh x	\$0.00986	\$0.00986
Stranded Cost Charge	kWh x	\$0.00050	\$0.00050
System Benefits Charge	kWh x	\$0.00330	\$0.00330
Electricity Consumption Tax	kWh x	\$0.00055	\$0.00055

Supplier Services

Default Service		\$0.11561	kWh x	\$0.09125
-----------------	--	-----------	-------	-----------

SCHEDULE JDW – 8
Quarterly Customer Migration Report

