

**DE 07-012**

**GRANITE STATE ELECTRIC COMPANY**

**Petition for Approval of Proposed Default Service Rates for the Large and Small Customer Group for the Period beginning May 1, 2007**

**Order Approving Petition**

**ORDER NO. 24,736**

**March 26, 2007**

**APPEARANCES:** Alexandra E. Blackmore, Esq. on behalf of Granite State Electric Company d/b/a National Grid; Meredith A. Hatfield, Esq. on behalf of the Office of Consumer Advocate; and Suzanne G. Amidon, Esq. on behalf of Staff of the New Hampshire Public Utilities Commission.

**I. PROCEDURAL HISTORY**

On February 2, 2007, Granite State Electric Company d/b/a National Grid (National Grid) filed with the New Hampshire Public Utilities Commission (Commission) a letter notifying the Commission of its intent to issue a Request for Proposals (RFP) to procure default service for the period May 1, 2007 through July 31, 2007 for its medium and large commercial and industrial customers (Large Customer Group) and May 1, 2007 through October 31, 2007 for its residential and small commercial customer group (Small Customer Group). National Grid indicated that the filing would be made pursuant to a Settlement Agreement approved by the Commission in Order No. 24,577 (January 13, 2006) in Docket No. DE 05-126, *Petition for Approval of Post-Transition Default Service Proposal*.

On February 7, 2007, the Office of Consumer Advocate (OCA) filed a letter with the Commission indicating that it will be participating in Docket No. DE 07-012 on behalf of residential ratepayers consistent with RSA 363:28.

On March 6, 2007, the Commission issued an Order of Notice scheduling a hearing on National Grid's default service filing for March 21, 2007. On March 7, 2007, National Grid filed a Motion for Confidential Treatment for the summary of indicative bids the company had provided Staff and OCA, and the content of discussions with Staff and the OCA regarding the indicative bids.

On March 19, 2007, National Grid filed its petition for the provision of default service for all customers for the period beginning May 1, 2007. In support of its petition, National Grid filed the testimony of John D. Warshaw and Scott M. McCabe with related exhibits and schedules.

With the petition, National Grid filed a Motion for Confidential Treatment. In its Motion, National Grid requested confidential treatment by the Commission with respect to the power supply agreements between National Grid and the winning suppliers, Hess Corporation (Hess) to provide default service supply for the Large Customer Group for the period from May 1 through July 31, 2007, and TransCanada Power Marketing, Limited (TCPM) to provide default service supply for the Small Customer Group for the period May 1, through October 31, 2007. National Grid also requested confidential treatment for its summary of the RFP bid evaluation and its analysis comparing changes in electric and gas futures costs to changes in procurement costs. National Grid states that the information is confidential, commercial, or financial information which is exempt from public disclosure pursuant to RSA 91-A. National Grid also asserts that disclosure of such information could adversely affect the business position of the parties in the future. National Grid asserted that the Commission had previously recognized the confidentiality of such information in past orders related to default service procurement.

The hearing was held as scheduled.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. National Grid**

National Grid testified that it conducted the default service solicitation process in accordance with applicable New Hampshire rules and regulations, the terms of a Settlement Agreement approved by the Commission in Order No. 24,577 (January 13, 2006) and prior Commission Orders.<sup>1</sup> National Grid stated that on February 12, 2007, it issued an RFP to approximately twenty-five potential suppliers soliciting default service power supplies for both the Large Customer Group for the period May 1, 2007 through July 31, 2007 and for the Small Customer Group for the period May 1, 2007 through October 31, 2007. National Grid explained that it distributed the RFP to all members of the New England Power Pool (NEPOOL) NEPOOL Markets Committee and posted the RFP on its energy supply website. As a result, National Grid asserts that the RFP had wide distribution throughout the New England energy supply marketplace. The RFP requested fixed pricing for each month of service on an as-delivered energy basis, and allowed prices to vary from month to month across the service period.

National Grid stated that it received indicative proposals on March 7, 2007 and provided a confidential summary of the proposals to Commission Staff and the OCA for purposes of reviewing the implied cost of capacity consistent with the terms of the Settlement Agreement. National Grid then evaluated the bids received and selected the two suppliers that: (i) provided a bid that was conforming to the RFP; (ii) had the lowest price; (iii) met the credit requirements described in the RFP; and (iv) passed National Grid's qualitative criteria. National Grid testified that, on March 15, 2007, it entered into wholesale Master Power Agreements and Transaction

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<sup>1</sup> See, for example, Order No. 24,609 (March 28, 2006); Order No. 24,637 (June 22, 2006); Order No. 24,675 (September 29, 2006) and Order No. 24,715 (December 15, 2006).

Confirmations with Hess Corporation (Hess), the winning bidder for the Large Customer Group block; and with TransCanada Power Marketing, Limited (TCPM), the winning bidder for the Small Customer Group block.

National Grid testified that it evaluated the implied costs of capacity by comparing the indicative energy only and energy-and-capacity bids with its own internal evaluation of the costs of capacity, and after reviewing the indicative bids with Staff, selected bids which provided all inclusive fixed energy-and-capacity prices.

National Grid proposes monthly all-inclusive retail prices for the Small Customer Group as follows:

Month	May	June	July	August	September	October
Per kWh	\$0.08166	\$0.08452	\$0.09067	\$0.09518	\$0.08473	\$0.08786

National Grid stated that the load weighted average retail price for the Small Customer Group would be \$0.08777 per kWh as compared with the current rate of \$0.09959. National Grid attested that the resulting rates, for a residential customer taking 500 kWhs per month, would be a 7.6% reduction in their monthly electric bill.

For the Large Customer Group, National Grid stated that the monthly retail prices would be as follows:

Month	May	June	July
Per kWh	\$0.08176	\$0.08602	\$0.09358

National Grid indicated that the simple average of the retail prices for the Large Customer Group, would be \$0.08712, as compared with the current average rate of \$0.09996. National

Grid stated that this rate reduction represented a decrease of between 9-10 percent in the electric bills of Large Commercial Customers. National Grid explained that the commodity costs at the retail customer meter were calculated by multiplying the commodity costs at the wholesale level by the applicable loss factor and then dividing the results by ten. The company testified that the loss factors can be found in the RFP summary in Schedule JDW-2 of Mr. Warshaw's testimony.

National Grid pointed out that the company is required on an annual basis to reconcile its power supply costs of providing default service with its default service revenue associated with recovery of power supply costs, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be returned or recovered through the default service adjustment factor of the next 12-month period through the default service adjustment factor. In Docket No. DE 06-162, *Granite State Electric Service Retail Rate Adjustment*, the Commission issued an order which required National Grid to include any reconciliation amounts incurred after May 1, 2007 in this default service filing. See Order No. 24,742 (January 12, 2007) slip op. at 11-12.

National Grid testified that Staff had communicated with the company about the nature of the default service reconciliation and that Staff had provided National Grid with a copy of The Joint Report On UES' Calculation Of Default Service-Related Working Capital Requirements (Joint Report) that Unitil Energy Systems, Inc. (UES), the OCA and Staff had filed in connection with the UES default service filing. See Docket No. DE 07-013. Consequently, National Grid testified that it had prepared a reconciliation of default service power costs and revenues in accordance with the Joint Report. In response to Staff's questions, National Grid explained that its accrued revenue estimates included billed and unbilled revenue components and that the billed component was appropriately adjusted to remove all revenue associated with consumption

in the prior month. National Grid stated that it understood that this was appropriate given that the Joint Report anticipated filing on an accrual accounting basis.

National Grid concluded by requesting that the Commission approve its petition and its Motion for Confidential Treatment.

### **B. The Office of Consumer Advocate**

The OCA stated that it supported the petition and that National Grid had complied with the solicitation process contained in a Settlement Agreement approved by the Commission in Order No. 24,577 (January 13, 2006). The OCA noted that the report National Grid filed regarding customer migration to competitive suppliers indicated that residential customers had few alternative to energy supply other than through the distribution companies. The OCA also queried whether 500 kWhs represented the typical residential monthly electricity consumption. National Grid pointed out that Schedule SMM-9 contained calculations of residential bills using consumption from 200 kWhs per month to 1,000 kWhs per month. National Grid agreed that it would provide the OCA with its calculation of an average monthly residential bill.

### **C. Staff**

Staff agreed that National Grid complied with the solicitation process approved by the Commission in Order No. 24,577 (January 13, 2006) and that National Grid employed appropriate evaluation criteria in its selection of Hess for the three-month power supply for the Large Customer Group and of TCPM for the six-month power supply for the Small Customer Group. Staff also testified that National Grid selection of an all inclusive energy-and-capacity bid was based on a reasonable analysis of the implied cost of capacity. Staff opined that the bid process produced reasonable and market based power prices.

Staff reviewed the calculations underlying National Grid's reconciliation calculation and determined, based on the evidence presented by National Grid regarding the estimation of accrued revenue, that the company had appropriately implemented the methodology recommended in the Joint Report. Staff concluded that National Grid had, therefore, correctly calculated the default service reconciliation adjustment factor.

In conclusion, Staff recommended that the Commission approve National Grid's petition.

### **III. COMMISSION ANALYSIS**

#### **A. Confidentiality**

First, we address National Grid's Motion for Confidential Treatment. The materials which National Grid seeks to protect contain: a brief discussion of the selection of the winning bidder; a bidder key that identifies the suppliers who participated in the RFP; the comparative energy and capacity prices received from the bidders, including the estimated total cost according to the evaluation loads provided with the RFP; a ranking of the transactions offered by each bidder in terms of financial security, including consideration of reasonable extension of credit to National Grid and the creditworthiness of the supplier and the credit assurance offered; the information provided by each bidder in the proposal submission forms; and, a redlined version of the negotiated PSA. Finally, by a separate Motion, National Grid requests confidential treatment of the indicative bids.

National Grid asserts that this information should be protected from public disclosure because it is confidential, commercial, or financial information. National Grid contends that the information provided by bidders was offered under the express understanding that such information would be maintained as confidential and that suppliers would be reluctant to participate in future solicitations by National Grid if their confidential bid information is

disclosed. National Grid argues that the disclosure of the fully negotiated PSAs will reveal its negotiating posture to other potential power suppliers and claims that its customers would be harmed by National Grid's diminished negotiating position. National Grid also asserted that the indicative bids shared with Staff and the OCA by email on or about September 8, 2006 are confidential.

The New Hampshire Right-to-Know law provides each citizen the right to inspect public records in the possession of the Commission. RSA 91-A:4, I. Section IV, however, exempts from disclosure certain "confidential, commercial, or financial information." In order to rule on the Motion, we have made an *in camera* review of the material which National Grid asserts is confidential.

Inasmuch as disclosure in this instance could negatively affect customers, we do not find the public's interest in review of the financial, commercially sensitive information sufficient to outweigh the need for National Grid and its bidders to maintain confidentiality of such information. *Union Leader Corp. v. New Hampshire Housing Finance Authority*, 142 N.H. 540 (1997). We will, therefore, grant protective treatment to the information redacted from National Grid's public filing. Consistent with past practice, the protective treatment provisions of this Order are subject to the on-going authority of the Commission, on its own motion or on the motion of Staff, any party or other member of the public, to reconsider this protective order in light of RSA 91-A, should circumstances so warrant. In granting the Motion, we note that the Settlement Agreement approved by Commission Order No. 24,577 contemplated that any discussion of the indicative bid evaluation would be confidential,<sup>2</sup> and we accord confidential treatment of the information exchanged with Staff and the OCA which occurred on or about

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<sup>2</sup> See Order No. 24,577 (January 13, 2006) slip op. at 9.

September 8, 2006, and any subsequent discussion of information for which protection is requested by the company's Motion.

### **B. Default Service**

Regarding National Grid's analysis of the bids and its selection of the winning bidders for default service supply for its Large Customer and Small Customer Groups beginning May 1, 2007, we find that National Grid complied with the procedures approved by Order No. 24,577. We are satisfied that National Grid met all procedural requirements consistent with prior orders of this Commission. We are likewise satisfied that the participation of multiple bidders in the process is indicative of a competitive bid and, consequently, that the result is consistent with the requirement of RSA 374-F:3, V(c) that Default Service "be procured through the competitive market."

We note that Staff considered the default service reconciliation calculation performed by National Grid in this docket to be consistent with the recommendations of the Joint Report filed in Docket No. DE 07-013, *UES Default Service Solicitation*. It is apparent that Staff is satisfied that National Grid understands the methodology recommended by the Joint Report and is willing to adopt it in its reconciliation calculation. Therefore, we will approve application of the methodology in the Joint Report to National Grid's current and future reconciliation calculations.

Finally, we find that National Grid's evaluation of the bids and its selection of Hess as its default service supplier for the Large Customer Group and TCPM as its default service supplier for the Small Customer Group is reasonable. We approve this Petition and we will allow the power supply and capacity costs to be included in the company's rates beginning May 1, 2007.

**Based upon the foregoing, it is hereby**

**ORDERED**, that the Power Supply Agreement between Hess Corporation and Granite State Electric Company d/b/a National Grid for three months default service power supply for National Grid's Large Customer Group beginning May 1, 2007 is hereby APPROVED; and it is

**FURTHER ORDERED**, that the Power Supply Agreement between TransCanada Power Marketing, Ltd and Granite State Electric Company d/b/a National Grid for six months default service supply for National Grid's Small Customer Group beginning May 1, 2007 is hereby APPROVED; and it is

**FURTHER ORDERED**, that the Commission adopts the recommendations of the Joint Report On UES' Calculation Of Default Service-Related Working Capital Requirements for use by National Grid in its default service reconciliation calculation; and it is

**FURTHER ORDERED**, that National Grid file conforming tariffs within 30 days of the date of this Order pursuant to N.H. Admin. Rules Puc 1606.02.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of March, 2007.

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Thomas B. Getz  
Chairman

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Graham J. Morrison  
Commissioner

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Clifton C. Below  
Commissioner

Attested by:

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Debra A. Howland  
Executive Director & Secretary