

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-023

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

Petition for Approval of Proposed Default Service Rates for the Large and Small Customer Groups for the Period Beginning May 1, 2012

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

ORDER NO. 25,338

March 27, 2012

APPEARANCES: McLane, Graf, Raulerson and Middleton, P.A. by Jinjue Pak, Esq., on behalf of Granite State Electric Company d/b/a National Grid; and Suzanne G. Amidon, Esq., on behalf of Staff of the Public Utilities Commission.

I. PROCEDURAL HISTORY

On March 20, 2012, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a petition requesting approval of its solicitation and procurement of default service for 100% of its supply requirements for its medium and large commercial and industrial customers (Large Customer Group) for the period May 1, 2012 through July 31, 2012, and for 100% of its supply requirements for its residential and small commercial customers (Small Customer Group) for the period May 1, 2012 through October 31, 2012. 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*, Order No. 24,577, 91 NH PUC 6, (January 13, 2006) as modified by Order No. 24,922, 93 NH PUC 600, (December 19, 2008).

In support of its petition, National Grid filed the testimony and related schedules of Margaret M. Janzen, Director of Wholesale Electric Supply for National Grid USA Service

Company (National Grid USA) and Scott McCabe, Lead Specialist, New England Pricing, Department of Regulation and Pricing for National Grid USA. The testimony included related exhibits and schedules. National Grid USA is the National Grid affiliate with responsibility for procurement of default service power for National Grid. National Grid also filed its quarterly customer migration report with its petition.

The Company selected Hess Corporation (Hess) to provide default service for the Large Customer Group for the period May 1, 2012 through July 31, 2012 and Macquarie Energy LLC (Macquarie) to provide default service for the Small Customer Group for the period May 1, 2012 through October 31, 2012. According to National Grid, the overall bill impact for residential customers taking 500 kilowatt hours (kWh) per month under rate D-10 will be a decrease of 13.4%. Other customers in the Small Customer Group will experience bill decreases ranging from 12.4% to 17.5%. Large customers taking service under Rate G-1 will experience bill decreases for the three-month period from May through July 2012 ranging from 8.2% to 10.1% as compared to the three-month period ending April 2012.

National Grid also filed a Motion for Confidential Treatment with its filing on March 20, 2012. In the Motion, National Grid requested that the Commission grant confidential treatment to the RFP bid evaluation, a comparison of changes in electric and gas futures costs to changes in power procurement costs, the calculation of commodity costs at retail, the Transaction Confirmation with Hess, and the Master Power Agreement and Transaction Confirmation.

In support of its Motion for Confidential Treatment, National Grid stated that the information it seeks to protect is confidential, commercial or financial information that is exempt from public disclosure pursuant to RSA 91-A:5, IV. National Grid also asserted that disclosure of such information could adversely affect the business position of the parties in the future. The

Company said that the Commission had previously recognized the confidentiality of such information in past orders related to default service procurement, citing, *e.g.*, Order No. 25,304 (December 20, 2011) and Order No. 25,270 (September 23, 2011) in Docket No. DE 11-016, National Grid's 2011 default service procurement proceeding.

The Commission issued an Order of Notice on February 8, 2012 scheduling a hearing on March 22, 2012. The hearing was held as scheduled.

II. POSITIONS OF THE PARTIES AND STAFF

A. Granite State Electric Company d/b/a National Grid

National Grid testified that it had 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 Order No. 24,577 (January 13, 2006) as modified by Order No. 24,922 (December 19, 2008). The Company stated that, on February 10, 2012, it issued a request for proposals (RFP) to approximately twenty-five potential suppliers soliciting power for the period May 1, 2012 through July 31, 2012 for the Large Customer Group and for the period May 1, 2012 through October 31, 2012 for the Small Customer Group. National Grid said that it also distributed the RFP to all members of the New England Power Pool Markets Committee and posted the RFP on its energy supply website so 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 monthly across the service period. Consistent with Order No. 24,922, National Grid solicited only for all-inclusive energy and capacity supply.

National Grid testified that there was one change in this solicitation. The Company explained that in prior solicitations, the National Grid's New Hampshire and Massachusetts

affiliates issued joint proposals for power supply, whereas in this solicitation, the RFP for the two New Hampshire blocks of power were issued separately. National Grid said that it issued a separate RFP for the New Hampshire power requirements in anticipation of the pending National Grid USA/Liberty Energy Utilities Corp. sale transaction in Docket No. DG 11-040 and that National Grid would continue to issue a separate RFP for New Hampshire power in future default service solicitations.

National Grid testified that it received indicative bids on March 7, 2012 and final bids on March 14, 2012. National Grid stated that the selected suppliers (1) provided a bid that conformed to the RFP, (2) had the lowest price, (3) met the credit requirements described in the RFP, and (4) passed National Grid's qualitative criteria.

Pursuant to a settlement agreement approved by the Commission in Order No. 24,953, 94 NH PUC 148, (March 23, 2009), National Grid requested bidders for power supply to provide a separate adder for purposes of complying with RSA 362-F, New Hampshire's Renewable Portfolio Standard (RPS) law. For the Large Customer Group, the Company entered into an agreement with Hess to purchase both energy and New Hampshire's RPS compliance because the RPS compliance adder offered by Hess was less than National Grid's estimated RPS compliance cost.

On March 15, 2012, National Grid entered into a wholesale Transaction Confirmation¹ with Hess, the winning bidder for the Large Customer Group, and a Master Power Agreement and Transaction Confirmation with Macquarie, the winning bidder for the Small Customer Group. According to the Company, although the Transaction Confirmation and Master Power

¹ National Grid entered into a purchase power agreement with Hess in 2007 and filed the Hess Master Power Agreement on March 19, 2007 in Docket No. DE 07-012, National Grid's 2007 default service proceeding. See Order No. 24,736, 92 NH PUC 64, (March 26, 2007).

Agreement have differences 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 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 (\$ per megawatt-hour) by the applicable loss factor and then dividing the results by ten. The Company stated that the load-weighted average of the commodity cost at retail for the Small Customer Group for the period May 1 through October 31, 2012 is \$0.04923 per kilowatt hour (kWh) compared to the load-weighted average of \$0.07379 per kWh for the period November 2011 through April 2012. After adjustments for reconciliation and reclassification and the adder for compliance with the Company's RPS obligations which cost increased by approximately 51% from the previous period, the proposed default service rate for the Small Customer Group is \$0.05884 per kWh.

For residential customers using 500 kWh per month, total monthly bills will decrease by 13.4% from \$69.64 per month to \$60.33 per month. For residential customers using 666 kWh per month, which National Grid said is the average monthly kWh usage for the twelve months ending February 2012, the total bill would decrease by 13.3% from \$93.50 per month to \$81.10 per month. Average monthly bills for other customers in the Small Customer Group would decrease by 12.4% to 17.5%.

For the Large Customer Group, the Company develops rates that vary month by month. According to National Grid, the monthly base default service rates at retail are as follows:

	<u>May 2012</u>	<u>June 2012</u>	<u>July 2012</u>
\$ per kWh	\$0.04395	\$0.04496	\$0.05168

National Grid said it adjusts the base rate to derive a total default service rate for the three month period as follows:

	May 2012	June 2012	July 2012
Base Retail Rate	\$0.04395	\$0.04496	\$0.05168
2012 Default Service Adjustment Factor	\$0.00478	\$0.00478	\$0.00478
Cost Reclassification Factor	\$0.00103	\$0.00103	\$0.00103
RPS Adder	\$0.00396	\$0.00396	\$0.00396
Total Default Service Rate	\$0.05372	\$0.05473	\$0.06145

National Grid stated that the November default service rates produce total bill decreases for customers in the Large Customer Group from 8.2% to 10.1% as compared to bills for April 2012.

In its filing, National Grid recalculated the retail cost of RPS compliance for 2012 to reflect the changes in estimated market costs to meet RPS obligations for 2011 and 2012. Effective May 1, 2012, the Company proposes to increase the adder for both the Small and Large Customer Groups to \$0.00396 per kWh. The proposed adder was calculated based on the Company's acceptance of the bid for RPS compliance from Hess. National Grid testified that Hess' RPS compliance offer produced rates less than the Company's market estimates for RPS compliance costs but were approximately 15% higher than the previous period.

National Grid concluded by requesting that the Commission find that the Company conducted solicitation and selection of suppliers according to the process approved by the Commission in Order No. 24,577 and that the Commission also approve the resulting rates. National Grid further requested that the Commission grant the Company's motion for confidential treatment.

B. Staff

Staff stated that it had reviewed the filing and determined that the Company had complied with Order No. 24,577 in the solicitation and evaluation of bids and in the final selection of the winning bidders, and that the resulting rates were market based. The Staff recommended that the Commission approve the petition. The Staff also stated that it had no objections to the motion for confidential treatment.

III. COMMISSION ANALYSIS

We have reviewed National Grid's analysis of the bids and its selection of winning bidders and find that the Company substantially complied with the procedures approved in Order No. 24,577 in selecting default service suppliers for its Large and Small Customer Groups. We are satisfied that National Grid met the procedural requirements set forth in prior orders and that the result of the bidding process 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 selection of the winning bidders for both the Large and Small Customer Groups was reasonable. The testimony and related schedules offered by National Grid indicates that the bid prices reflect current market conditions. We find as well that, because National Grid procures both RECs and default service through competitive bidding processes pursuant to settlement agreements approved by the Commission, the procurements are just and reasonable and in the public interest.

National Grid requests confidential treatment of information redacted from the public copy of the filing including the RFP bid evaluation; a comparison of the procurement costs with forecasted changes in electric and gas futures costs; a summary of recent REC purchases, including price and vendor; a calculation of commodity costs at retail; and the Transaction

Confirmation and Master Power Agreements associated with the power purchases. According to National Grid, this information is exempt from public disclosure pursuant to RSA 91-A:5, IV because the information is “confidential, commercial, or financial information” not otherwise subject to public disclosure.

National Grid further stated that the information provided by bidders was offered with the 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. The Company asserted that allowing disclosure of such confidential information would diminish the Company’s negotiating position and consequently harm National Grid’s customers. RSA 91-A:5,IV states, in relevant part, that records of “confidential, commercial or financial information” are exempt from public disclosure. In determining whether commercial or financial information should be deemed confidential, we consider whether there is a privacy interest at stake that would be invaded by disclosure. *See Unutil Corp. and Northern Utilities, Inc.*, Order No. 25,014, 94 NH PUC 484, (Sept.22, 2009) (citations omitted). Second, when a privacy interest is at stake, the public’s interest in disclosure is assessed. In making this assessment, we determine whether disclosure informs the public on the operation of government. Finally, when there is a public interest in disclosure, we must balance that interest with any privacy interests in nondisclosure. *Id.* This test is similar to that required by the Commission’s rule on requests for confidential treatment, N.H. Code Admin Rules Puc 203.08.

The information National Grid seeks to protect is financial information related to it as well as to its suppliers, and much of the information was provided pursuant to the understanding that it would be kept confidential. We find that there is a privacy interest at stake that would be

invaded by disclosure of this information. We also find that the public interest in disclosure of the information is minimal as it is not likely to shed meaningful light on the operation of government. Weighing these interests, we conclude that the Company's interest in confidentiality outweighs that of disclosure. As noted by National Grid, disclosing the information would likely impede its ability to engage suppliers in competitive bidding in the future, which would, in turn, make it more difficult to obtain its supply needs at competitive prices and might thereby increase rates to customers. Thus, there is a very strong privacy interest in avoiding disclosure, which we find is not outweighed by the public's interest in disclosure. In doing so, we are mindful that the wholesale pricing information will become publicly available through the Federal Regulatory Energy Commission (FERC) within the next six to twelve months, and we grant confidential treatment to wholesale pricing information only until such time as FERC would require the information to be made available from wholesale suppliers in mandated quarterly reports.

Based upon the foregoing, it is hereby

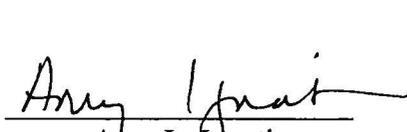
ORDERED, that the Power Supply Agreement entered into between Hess Corporation and Granite State Electric Company d/b/a National Grid for the three-month default service power supply beginning May 1, 2012 for the Large Customer Group and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that the Power Supply Agreement between Macquarie Energy LLC and Granite State Electric Company d/b/a National Grid for the six-month default service power supply beginning May 1, 2012 for the Small Customer Group and the resulting rates are hereby APPROVED; and it is

FURTHER ORDERED, that National Grid's Motion for Confidential Treatment is hereby GRANTED as conditioned 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. Rules Puc 1603.02.

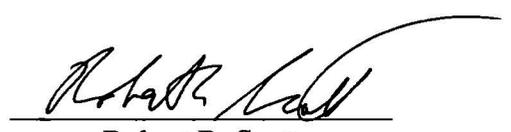
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of March, 2012.



Amy L. Ignatius
Chairman



Michael Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director