

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 10-020

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

**Petition for Approval of Proposed Default Service Rates for February 1, 2011 through
April 30, 2011 for Large Commercial and Industrial Customers**

Order Approving Petition

ORDER NO. 25,180

December 20, 2010

APPEARANCES: McLane, Graf, Raulerson and Middleton by Sarah B. Knowlton, Esq. on behalf of Granite State Electric Company d/b/a National Grid; and Suzanne G. Amidon, Esq. on behalf of the Staff of the New Hampshire Public Utilities Commission.

I. BACKGROUND

On December 13, 2010, Granite State Electric Company d/b/a National Grid (National Grid or Company) 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 February 1, 2011 through April 30, 2011. National Grid named DTE Energy Trading, Inc. (DTE) as the winning default service supplier for this period. In support of its petition, National Grid filed the testimony of Margaret M. Janzen and John O. Leana and related exhibits. Ms. Janzen is the director of electric supply and distributed generation and Mr. Leana is director of meter data services 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.

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 supply by National Grid for its Large Customer Group. 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 month-to-month. National Grid charges the Large Customer Group retail rates consisting of monthly fixed energy charges, administrative costs and a reconciliation charge.

With its petition, National Grid filed a motion for confidential treatment of certain information pursuant to N.H. Code Admin. Rules Puc 203.08. The Commission scheduled a hearing for December 15, 2010, which took place as scheduled.

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 February 1, 2011 through April 30, 2011. 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 more than 25 potential suppliers on November 5, 2010. The RFP was also distributed to all members of the New England Power Pool (NEPOOL) Markets Committee and was 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 filed indicative bids on December 1, 2010 and final proposals on December 8, 2010. According to the Company, 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 DTE 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 argued that its choice of supplier is reasonable.

On December 8, 2009, National Grid entered into a master power agreement and a wholesale transaction confirmation with DTE, the winning bidder for the Large Customer Group. National Grid testified that, although the transaction confirmation and master power agreement have differences from the sample power supply agreement approved by the Commission, the executed documents do not shift any of the risks or obligations described in the sample power supply agreement provided in the settlement agreement.

Consistent with the renewable portfolio standard (RPS) settlement agreement approved in Order No. 24,953 (March 23, 2009) in this docket, National Grid solicited an RPS compliance adder with the RFP for default service supply. The RPS compliance adder is the incremental charge by a bidder for agreeing to take on the RPS obligation with the default service obligation. The Company explained that the RPS adder from the winning default service bidder was close to the alternative compliance payment (ACP) and, therefore, the Company did not accept the winning bid with the RPS compliance adder.

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. In accordance with Order No. 24,922 (December 19, 2008), the Company in November 2010 issued an RFP to procure RECs for its 2010 and 2011 obligations. The Company received bids for RECs and contracted for Class I, Class II and Class IV for all of 2010 and 2011 obligations. The Company also contracted for 2010 Class III RECs. National Grid said that it used the costs of these RECs to develop its RPS compliance adder of \$0.00186 per kilowatt hour (kWh).

National Grid testified that the rates for the Large Customer Group for the period February, 2011 through April 30, 2011, including the various components included in the rate, in cost per kWh, will be as follows:

Month	February 2011	March 2011	April 2011
Base Default Service (DS) Rate	\$0.07054	\$0.07103	\$0.06936
DS Cost Reclassification ¹	\$0.00037	\$0.00037	\$0.00037
DS Adjustment Reconciliation Factor ²	\$0.00123	\$0.00123	\$0.00123
RPS Adder	\$0.00186	\$0.00186	\$0.00186
Total Default Service Rate	\$0.07400	\$0.07449	\$0.07282

According to testimony, the load-weighted average of the default service rates for the Large Customer Group for the period February through April 2011 is \$0.07029 per kWh, compared with the load-weighted average rate of \$0.06946 per kWh for the period ending January 31, 2011. For the customers in the Large Customer Group that remain on default service, overall bill impacts will be increases ranging from 0.8% to 0.9%.

Order No. 25,083 (March 22, 2010) required the Company to keep the Commission apprised of the status of the meter replacement at the Tewksbury, Massachusetts Substation.

¹ The filing states that the DS Cost Reclassification Factor (for use on and after May 1, 2010) recovers costs associated with unbundling the default service-related administrative costs.

² This factor is approved by the Commission for reconciling costs and revenues for default service. See National Grid Second Revised Page 87 of the National Grid Tariff.

Based on engineering projections in September 2010, the project was estimated to be completed by February 2011. Since that time a more detailed engineering project plan has been established that considers Independent System Operator-New England (ISO-NE) constraints regarding where and when transmission outages can be taken to complete the work. This new approach requires replacement of the meter and instrument transformation equipment in its entirety. The projected completion date is now November 2011.

B. Staff

At the hearing, Staff asked how National Grid expected to recover costs associated the replacement of the Tewksbury meter. The Company said costs would be recovered through transmission rates. Staff also inquired whether National Grid intended to seek recovery from New Hampshire default service customers for any costs shifted to other customers as a result of the inaccurate readings taken at Tewksbury. The Company responded that it did not intend to recover any additional costs associated with the Tewksbury meter from New Hampshire default service customers.

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 conducting the bid solicitation process, evaluating the bids, and selecting the final bidder. The Staff also said that, in its view, the resulting rates are market based and recommended that the Commission approve the petition.

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 February 1, 2011 through April 30, 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 DTE as its default service supplier for the Large Customer Group for the period from February 1, 2011 through April 30, 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 (Schedule MMJ-4 attached to Ms. Janzen's testimony) including the transaction confirmation; the default service procurement summary (Schedule MMJ-2); the company's calculations of the RPS adders for 2011 (MMJ-5); the calculation of commodity costs at the retail customer meter (MMJ-6); 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. 24,953 (March 23, 2009), Order No. 24,981 (June 19, 2009) and Order No. 25,013 (September 21, 2009) in this docket. We have conducted an *in camera* review of the materials for which National Grid seeks confidential treatment and 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. Similarly, disclosure of the information contained in Exhibit 16, which details the bids received in response

to an RFP for RPS compliance, would limit the ability of the Company to procure RECs at competitive prices. Insofar as protection is requested for wholesale contractual sales, we grant protective treatment until such time as the information is published by the FERC, which we understand will be May 1, 2011.

Based upon the foregoing, it is hereby

ORDERED, that the transaction confirmation and master power supply agreement between Granite State Electric Company d/b/a National Grid and DTE Energy Trading, Inc., 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 period from February 1, 2011 through April 30, 2011 are APPROVED; and it is

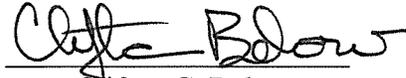
FURTHER ORDERED, that National Grid's motion for confidential treatment is GRANTED subject to the conditions discussed herein; and it is

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.

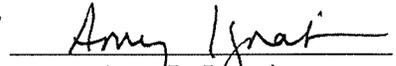
By order of the Public Utilities Commission of New Hampshire this twentieth
day of December, 2010.



Thomas B. Getz
Chairman

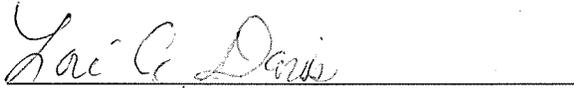


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