

SCHEDULE JDW – 2

Default Service Procurement Summary

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Docket DE 08-011

**NATIONAL GRID
DEFAULT SERVICE PROCUREMENT SUMMARY
FOR THE PERIOD
AUGUST 2008 – OCTOBER 2008**

RFP Issued

National Grid issued its Request for Power Supply Proposals (“RFP”) on May 9, 2008 directly to over [REDACTED] suppliers for the service period August 2008 through October 2008.

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 August 2008 through October 2008;
- 100% of the Massachusetts Industrial Customer Group Default Service requirements for the period August 2008 through October 2008;

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 May 9, 2008.

Supplier information and contract comments were received on May 30, 2008.

Indicative bids were received on June 4, 2008.

Final bids were received on June 11, 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 June 4, 2008 [REDACTED].

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 April 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 current electric futures market prices for the procurement period multiplied by a factor. [REDACTED]

The second method estimates expected bid prices based on current natural gas futures market prices for the procurement period multiplied by a factor. [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]

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[REDACTED]

For all of the blocks, the prices received were less than the lowest expected bid price for each block from the two methods above.

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 June 4, 2008.

The results of the Massachusetts indicative bids were shared with staff of the Massachusetts Department of Public Utilities ("MADPU") on June 5, 2008.

Final Bids

Final bids were received on June 11, 2008 [REDACTED].

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

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in the following table:

Block - # Bids	Block - # Bids	Block - # Bids

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 abide by the terms of the New Hampshire Settlement Agreement and 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 August 2008 - October 2008 period.

An analysis of the indicative bids showed that the value bidders placed on capacity was slightly greater 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

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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.

For all the blocks, the prices received were less than the lowest expected bid price from the two methods above and thus were considered to be within National Grid's expectations. As a result the accepted bid is considered to be competitive.

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 3.5% Renewable Portfolio Standard ("RPS") requirement in calendar year 2008.

National Grid evaluated the cost of obtaining the RPS certificates associated with the load requirements from the bidders versus the current market price for RPS certificates [REDACTED] and the 2008 Alternative Compliance Payment ("ACP") rate of \$58.58 per certificate. Attachment 15 provides an analysis of the proposed RPS cost adders contained in the final bids. These range from [REDACTED] certificate.

Winning Bidder's RPS cost adders were higher than current market prices, and thus not chosen. Consistent with its RPS Compliance Plan that was filed with the Department on November 1, 2002, National Grid will attempt to procure these requirements through separate solicitations or by payment of the ACP.

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 by adjusting the wholesale prices using the ratio of wholesale kWh purchases to retail kWh deliveries over the twelve-month period ending April 30, 2008.

For Massachusetts Default Service retail rates, the following adjustments to the retail rate were required:

- For supply that did not include RPS certificates, the average of National Grid's most recent procurement for RPS certificates [REDACTED] was used in determining retail rates in 2008.

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

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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	08/01/08 – 10/31/08
B	Industrial	WCMA	100%	MA Default Service	08/01/08 – 10/31/08
C	Industrial	NEMA	100%	MA Default Service	08/01/08 – 10/31/08
D	Large	NH	100%	NH Default Service	08/01/08 – 10/31/08

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ATTACHMENT 2 – 8
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ATTACHMENT 9

NGRID CALCULATED VALUE OF CAPACITY COSTS

Granite State Electric Company
Forecast of UCAP Supply and Obligation

	Actual Dec-06	Actual Jan-07	Actual Feb-07	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	FORECAST						
								May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	
(a) Seasonal Claimed Capability								32,894	30,914	30,914	30,914	30,914	32,894	
(b) not used														
(c) Pool Generation UCAP	31,634	31,650	31,676	32,217	32,246	32,318	32,327	32,894	30,914	30,914	30,914	30,914	32,894	
(d) Load Response & ODR	866	1,059	1,196	2,244	2,293	2,368	2,141	2,368	2,368	2,368	2,368	2,368	2,368	
(e) ICAP Credits (HQICG, NYPA, other)	57	57	58	117	101	1,064	1,067							
(f) ICAP Import Contracts	683	1,149	1,326	1,285	1,285	2,487	2,487							
(g) ICAP Imports contracts & credits	739	1,206	1,384	1,402	1,386	3,550	3,553	3,256	3,256	3,256	3,256	3,256	3,256	
(h) ICAP Import Rights exercised & granted	2,125	1,337	1,972	2,825	2,825	2,825	2,825							
(i) Actual Imports as % of Import Rights	34.8%	90.2%	70.2%	49.6%	49.1%	125.7%	125.8%							
(j) Pool Total Supply UCAP	33,239	33,915	34,255	35,863	35,925	38,238	38,022	38,518	36,538	36,538	36,538	36,538	38,518	
														RFP Period Average
(k) Granite Large UCAP Obligation (#11437)	82,452	82,038	81,244	79,402	79,541	84,780	84,499	85,601	81,201	81,201	81,201	81,201	85,601	
(l) UCAP %	0.25%	0.24%	0.24%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	
(m) UCAP Cost	\$251,479	\$250,215	\$247,794	\$242,176	\$242,801	\$258,578	\$257,722	\$261,084	\$304,506	\$304,505	\$304,505	\$304,505	\$321,005	
(n) Granite Large RT Load	24,001	24,524	22,183	22,770	21,232	22,778	21,863	21,622	22,691	26,518	25,280	25,865	22,654	
(o) UCAP Rate - \$/MWh	\$10.48	\$10.20	\$11.17	\$10.64	\$11.43	\$11.35	\$11.79	\$12.08	\$13.42	\$11.48	\$12.05	\$11.77	\$14.17	\$12.66
(k) Granite Small UCAP Obligation (#11436)	107,881	110,113	111,130	113,768	113,980	121,191	120,446	122,017	115,745	115,745	115,745	115,745	122,017	
(l) UCAP %	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	
(m) UCAP Cost	\$329,036	\$335,845	\$338,945	\$346,991	\$347,638	\$369,634	\$367,360	\$372,152	\$434,045	\$434,045	\$434,045	\$434,045	\$457,564	
(n) Granite Small RT Load	35,760	37,145	34,735	36,096	36,264	38,404	31,441	28,770	31,788	37,199	38,012	34,853	30,616	
(o) UCAP Rate - \$/MWh	\$9.20	\$9.04	\$9.76	\$9.11	\$9.59	\$9.62	\$11.68	\$12.94	\$13.65	\$11.67	\$11.42	\$12.45	\$14.95	\$12.85
Notes														
Transition Payment														
12/01/2006 06/01/2008 06/01/2009														
From ISO-NE SCC Report issued February 1, 2008														
(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 exercised and imports granted (issued February 8, 2008)														
(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 (i)														
(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)														

	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08
Granite Large RT Load	20,592	21,947	20,566	21,622	22,691	26,518	25,280	25,865	22,654	21,479
Granite Small RT Load	37,333	39,051	32,743	28,770	31,788	37,199	38,012	34,853	30,616	31,465

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