

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-016

Granite State Electric Company d/b/a National Grid

Petition for Approval of Solicitation and Selection of Default Service Supply for Large and Small Customer Groups for Period Beginning May 1, 2011

Order Approving Solicitation and Selection of Default Service Supply and Resulting Rates

ORDER NO. 25,207

March 22, 2011

APPEARANCES: McLane, Graf, Raulerson & Middleton, Professional Association by Sarah B. Knowlton, Esq., on behalf of Granite State Electric Company d/b/a National Grid; Meredith Hatfield, Esq., of the Office of Consumer Advocate on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On January 20, 2011, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a letter notifying the Commission of its intent to issue a Request for Proposals (RFP) to procure default service for the period May 1, 2011 through July 31, 2011 for its medium and large commercial and industrial customers (Large Customer Group) and for the period May 1, 2011 through October 31, 2011 for its residential and small commercial customers (Small Customer Group).

On February 1, 2011, the Office of Consumer Advocate (OCA) filed a letter notifying the Commission that it would be participating in this docket on behalf of residential ratepayers consistent with RSA 363:28. The Commission issued an Order of Notice on February 11, 2011.

On March 15, 2010, National Grid filed its petition for the provision of default service for all customers for the period beginning May 1, 2011. In support of its petition, National Grid filed the testimony of Margaret M. Janzen, Director of Electric Supply and Distributed Generation for National Grid USA Service Company, Inc., and Scott M. McCabe, Principal Analyst in the New England Electric Pricing group of the Regulation and Pricing – Electricity Distribution and Generation department of National Grid USA, Inc. National Grid USA Service Company, Inc. is the service company for National Grid. The Company selected DTE Energy Trading, Inc. (DTE) to provide default service power for the Large Customer Group for the period May 1, 2011 through July 31, 2011, and Constellation Energy Commodities Group, Inc. (Constellation) to provide default service power supply for the Small Customer Group for the period May 1, 2011 through October 31, 2011. The filing also included National Grid's quarterly customer migration report.

National Grid said that the overall rate impacts for residential and small commercial customers would be decreases ranging from 3.1% to 4.1%. For customers in the Large Customer Group, typical overall bill impacts will be decreases ranging from 5.5% to 6.6% when comparing the current three-month period ending April 30, 2011 with the three month period ending July 30, 2011. National Grid stated that the filing was made pursuant to a Settlement Agreement approved by the Commission in Docket No. DE 05-126, *Granite State Electric Company, Petition for Approval of Post-Transition Default Service Proposal*, 91 NH PUC 6, Order No. 24,577 (January 13, 2006), modified by Order No. 24,922 (December 19, 2008).

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

RFP bid evaluation, a comparison of changes in electric and gas futures costs to changes in procurement costs, the calculation of commodity costs at retail, and the calculation of the RPS compliance adders. In addition, National Grid requested confidential treatment for certain information in each of the transaction confirmations with DTE and Constellation. The Company redacted the materials for which it seeks confidential treatment from its public filing with the Commission.

In support of its motion, National Grid stated that the information is confidential, commercial, or financial information that is exempt from public disclosure pursuant to RSA 91-A. National Grid also asserted that disclosure of such information could adversely affect the business position of the parties in the future. National Grid said that the Commission had previously recognized the confidentiality of such information in past orders related to default service procurement.

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 and the terms of a Settlement Agreement approved by the Commission in Docket No. DE 05-126, *Granite State Electric Company*, 91 NH PUC 6, Order No. 24,577, (January 13, 2006), and as modified by Order No. 24,922 (December 19, 2008). National Grid stated that, on February 4, 2011, it issued an RFP to over 25 potential suppliers soliciting default service power supplies for both the Large Customer Group for the period May 1, 2011 through July 31, 2011 and the Small Customer Group for the period May 1, 2011 through October 31, 2011.

National Grid explained that it distributed the RFP to all members of the New England Power Pool 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. Consistent with Order No. 24,922, National Grid solicited only for all-inclusive energy and capacity supply.

National Grid stated that it received indicative bid proposals on March 2, 2011 and received final bid proposals on March 9, 2011. National Grid then evaluated the bids received and selected the suppliers that: (i) provided a bid that conformed 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.

On March 9, 2011, National Grid entered into a wholesale Transaction Confirmation with DTE, the winning bidder for the Large Customer Group, and Constellation, the winner bidder for the Small Customer Group. National Grid explained that a copy of the Constellation Master Power Agreement was filed with the Commission on March 20, 2006 in Docket No. DE 06-115 in connection with a prior default service procurement filing. Similarly, a copy of the DTE Master Power Agreement was filed with the Commission on December 4, 2009 in Docket No. DE 09-010, the Company's 2009 default service docket. National Grid testified that Schedule MMJ-4 contains the redacted copy of the Transaction Confirmation with DTE and that MMJ-5 of its public filing is the Transaction Confirmation between National Grid and Constellation, both with confidential sections redacted. The Company pointed out that although the Master

Power Agreement and Transaction Confirmations are different in some ways from the sample power supply agreement in the Settlement Agreement approved by the Commission in Order No. 24,577, the executed documents do not shift any of the risks or obligations described in the sample power supply agreement.

For both the Small Customer and Large Customer Groups, National Grid said it calculated the base default service rate by multiplying the commodity cost at the wholesale level by the applicable loss factor and then dividing the result by ten to determine the price per kilowatt-hour (kWh). Pursuant to the settlement agreement approved by Order No. 24,577, National Grid sets a fixed default service rate for the Small Customer Group for the applicable six-month period. National Grid testified the monthly base default service commodity costs for the Small Customer Group are as follows:

<u>Month</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>
\$ per kWh	\$0.06384	\$0.06089	\$0.06535	\$0.06713	\$0.06260	\$0.06203

According to the Company, the resulting weighted average of the base default service rates for the Small Customer Group for the period May through October 2011 is \$0.06374 per kWh. The following adjustments to the weighted average base default service costs produce a total average default service rate for the Small Customer Group of \$0.06680 per kWh.

Base Default Service Rate	\$0.06374 per kWh
Default Service Adjustment Factor ¹	\$0.00035 per kWh
Cost Reclassification Adjustment Factor ²	\$0.00078 per kWh
<u>Renewable Portfolio Standard Adder</u>	<u>\$0.00193 per kWh</u>
Total Default Service Rate	\$0.06680 per kWh

¹ The Default Service Adjustment Factor is the adjustment to rates reflecting any over- or under-recovery of energy costs from the prior period, in this case, calendar year 2011.

² The Cost Reclassification Adjustment Factor is the adjustment to rates reflecting any over- or under-recovery of administrative costs from the prior period, in this case, calendar year 2011.

National Grid testified that for residential customers using 500 kWh per month, total monthly bills will decrease from \$65.83 to \$63.77 or 3.1%. For residential customers using 674 kWh per month, which National Grid stated is the average monthly kWh usage for residential customers for the twelve-month period ending February 2011, the total bill would decrease by \$2.77 or 3.1% from \$89.48 per month to \$86.71. For other customers in the Small Customer Group, decreases range from 3.1% to 4.1%.

For the Large Customer Group, the Company calculates a default service rate that varies from month to month for the applicable three-month period. For the three-month period beginning May 1, 2011, National Grid established the monthly base default service rates as follows:

<u>Month</u>	<u>May</u>	<u>June</u>	<u>July</u>
\$ per kWh	\$0.06372	\$0.06360	\$0.06330

The following are adjustments to the base default service charge for the Large Customer Group:

	May	June	July
Base Retail Rate	\$0.06372	\$0.06360	\$0.06330
Default Service Adjustment Factor	\$0.00035	\$0.00035	\$0.00035
Cost Reclassification Factor	\$0.00101	\$0.00101	\$0.00101
Renewable Portfolio Standard Adder	\$0.00193	\$0.00193	\$0.00193
<u>Total Default Service Rate</u>	<u>\$0.06701</u>	<u>\$0.06689</u>	<u>\$0.06659</u>

National Grid stated that these default service charges produce total bill reduction for the three-month period ending July 2011. According to the Company, total bill decreases will range from 5.5% to 6.6% as compared to the three-month period ending April 2011.

To comply with RPS requirements for the months of 2011 associated with the supplies that have been procured as a result of the current RFP, National Grid will need to procure Class I

(new renewable resources) renewable energy certificates (RECs) for 2.0 percent of sales, Class II (solar resources) RECs for 0.08 percent of sales, Class III (existing biomass resources) RECs for 6.5 percent of sales, and Class IV (existing small hydro resources) RECs for 1.0 percent of sales.

The Company noted the settlement agreement with Staff and the OCA was intended to resolve all issues associated with the process it would use to obtain compliance with the RPS law, which the Commission approved in Order No. 24,953 (March 23, 2009). Pursuant to the settlement agreement, National Grid must first request bidders responding to its default service solicitation to provide a separate RPS compliance adder with their bids. This RPS compliance adder is the incremental charge by a bidder for agreeing to take on the RPS obligation with the default service supply commitment. National Grid evaluated the RPS compliance adders by comparing them to its estimated market prices for New Hampshire RECs. Because the RPS compliance adder from the winning bidder for both the Large Customer and the Small Customer Groups was above National Grid's market estimate, the Company did not accept either of the winning bidders' RPS compliance adder.

The Company said that it would reconcile its RPS compliance costs with the revenue received from customers if the costs are different from the proposed compliance adder. Effective May 1, 2011, the Company is proposing to reduce the RPS adder for the Small Customer Group from 0.208¢ per kWh to 0.193¢ per kWh. In addition, the Company is proposing to increase the RPS adder for the Large Customer Group from 0.186¢ per kWh to 0.193¢ per kWh. As a proxy for actual RPS costs, the RPS adder is based on the recent 2011 market prices for all REC Classes.

National Grid said that it will issue a REC RFP within the next six months to procure RECs to satisfy the 2011 RPS obligations. National Grid stated that it will attempt to procure the quantity of RECs necessary to satisfy the 2011 obligations for load that will be serviced under Default Service supply contracts. The Company testified that it had acquired 100% of its REC requirements for 2010.

Regarding its motion for confidential treatment, the Company testified that OCA had questioned whether the 2011 Market Price for RECs provided in MMJ-2, page 37 of 38 (page 84 of the filing) and MMJ-6 at page 1 of 1 (page 100 of the filing) was confidential. National Grid stated that the Market Prices were obtained from broker sheets and, upon examination, those broker sheets had not been marked as confidential. Therefore, National Grid said that the information redacted in MMJ-2 page 37 and MMJ-6 was not confidential and was not subject to the Company's motion for confidential treatment.

National Grid concluded by requesting that the Commission approve its petition, its selection of DTE and Constellation as the default service power suppliers for the Large Customer Group and Small Customer Group, respectively, for the period beginning May 1, 2011, the resulting retail rates, and its Motion for Confidential Treatment, with the exception of the information contained on pages 84 and 100 of the filing.

B. The Office of Consumer Advocate

The OCA stated that it did not oppose the filing and was pleased that the rates for residential customers were to be reduced as a result of the solicitation.

C. Staff

Staff stated that the Company had followed the bid solicitation and evaluation process approved by the Commission in Order No. 24,577 and that the resulting rates are market based. Staff recommended that the Commission approve the petition. Staff also stated that, with the modification proposed by the Company, it did not oppose the motion for confidential treatment.

III. COMMISSION ANALYSIS

We find that National Grid complied with the procedures approved in Order No. 24,577 regarding National Grid's analysis of the bids and its selection of DTE as the winning bidder for default service supply for its Large Customer Group for the three-month period from May 1, 2011 through July 31, 2011. 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 also find that National Grid's evaluation of the bids and its selection of Constellation as its default service supplier for the Small Customer Group for the period from May 1, 2011 through October 31, 2011 are reasonable. The testimony of National Grid, together with its bid evaluation report, indicates that the bid prices reflect current market conditions and, therefore, are reasonable. In light of the circumstances, we will grant the petition.

Finally, National Grid requests confidential treatment of the amendment to the Master Power agreement with DTE and Constellation (Schedules MMJ-4 and MMJ-5 attached to Ms. Janzen's testimony) including the transaction confirmations; the default service procurement summary (Schedule MMJ-2); and the Company's REC procurement summary. Similar requests

for confidential treatment have been made in past default service solicitations and have been consistently granted by the Commission. *See, e.g.* Order No. 25,083 (March 22, 2010) and Order No. 25,150 (September 27, 2010) in Docket No. DE 10-020, National Grid's 2010 default service filing. We have conducted an *in camera* review of the materials for which National Grid seeks confidential treatment and have determined that there is a privacy interest at stake that would be invaded by disclosure. While the public has an interest in the information underlying the default service rates paid by customers, the interest in confidentiality outweighs that of disclosure inasmuch as disclosing the information would likely hamper the Company's ability to engage suppliers in competitive bidding in the future, which would, in turn, make it more difficult to obtain its supply at competitive prices and might thereby increase rates to customers. Insofar as protection is requested for wholesale contractual sales, we grant protective treatment until such time as the information is published by the Federal Energy Regulatory Commission, which we understand will be November 1, 2011. We also note that pages 84 and 100 of the filing have been removed from the motion for confidential treatment.

Based upon the foregoing, it is hereby

ORDERED, that the transaction confirmations between Granite State Electric Company d/b/a National Grid and DTE Energy Trading, Inc. and Granite State Electric Company d/b/a National Grid and Constellation Energy Commodities Group, and the resulting proposed rates, are APPROVED; and it is

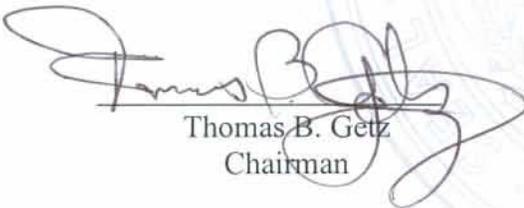
FURTHER ORDERED, that the power supply costs resulting from the solicitation are reasonable and, subject to the ongoing obligation of Granite State Electric Company d/b/a

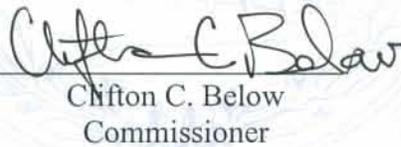
National Grid to act prudently, according to law and in conformity with Commission orders, the amounts payable to the seller for power supply costs under the three-month transaction confirmation for the Large Customer Group for the period from May 1, 2011 through July 31, 2011, and the six-month transaction confirmation for the Small Customer Group for the period May 1, 2011 through October 31, 2011 are APPROVED; and it is

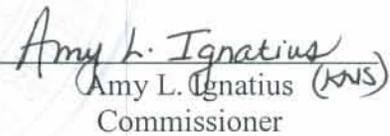
FURTHER ORDERED, that National Grid's motion for confidential treatment is GRANTED subject to the exclusion of pages 84 and 100 and the conditions discussed herein; and it is

FURTHER ORDERED, that National Grid shall file conforming tariffs within 30 days of the date of this Order, consistent with N.H. Code Admin, Rule Puc 1603.02.

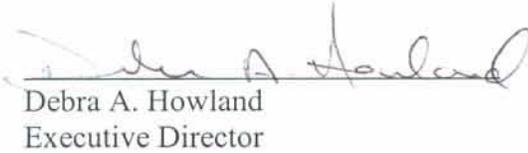
By order of the Public Utilities Commission of New Hampshire this twenty-second day of March, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius (KNS)
Commissioner

Attested by:


Debra A. Howland
Executive Director