

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 12-023

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

**Petition for Approval of Default Service Solicitation and Related Rates for
Large Commercial and Industrial Customers**

Order Approving Petition

ORDER NO. 25,376

June 22, 2012

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

I. PROCEDURAL HISTORY

On June 19, 2012, Granite State Electric Company d/b/a National Grid (National Grid or Company)¹ filed a petition requesting approval of default service rates for its large and medium commercial and industrial customers (Large Customer Group) for the period from August 1, 2012 through October 31, 2012. National Grid selected NextEra Energy Power Marketing, LLC (NextEra) as the winning default service supplier for this period. In support of its petition, National Grid filed the testimony of Margaret M. Janzen and related exhibits. Ms. Janzen is the director of electric supply and distributed generation for National Grid USA Service Company, Inc., 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. With the proposed rates, typical bill impacts for the Large Customer Group will be decreases

¹ On May 30, 2012 by Order No. 25,370, the Commission approved a series of transactions by which the assets of Granite State Electric Company and EnergyNorth Natural Gas, Inc. would be transferred to Liberty Energy NH. Upon completion of the transactions, Liberty Energy NH will operate the two systems and will abide by the terms of this order.

ranging from 0.2% to 0.3% for the three-month period ending October 2012 as compared to the three-month period ending July 2012.

National Grid made this filing pursuant to a settlement agreement approved by the Commission in Order No. 24,577 (January 13, 2006) 91 NH PUC 6. In Order No. 24,577, the Commission approved the process for solicitation, bid evaluation and procurement of default service by National Grid for its default service customers. According to the terms of the settlement agreement, National Grid procures default service for its Large Customer Group under three-month contracts with fixed prices that vary monthly. National Grid charges the Large Customer Group retail rates consisting of monthly fixed energy charges that recover energy and capacity costs, administrative costs, a reconciliation charge and a cost for complying with the New Hampshire Resource Portfolio Standard (RPS) law, RSA 362-F.

With its petition, National Grid included separately filed confidential information including the Company's transaction confirmation with the winning supplier, bid evaluation and summary, RPS compliance pricing and retail meter commodity cost calculations. The Company requested confidential treatment of these materials pursuant to N.H. Code Admin. Rules Puc 201.04(a)(5), Puc 201.06(a) and Puc 201.07. With respect to the wholesale power purchase prices included in the filing, the Company requested confidential treatment only until such time as the Federal Energy Regulatory Commission (FERC) requires those prices to be made public.

A hearing was held on June 21, 2012.

II. POSITIONS OF THE PARTIES AND STAFF

A. National Grid

National Grid testified that it conducted its solicitation process consistent with the terms of the settlement agreement approved by the Commission in Order No. 24,577. As with prior

solicitations, National Grid and its retail distribution affiliates in Massachusetts, Massachusetts Electric Company and Nantucket Electric Company, prepared a joint request for proposals (RFP) for certain power supplies, including default service supply for National Grid's Large Customer Group for the period August 1, 2012 through October 31, 2012. The RFP requested fixed pricing for each month of service on an as-delivered energy basis and allowed prices to vary by month so that prices did not have to be uniform across the entire service period.

According to National Grid, the RFP was sent to approximately 25 potential suppliers on May 11, 2012. The RFP was also distributed to all members of the New England Power Pool Markets Committee and posted on National Grid's energy supply website. According to National Grid, the RFP was widely distributed through the New England energy supply marketplace.

The Company testified that suppliers submitted indicative bids on June 6, 2012 and final proposals on June 13, 2012. According to National Grid, none of the bidders made their provision of National Grid's Large Customer Group default service contingent upon the provision of any other service. The Company testified that it evaluated the bids and selected NextEra because its bid conformed to the RFP, had the lowest price, met the credit requirements described in the RFP, and passed National Grid's qualitative evaluation. National Grid attested that it complied with the solicitation and bid evaluation process approved by the Commission and asserted that its choice of supplier is reasonable.

On June 13, 2012, National Grid entered into a wholesale transaction confirmation with NextEra to provide default service to the Large Customer Group for the period August through October 2012. National Grid filed a copy of the NextEra master power agreement with the

Commission on September 17, 2007 in Docket No. DE 07-012, National Grid's 2007 default service proceeding.²

National Grid said that its RPS obligation for calendar year 2012 is as follows: Class I (new renewable resources) to match 3.0% of sales, Class II (solar resources) to match 0.15% of sales, Class III (existing biomass resources) to match 6.5% of sales, and Class IV (existing small hydro resources) to match 1.0% of sales. The Company complies with the RPS obligation by procuring renewable energy certificates (RECs) that represent the renewable resource, one REC representing one megawatt-hour of power.

In accordance with Order No. 24,922 (December 19, 2008) in National Grid's 2008 default service proceeding, the Company requests bidders for default service supply to also provide a separate RPS compliance adder with their bids. The Company explained that the RPS compliance adder is the incremental charge to be paid to a bidder for the bidder's agreement to take on the RPS obligation connected with the default service obligation. National Grid said that it evaluated the winning bidder's RPS compliance adder by comparing it to the Company's estimated market prices for New Hampshire RECs. As a result, National Grid rejected the bidder's RPS compliance adder. The Company said it plans to issue a RFP in the future for the acquisition of RECs and to meet its compliance obligation with the procurement of RECs or through the payment of alternate compliance payments to the New Hampshire renewable energy fund. National Grid said it plans to issue an RFP for RECs within the next six months to procure RECs to satisfy its 2012 RPS obligation.

In its filing, National Grid proposed to increase the RPS compliance adder for the Large Customer Group from 0.396 cents per kilowatt hour (kWh) to 0.408 cents per kWh. According

² The master power agreement on file is with FPL Energy Marketing; NextEra is the successor company to FPL Energy Marketing. The Commission approved the agreement in Order No. 24,787 on September 21, 2007.

to the Company the proposed increase is based on the recent 2012 market prices for all REC classes provided by REC brokers.

National Grid testified that the rates for the Large Customer Group for the period August 1, 2012 through October 31, 2012, including the various components included in the rate, in cost per kWh, will be as follows:

Month	August 2012	September 2012	October 2012
Energy Rate	\$0.05420	\$0.05058	\$0.05271
RPS Adder	\$0.00408	\$0.00408	\$0.00408
Total Default Service	\$0.05828	\$0.05466	\$0.05679

Based on these rates, customers in the Large Customer Group will experience bill reductions ranging from 0.2% to 0.3% when the bills for the three-month period ending October 2012 are compared with bills for the three-month period ending July 2012.

At hearing, Staff inquired about the level of the loss factor used by the Company to adjust wholesale power prices for the cost of losses, given the level of losses was higher than its affiliates in Massachusetts and the level of losses reported by Unitil Energy Systems in New Hampshire. The Company explained that the proposed loss factor is based on wholesale and retail consumption data for the six month period since the Tewksbury wholesale meter was replaced. The Company agreed to conduct a study to determine why the loss factor used in the instant filing differs from the large customer loss factors reported by its affiliate distribution companies in Massachusetts. The Company also said that it would use its best efforts to file the results of the study to the Commission or Staff before its next default service filing.

B. Staff

Staff stated that it had reviewed the petition and determined that National Grid had complied with the settlement agreement approved by the Commission in Order No. 24,577 in Docket No. DE 05-126 in conducting the bid solicitation, in evaluating bids and in selecting the

winning bidder. The Staff also said that in its view the resulting rates are market based. The Staff recommended that the Commission approve the petition.

With respect to National Grid's adjustment of wholesale power costs to recover the cost of losses, Staff recommended that cost recovery be made subject to the outcome of the above-mentioned study.

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 the winning bidder for default service supply for its Large Customer Group for the three-month period from August 1, 2012 through October 31, 2012. 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 NextEra as its default service supplier for the Large Customer Group for the period from August 1, 2012 through October 31, 2012 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.

National Grid submitted certain confidential information pursuant to N.H. Code Admin. Rules Puc 201.04, 201.06 and 201.07. The information for which National Grid seeks confidential treatment consists of the Company's transaction confirmation with the winning supplier, bid evaluation and summary, RPS compliance pricing and retail meter commodity cost calculations.

Pursuant to Puc 201.06, certain information that is submitted in routine filings by utilities is entitled to confidential treatment, including information submitted in default service proceedings. Puc 201.06 (a)(30) states that the following information submitted in default service proceedings will be accorded confidential treatment:

- a. default service solicitations;
- b. bidder information;
- c. descriptions of the financial security offered by each bidder;
- d. bid evaluations;
- e. rankings of bidders' financial security;
- f. descriptions of financial security required by bidders;
- g. fuel supplier contracts;
- h. commodity and fuel pricing;
- i. planned generation plant maintenance schedules;
- j. contact lists used during the requests for proposals process;
- k. financial security, pricing and quantity terms of master power agreements and amendments;
- l. Renewable Energy Certificate purchase prices, quantities and seller identities under existing contracts;
- m. transaction confirmations;
- n. retail meter commodity cost calculations;
- o. wholesale power purchase prices until made public by other governmental agencies;
- p. and responses to data requests related to a. through o. above.

We find that the category of information for which National Grid seeks confidential treatment is information routinely submitted in connection with default service proceedings as defined in Puc 201.06 (a)(3). Therefore, the information which National Grid has redacted from its public filing shall be accorded confidential treatment subject to the provisions of Puc 201.07. The wholesale power costs contained in National Grid's filing shall be accorded confidential treatment only until such time as the costs are made public through the operation of the rules of the Federal Energy Regulatory Commission.

Finally, we note the Company's willingness to investigate the causes of the losses experienced serving large and small default service customers relative to the corresponding losses experienced by its affiliate distribution companies in Massachusetts, and that of Unitil Energy Services in New Hampshire, and relative to the corresponding losses it experienced prior

to the replacement of the Tewksbury meter. We direct the Company to file with the Commission a report on the results of its investigation no later than two weeks prior to its next default service filing. A final determination on the level of cost recovery for losses will be made based the record created in the Company's next default service proceeding.

Based upon the foregoing, it is hereby

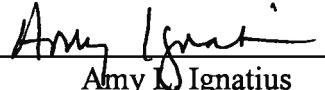
ORDERED, that the transaction confirmation to the master power supply agreement between Granite State Electric Company d/b/a National Grid and NextEra Energy Power Marketing, LLC for default service supply for National Grid's Large Customer Group for the period August 1, 2012 through October 31, 2012 is APPROVED; and it is

FURTHER ORDERED, that the power supply costs resulting from the solicitations are reasonable and, subject to the ongoing obligations of Granite State Electric Company d/b/a National Grid to act prudently, according to the 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 period from August 1, 2012 through October 31, 2012 are APPROVED; and it is

FURTHER ORDERED, that that National Grid shall commence an investigation of the causes of the power losses experienced serving large and small default service customers in New Hampshire; and it is

FURTHER ORDERED, that that National Grid shall file conforming tariffs within 20 days of the date of the 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 June, 2012.



Amy Ignatius
Chairman



Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director