Public Service Company of New Hampshire	**Record Request HD-01**
Docket No. DE 10-160	**Dated: 11/30/2010**
	Q-RR-001
	Page 1 of 2

Witness: **Stephen R. Hall**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Please provide PSNH's third quarter migration report, including information on the total number of customers and kilowatt-hours by class and the percent of customers and kilowatt-hours by class that have migrated to competitive supply.

Response:
Please see the attached spreadsheet.

Public Service Company of New Hampshire
Migration of Customers To and From the Competitive Energy Supply Market
3rd Quarter 2010 Report
to the New Hampshire Public Utilities Commission

	Customers Receiving Energy Service From the Competitive Market			Retail Sales			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Number of Customers Not Billed for PSNH's Energy Service	Total Kilowatt-hours Delivered (KWH)	Estimated Demand at the Time of PSNH's System Peak Reported to the ISO-NE (KW)	Total Customers Taking Delivery Service	% of Customers Not Billed for PSNH's Energy Service as a % of Total Customers* Col (1) / Col (4)	Total KWH Delivered To All Customers (KWH)	%of Kilowatt-hours Not Billed for PSNH's Energy Service as a % of Total KWH Col (2) / Col (6)
July							
Residential	1,249	572,698		422,024	0.30%	312,644,326	0.18%
Small C&I Rate G	4,773	31,642,020		73,520	6.49%	165,550,847	19.11%
Medium C&I Rate GV	666	90,644,692		1,377	48.37%	153,483,587	59.06%
Large C&I Rate LG	91	101,176,991		119	76.47%	111,256,552	90.94%
Lighting	79	672,774		1,285	6.15%	2,639,779	25.49%
Total	**6,858**	**224,709,175**	**511,866**	**498,325**	**1.38%**	**745,575,091**	**30.14%**
August							
Residential	1,472	653,889		422,086	0.35%	312,004,978	0.21%
Small C&I Rate G	7,186	32,475,162		73,522	9.77%	166,514,676	19.50%
Medium C&I Rate GV	673	92,559,326		1,380	48.77%	157,180,307	58.89%
Large C&I Rate LG	90	103,387,033		117	76.92%	113,080,468	91.43%
Lighting	78	752,353		1,283	6.08%	2,942,148	25.57%
Total	**9,499**	**229,827,763**	**471,114**	**498,388**	**1.91%**	**751,722,577**	**30.57%**
September							
Residential	1,447	604,979		422,300	0.34%	275,607,602	0.22%
Small C&I Rate G	7,378	32,271,917		73,543	10.03%	155,783,550	20.72%
Medium C&I Rate GV	708	93,610,135		1,400	50.57%	153,816,098	60.86%
Large C&I Rate LG	91	103,688,690		117	77.78%	112,690,776	92.01%
Lighting	109	987,078		1,281	8.51%	3,419,202	28.87%
Total	**9,733**	**231,162,799**	**531,313**	**498,641**	**1.95%**	**701,317,228**	**32.96%**

*"Total Customers" refers to all customers taking Delivery Service.

Public Service Company of New Hampshire	**Record Request HD-01**
Docket No. DE 10-160	**Dated: 11/30/2010**
	Q-RR-002
	Page 1 of 2

Witness: **Robert A. Baumann**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Please provide the data, in summary form, referenced in footnote 6 on the attachment to STAFF-01, Q-STAFF-001 in Docket No. DE 10-257.

Response:
Please see the attached.

Data Request HD-01
Dated: 12/7/2010
Q-RR-002

	Merrimack Station (incl. CTs)			**Schiller 4 & 6, & CT**			**Schiller 5**			**Newington**		
		Energy Revenue			Energy Revenue			Energy Revenue			Energy Revenue	
2011	GWhs	$/MWh	$(000)	GWhs	$/MWh	$(000)	GWhs	$/MWh	$(000)	GWhs	$/MWh	$(000)
Jan	287.033	49.3	14,152	55.711	49.2	2,743	27.951	49.2	1,376	11.160	81.1	905
Feb	260.817	49.5	12,900	50.319	49.5	2,489	25.246	49.5	1,249	0.000	-	0
Mar	274.397	43.0	11,798	29.498	43.9	1,296	27.951	42.5	1,189	9.300	71.8	668
Apr	263.324	41.1	10,811	46.051	41.8	1,926	0.827	40.7	34	0.000	-	0
May	262.231	41.0	10,755	46.724	41.8	1,954	14.164	39.6	561	0.000	-	0
Jun	252.274	42.4	10,688	43.090	43.7	1,883	25.436	41.3	1,051	7.440	75.5	562
Jul	276.039	47.3	13,045	47.199	48.8	2,301	26.283	46.8	1,229	21.080	73.2	1,543
Aug	276.039	47.9	13,210	47.199	49.4	2,332	26.283	47.3	1,244	14.880	76.4	1,136
Sep	202.162	42.2	8,523	29.838	42.9	1,281	25.436	41.3	1,051	0.000	-	0
Oct	127.208	42.0	5,348	34.973	42.3	1,479	27.951	40.7	1,138	0.000	-	0
Nov	128.734	44.3	5,698	46.051	44.3	2,039	27.050	43.0	1,163	0.000	-	0
Dec	281.244	47.9	13,484	54.417	47.9	2,608	27.951	47.7	1,333	4.340	84.9	368
Total	2,891.501	45.1	130,412	531.071	45.8	24,334	282.530	44.7	12,618	68.200	76.0	5,181

Hydro			**Lost Nation & White Lake**			**TOTAL**		
	Energy Revenue			Energy Revenue			Energy Revenue	
GWhs	$/MWh	$(000)	GWhs	$/MWh	$(000)	GWhs	$/MWh	$(000)
31.124	49.2	1,533	0.000	-	0	412.979	50.1	20,709
26.488	49.5	1,310	0.000	-	0	362.870	49.5	17,948
34.815	42.5	1,481	0.000	-	0	375.962	43.7	16,432
39.686	40.6	1,611	0.000	-	0	349.888	41.1	14,382
37.382	40.3	1,508	0.000	-	0	360.500	41.0	14,778
28.327	41.3	1,171	0.000	-	0	356.566	43.1	15,355
22.178	46.8	1,037	0.000	-	0	392.780	48.8	19,155
19.888	47.3	941	0.000	-	0	384.290	49.1	18,863
16.457	41.3	680	0.000	-	0	273.892	42.1	11,534
23.078	40.7	939	0.000	-	0	213.210	41.8	8,905
32.320	43.0	1,389	0.000	-	0	234.155	43.9	10,289
31.206	47.7	1,489	0.000	-	0	399.159	48.3	19,283
342.949	44.0	15,089	0.000	-	0	4,116.251	45.6	187,633

Notes:
$/MWh figures are the weighted average forecasted hourly LMPs based on 8/30/10 broker quotes (adj. for cong. & losses) and modeled hourly generation, consistent with the 9/21/10 filing. Schiller 5 & Hydro do not include REC revenues.

Public Service Company of New Hampshire
Docket No. DE 10-160

Record Request HD-01

Dated: 11/30/2010
Q-RR-003

Witness: **No Witness**
Request from: **New Hampshire Public Utilities Commission Staff**

Question:
Please provide a copy of the Rhode Island PUC Order 20125 in 2010 from Docket 4149 to complete Exhibit 17.

Response:
Attached is the requested order.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S PROPOSED 2011 STANDARD OFFER SUPPLY PROCUREMENT PLAN AND 2011 RENEWABLE ENERGY SUPPLY PROCUREMENT PLAN

DOCKET NO. 4149

REPORT AND ORDER

1. Background

On March 1, 2010, Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company") filed with the Public Utilities Commission ("Commission") a 2011 Standard Offer Service ("SOS") Procurement Plan ("2011 SOS Plan") and a 2011 Renewable Energy Standard ("RES") Procurement Plan ("2011 RES Plan") pursuant to R.I.G.L. §39-1-27.8 and 39-26-4 respectively, and the applicable Rules and Regulations of the Commission. The Plans consisted of the Company's specific proposal for procuring standard offer supply for 2011 and its proposed method of compliance with Rhode Island's renewable energy standard. As part of its proposal, the Company sought approval of several accompanying documents. For the 2011 SOS Procurement Plan, the Company submitted to the Commission for approval the proposed Procurement Plan, the Master Power Agreement, and the RFP documents[1]. The Company also sought approval from the Commission of its proposed 2011 RES Procurement Plan, including the Plan document, the Standard Certificate Purchase Agreement, the RES RFP Notice and the RES RFP Summary[2]. At the time of the initial filing on March 1, 2010, National Grid indicated that certain documents submitted in connection with the 2011 SOS and RES Procurement Plans were in draft form and would be re-submitted to the Commission upon completion[3]. On March

[1] Letter from Narragansett Electric Company d/b/a National Grid's to the Commission dated March 1, 2010, p.1
[2] Id., p.1.
[3] Id., p.1.

9, 2010, National Grid re-submitted copies of the 2011 SOS Plan and 2011 RES Plan including complete, finished drafts of all accompanying documents.

II. National Grid's 2011 SOS and RES Proposed Procurement Plans

A. 2011 SOS Procurement Plan

National Grid has proposed dividing the current customer groups (Large and Small Customers) into three categories: an Industrial Group, a Commercial Group and a Residential Group. The SOS procurement plan for the proposed Industrial Group is the same as the approved 2010 SOS procurement plan for the Large Customer Group. Namely, one hundred percent (100%) of the load for the Industrial Group would be procured through full requirement service ("FRS") contracts solicited quarterly for three-month terms with the first RFP occurring in the fourth quarter of 2010[4]. Rates for this customer group would continue to be fixed but would vary monthly based on the FRS supply contract prices[5]. For the Commercial and Residential Groups, National Grid's 2011 SOS Plan calls for a managed portfolio of both FRS contracts and spot market purchases[6]. The plan specifically calls for 90% of the load for these groups to be purchased through FRS contracts and 10% through spot purchases commencing in 2012[7]. National Grid has also requested a modification to the 2010 SOS Plan to procure 5% of the Small Customer Group load for the period October 2010 through March 2011 through spot market purchases[8]. Both the Commercial and Residential groups would receive supply on a laddered schedule meaning deliveries would occur on an alternating or staggered basis according to the contract duration[9]. Commercial customers would receive supply at six and twelve month

[4] National Grid Exhibit 3, p. 10. See also Schedule 3A of National Grid Exhibit 3.
[5] Id., p.16. Also National Grid Exhibit 4, p. 3.
[6] Id., pgs 14-15.
[7] Id., pgs. 14-15.
[8] Id., pgs. 5-6.
[9] Id., pgs 14-15.

intervals[10]. Residential customers would receive supply at six, twelve, eighteen and twenty-four month intervals[11]. In support of its proposed combined portfolio for the Commercial and Residential groups, National Grid submitted an abundance of testimony, including the highly detailed Northbridge Study[12] , citing the overall advantages of this approach in terms of mitigating the negative impact of various market risks on National Grid customers.

According to the 2011 SOS Plan, pricing for the Commercial customers would be variable, unless fixed pricing is selected by the customer prior to implementation[13]. If a customer selects a fixed pricing option, the customer must remain with fixed pricing for the entire duration of the standard offer service[14] contract period. Pricing for Residential customers would be fixed for the entire duration of the FRS contract periods (six months) and would be set according to the weighted average of the contract prices, including a cost estimate for spot market purchases[15]. Rates for the Commercial and Residential groups would be effective on April 1, 2011 and remain in effect until December 31, 2011[16]. Thereafter, rates would be adjusted, with cost reconciliation, every 6 months on January 1 and July 1[17]. In addition to the two rate changes, according to its proposal, the Company would also file two semi-annual reconciliations to settle deferral balances resulting from the procurements[18].

The Company's existing RFP process for soliciting FRS contracts would continue in effect for the 2011 SOS Plan, however the Company has requested approval of its standard Master Power Agreement a full copy of which was provided to the Commission. The Company has also

[10] Id., p.14.
[11] Id., p. 14.
[12] The Northbridge Study was filed January 22, 2010 as Exhibit A to National Grid's Report Regarding Its Comprehensive Review of Standard Offer Service Procurement Strategies.
[13] National Grid Exhibit 4, pgs. 4-5.
[14] Id., p.5.
[15] Id., pgs. 3-4.
[16] National Grid Exhibit 3, p. 16.
[17] Id., p. 16.
[18] Id., p.17. Also National Grid Exhibit 4, pgs.8-10.

requested the Commission's approval on an on-going basis of the results of each solicitation. According to the proposal, the solicitation results would be submitted to the Commission for approval, and if the Commission takes no action within three business days, the lowest bid would be deemed approved by the Commission. If the Commission rejects the solicitation results within the three day period, the supplier-company agreement would be null and void, and the Company would either purchase the needed supply from the spot market or conduct a replacement RFP. A replacement RFP would require approval of the Commission, with recommendations from the Division, and once approved, would assume the same process stated above, with a three-day default period for Commission approval[19].

B. 2011 RES Procurement Plan

The Company's 2011 RES Plan is the same as the one approved by the Commission last year consisting of a combination of FRS contracts and stand alone RFPs for REC purchases[20]. The Company would continue to purchase REC's from SOS suppliers when pricing is below market[21]. When the SOS suppliers' prices are above market, the Company would purchase RECs through separate RFP's or individual brokers. The Company has also requested approval of the RFP forms used in the solicitation process, namely the Certificate Purchase Agreement ("CPA"), the RFP Notice and the RFP Summary, as well as an on-going approval of the results of each solicitation process, similar to the 2011 SOS Plan, in which the Company's bid selection would be effective after three days absent a rejection or other action taken by the Commission[22].

III. Division's Testimony

[19] National Grid Exhibit 3, pgs. 18-19.
[20] Id., p.22.
[21] Id., pgs. 24-25.
[22] Id., p. 23.

For the Division, Richard Hahn, Principal Consultant for La Capra Associates, submitted pre-filed testimony on May 13, 2010 and surrebuttal testimony on June 23, 2010. After summarizing the Company's proposed 2011 RES and SOS Plans, Mr. Hahn recommended certain modifications. For the Industrial Group, Mr. Hahn recommended a 100% spot market approach as opposed to the FRS contracts proposed by National Grid.[23] Mr. Hahn claimed that National Grid would assume no risk with a full spot market approach because the Company would recoup any under-collections from customers on a monthly basis[24]. He suggested that a transition to full spot pricing would eliminate the Company's costs associated with FRS solicitations and eliminate the rate impact on SOS customers resulting from anticipated migration within this group to competitive suppliers[25].

For the Commercial Group, the Division expressed concern over the lengthy period of transition to the "steady state", or the time it will take to make a complete transition to the proposed procurement approach[26]. The proposed steady state of January 2013 was based on a competitive supplier survey performed by National Grid which linked the transition date to suppliers' preferences for FRS contracts to run on a calendar year basis, a basis which Mr. Hahn found counterintuitive[27]. Mr. Hahn felt the FRS contracts should be based on customer needs as opposed to supplier needs[28]. Mr. Hahn also criticized the one-time option for Commercial customers to choose between a variable and fixed rate[29], suggesting it went too far in terms of addressing the company's legitimate goal of gaming avoidance[30]. He maintained that giving

[23] Division Exhibit 1, p.10-11.
[24] Id., p.11.
[25] Id., pgs. 10-11.
[26] Id., pgs. 13-14.
[27] Id., pgs. 13-14.
[28] Id., p.13. "It is unclear why SOS procurement plans should be based upon supplier preferences. SOS plans should be designed and implemented based upon what is best for customers." Id.
[29] Id. p. 13-14.
[30] Id., p.14.

customers a fixed versus variable rate option every year or two would sufficiently address the Company's gaming concern while also achieving parity with the option plan currently offered to Residential customers[31].

Mr. Hahn was concerned as well about the steady state for Residential customers not being achieved until 2013, claiming this was an unnecessarily long transition period[32]. Given the Residential Group's historically small participation in non-regulated commodity markets, Mr. Hahn strongly endorsed a block product method of procurement for Residential customers rather than the 90% FRS plan proposed by the Company[33]. Mr. Hahn maintained that it would be simple for National Grid to use block products instead of FRS contracts because of the similarities between the methods[34]. He explained that block product procurements are similar to FRS contracts[35] except they are less costly to the Company, resulting in lower rates for the customer, and they are more effective at hedging price and volume risk for Residential customers[36]. Finally, after noting that the Company's 2011 RES Plan contains no change from the 2010 plan, and that it would function effectively with the substitution of block products for FRS contracts, Mr. Hahn recommended approval of the Company's 2011 RES Plan[37].

IV. Constellation's Testimony

Constellation Energy Group, Inc. is a parent company with two subsidiaries engaged in the wholesale and retail electric markets throughout the United States and two Canadian

[31] Id., p. 14. Also Division Exhibit 2, p. 3.
[32] Id., p. 15.
[33] Id., pgs. 15-18.
[34] Id., p. 17.
[35] Id., pgs. 17-18. Mr. Hahn maintained that the contract terms for block purchases and FRS contracts range from six to twenty-four months. Also, both block and FRS contracts are awarded through competitive solicitation with price being the sole criteria for approval. Finally the language of both block and FRS contracts are substantially similar. Id.
[36] Id., p.18.
[37] Id., p. 34.

provinces.[38] On May 13, 2010, Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc. (collectively "Constellation") submitted the pre-filed testimony of Daniel Allegretti, Constellation's Vice President of Energy Policy. Mr. Allegretti reiterated the testimony he submitted in Docket No. 4041 in favor of a procurement plan based largely on FRS contracts. Mr. Allegretti recapped the reasons he supported an FRS based procurement plan in the previous docket, and maintained his continued support for the FRS based procurement plan in this docket with the exception of the Company's current proposal for ten percent spot purchases. Mr. Allegretti felt that that the Company's prior procurement plan comprised entirely of FRS contracts was effective in reducing customers risks associated with load management and disagreed with the Company's justification for adding spot purchases to the current procurement plan[39]. While the Company claimed that it was important to stay engaged in the energy markets for the Rhode Island zone within the ISO-NE, Mr. Allegretti argued that this was no justification for shifting the risk of increased prices onto Grid customers, especially where the standard offer service is designed to meet the needs of customers who have chosen not to obtain service from a competitive supplier in order to minimize their risk of increased volatility. These customers, Mr. Allegretti said, should receive a "plain-vanilla" or low risk product, and therefore spot purchases should not be included in the Company's 2011 SOS Plan[40].

V. Hearing

[38] Constellation Energy Commodities Group, Inc. (CCG) is a wholesale electric power supplier in the New England area, and Constellation NewEnergy, Inc. (CNE) is a retail electric supplier. CNE supplies retail electricity in the state of Rhode Island. Motion to Intervene of Constellation Energy Commodities Group, Inc. And Constellation NewEnergy, Inc. p.1.
[39] Constellation Exhibit 1, pgs. 3-6.
[40] Id., p. 6.

Following public notice, a public hearing was held at the Commission's offices located at 89 Jefferson Boulevard, Warwick, Rhode Island on July 8, 2010 for the purpose of hearing evidence and cross-examining witnesses. The following appearances were entered:

FOR NATIONAL GRID:	Thomas Teehan, Esq.
FOR CONSTELLATION:	Michael R. McElroy, Esq.
FOR THE DIVISION:	Leo Wold, Esq. Assistance Attorney General
FOR THE COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel Amy K. D'Alessandro, Esq. Legal Counsel

At the hearing, Jeanne A. Lloyd[41], Margaret M. Janzen[42] and Scott G. Fisher[43] testified on behalf of National Grid. Mr. Fisher addressed criticisms of Mr. Hahn, including the rate impact of the Company's proposed FRS plan as compared to the block procurement approach. Mr. Hahn calculated the rate impact of the Company's proposed FRS plan to be $4/MWh, or $12 million for the entire Residential Group load.[44] Mr. Fisher, however, testified that Mr. Hahn's analysis was flawed because it failed to take into consideration costs and risks born by customers under a block procurement approach.[45] Mr. Fisher explained that when netting the costs associated with a block approach, the actual difference in SOS rates between the FRS and block approach is only $.72/MWh.[46] According to Mr. Fisher, since Mr. Hahn essentially assumed

[41] Jeanne Lloyd is Manager of Electric Pricing in the Regulation and Pricing Group for National Grid., Transcript of July 8, 2010 hearing, p.12
[42] Margaret M. Janzen is the Director of Electric Supply and Distributed Generation at National Grid, Id. at p. 13.
[43] Scott Fisher is a principal of the NorthBridge Group., Id., p. 15.
[44] Transcript of July 8, 2010 hearing, pgs. 17-30.
[45] Id., pgs. 24-30.
[46] Id., p. 25. See also National Grid's Exhibit 10, Comparison of Expected SOS Rates, prepared by The NorthBridge Group.

there were no costs associated with a block approach, his comparison of rates is inherently flawed[47].

Mr. Fisher addressed Mr. Hahn's criticisms that NorthBridge's testimony previously submitted in other cases contradicts its testimony in this docket.[48] Specifically, Mr. Hahn alleged in pre-filed testimony that the NorthBridge Group had supported Mr. Hahn's analysis of the rate impact of the full requirements approach in a Pennsylvania case[49] in which Mr. Fisher testified that the residual compensation values of the full requirements contracts were in the range of $4/MWh, the same value that Mr. Hahn assigned to the FRS contracts in this docket.[50] At the hearing, Mr. Fisher referred to Mr. Hahn's analogy as an "apples to oranges" comparison[51], noting that the value of residual compensation in the other case was different in that it included the costs of RPS whereas those costs were not included in this docket.[52] Mr. Fisher also distinguished his rate impact analysis in the other case by noting that the FRS contracts in that case were for commercial and industrial customers, not just residential customers, so the residual compensation of those contracts (in the other case) included customer migration costs and risks, whereas the present rate impact analysis proposed by Mr. Hahn does not. Mr. Hahn also criticized the NorthBridge Group for allegedly supporting a block and spot procurement plan on behalf of another utility in Pennsylvania[53]. Mr. Fisher denied that allegation, claiming that his firm supported a full requirement approach in that case and not a block approach as alleged.[54]

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[47] Id., pgs. 22-26.
[48] Id., pgs. 30-34.
[49] PECO Energy's 2008 SOS Procurement Plan filing before the Pennsylvania Public Utilities Commission, Id. pgs.30-33.
[50] Division Exhibit 2, p. 9.
[51] Transcript of July 8, 2010 hearing, p. 32 and p.33
[52] Id., p. 31.
[53] Id., pgs. 33-34.
[54] Id., pgs. 33-34.

Mr. Fisher denied Mr. Hahn's allegation that the Company's plan would not allow residential customers to return to standard offer service after they had chosen to purchase supply from the market. [55] Finally, Mr. Fisher re-emphasized the central flaw of the block procurement approach --exposing customers to unexpected risks- by citing an incident involving a Pennsylvania utility, Wellsboro Electric. Operating under a block procurement approach, Wellsboro's supply rates doubled as a result of a failed transformer, an unexpected circumstance which in turn led to extended cost recovery periods.[56] Responding to Mr. Hahn's rebuttal that Wellsboro "[could not] happen in Rhode Island"[57], Mr. Fisher clarified his original point in citing the Wellsboro example, namely that a block and spot approach exposes customers to costs and risks resulting from unforeseeable circumstances. He reiterated that the point of the Wellsboro example was not in the transformer failure itself, but the increased costs and ultimately increased rates resulting from the purchase of replacement power necessitated by the transformer failure[58].

Mr. Allegretti, on behalf of Constellation, criticized Mr. Hahn for what it considered to be understatements about trends in residential class migration. Mr. Allegretti opined that given a residential class migration rate of approximately 30%, and an even higher rate in neighboring states, it would be inappropriate to assume migration is not a possible consequence of a block procurement approach.[59] The issue of re-migration, a customer's ability to switch back to standard offer service after choosing to purchase competitive supply from the market, was also raised by Mr. Allegretti. Noting that the NorthBridge Study had taken re-migration into

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[55] Id, p. 35. Mr. Fisher: "I don't know where Mr. Hahn thought that our model doesn't account for customers coming back to standard offer service, but it's not true at all."
[56] NorthBridge Study, p. 17; Transcript of July 8, 2010 hearing, pgs. 35-36.
[57] Division Exhibit 2, p. 16
[58] Transcript of July 8, 2010 hearing, pgs. 35-36.
[59] Id., p. 184.

consideration in evaluating procurement approaches, Mr. Allegretti argued this provided further credibility to the Northbridge Study and its ultimate conclusion that an FRS approach provides the best overall value to customers, given the level of risk assumed by full requirements suppliers.[60]

Ms. Janzen and Ms. Lloyd responded to questioning from the Commission and the parties concerning the details of the Company's proposed 2011 SOS Plan. Regarding the Company's proposal to implement a regulatory review process for its FRS solicitations, when questioned about the rationale behind this proposal and specifically whether it was intended to address a problem with the current solicitation process, Ms. Janzen testified that there was no problem per se with the current process.[61] In support of this portion of the Company's plan, Ms. Janzen offered that a similar process occurs in Massachusetts and New Hampshire[62], although it was conceded that this process is carried out pursuant to commission orders, as these states do not require annual procurement plan filings[63]. During questioning, Ms. Janzen explained that the Company's intent is "to achieve a repeating schedule of procurement and to use a standardized set of documents"[64] such that future SOS procurement filings would resemble a compliance filing[65] rather than a full, comprehensive review. Ms. Lloyd responded to questions about the Company's "customary"[66] or default pricing options for the Commercial Group and explained why the Company proposed a variable customary option for these customers with a one-time opportunity to switch pricing options. She explained that assigning a variable customary option to the Commercial class "more closely aligns the prices to the underlying costs and potentially or

[60] Id., p. 185.
[61] Id., pgs. 92- 95.
[62] Id., pgs. 92-95.
[63] Id., p. 95.
[64] Id., p. 97.
[65] Id., p. 98.
[66] Id., p. 69

hopefully will mitigate the deferrals or the reconciliation balance that could result."[67] She also explained that in assigning the variable option to Commercial customers, the Company intended to communicate market prices to customers that are presumably interested in having such information[68]. Ms. Lloyd also responded to questions about the Company's proposal to have a total of four rate changes per year. She testified that the purpose of more frequent rate filings was to minimize deferrals[69] even though the Company expected lower deferrals with the proposed pricing options. [70] Ms. Lloyd testified that the Company would be willing to accept Mr. Hahn's suggestion to allow Commercial customers to switch pricing options once per year[71]. She also testified that the Company could schedule the reconciliation adjustments to coincide with the January and July rate changes to have only two rate changes per year, as opposed to four.[72]

VI. Post-Hearing Briefs

In post-hearing brief filed July 29, 2010, the Company offered support, not previously offered in testimony, for the proposed approval process for the SOS solicitations. The Company claimed that the proposed review process would allow the Commission to better monitor the Company's procurement activities[73]. The Company also contended that the proposed review process resembled a portion of the Company's Gas Purchase Incentive Plan, is standard in most jurisdictions and may lead to more favorable results for SOS customers[74]. The Company reiterated its testimony that servicing a majority of the customer load through FRS contracts provides the best procurement approach for ratepayers in terms of overall rate levels and

[67] Id., p. 73.
[68] Id., p. 74.
[69] Id., p. 78.
[70] Id., p. 78.
[71] Id., pgs. 68-69.
[72] Id., p. 81.
[73] Post-hearing Memorandum of The Narragansett Electric Company d/b/a National Grid, p.7
[74] Id., pgs. 7-8.

stability[75]. By way of contrast, the Company re-emphasized the potential risks incurred by the ratepayers under a block approach[76]. Addressing Constellation's concern about incorporating spot purchases into the 2011 SOS Plan, the Company maintained that its continued presence in the market would serve to benefit customers by preserving the Company's ability to react quickly to supplier defaults and make day-ahead purchases[77]. Addressing concerns raised by the Commission and the Division about pricing and the number of rate changes, the Company indicated a willingness to assign a fixed customary pricing option for the C-06 rate class and to time the reconciliations to occur simultaneously with the SOS pricing changes in January and July[78].

The Division supported implementation of a block and spot procurement approach for the Residential Group claiming that it is superior to a FRS approach[79]. The Division's brief focused on the increased cost of the FRS approach which it claimed to be $3.92/MWh. The Division referred to Mr. Fisher's criticism of the Division's comparison analysis of a FRS approach versus a block and spot approach as mere semantics and asserted that the higher costs of the FRS approach would result in higher actual costs to ratepayers[80]. Given the prevailing economic conditions of this state, the Division argued that the savings to be achieved from the block and spot approach were critical to ratepayers[81].

In supporting a FRS procurement approach, Constellation cited a number of reasons why a FRS procurement approach is superior to a managed portfolio[82]. Among them were the

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[75] Id., pgs. 3-6.
[76] Id., p. 4.
[77] Id., pgs. 6-7.
[78] Id., p. 9.
[79] Post-hearing Brief of the Division of Public Utilities and Carriers, pgs. 2-5
[80] Id., p. 4.
[81] Id., p. 6.
[82] Post-hearing Brief of Intervenors Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc., pgs. 2-3.

effectiveness in providing rate stability and lower costs; advancing the policies of the Electricity Restructuring Act; and the suppliers' assumption of market and portfolio management risk[83]. Constellation was highly critical of the Company's proposal to incorporate ten percent spot purchases in the 2011 SOS Plan, claiming this would lead to substantial risks and costs to small customers[84]. Constellation argued that procurement of ten percent of load from spot purchases would lead to increased supply costs, increased miscalculation and mismanagement of load estimation and bidding and higher costs and deferral balances[85]. Constellation also took issue with each one of the benefits claimed by National Grid to be derived from spot market purchases and concluded that there were no real benefits associated with spot purchases[86].

VII. Commission Findings

At open meeting on August 5, 2010, the Commission approved National Grid's 2011 SOS Procurement Plan in part and rejected it in part. The Commission approved the portions of the 2011 SOS Plan relating to methods of procurement for all of the customer groups, but rejected provisions relating to pricing and rate changes for certain customer groups. The portion of the 2011 SOS Plan that would require the Commission to review all of the Company's SOS solicitations was rejected as to all customer classes[87]. The Commission approved the Company's proposed re-classification of customer groups into three categories-- Industrial, Commercial and Residential- commencing April 1, 2011. The Commission's findings are discussed in the context of each of these customer groups.

For the proposed Industrial Group, the Commission approved the Company's 2011 SOS Procurement Plan; however, the portion of the plan requiring Commission approval of

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[83] Id., p. 3.
[84] Id., pgs. 5-7.
[85] Id., p. 6.
[86] Id., pgs. 8-9.
[87] The affected provisions of the SOS RFP Notice are contained in Section 3.2 and Appendix B of the Company's Master Power Agreement ("MPA").

solicitation results was rejected[88]. The Company's proposal with regard to this customer group was, with the exception of the portion of the plan dealing with solicitation approvals and pricing, a continuation of the current plan in effect for the Large Customer Group. Since there was no evidence in the record to suggest that this procurement method is inappropriate for this customer class, the Commission found no reason to deviate from the current procurement method for this class.

As to the proposed regulatory review of the Company's solicitations, National Grid did not provide sufficient grounds for implementing this new approval process that could potentially lead to a conflict with the requirements of R.I.G.L. §39-1-27.8. In its pre-filed testimony, the Company initially offered no reason for the additional approval process. Later, however, during hearing and in post hearing brief, the Company offered a number of tenuous reasons in support of the additional review process[89], none of which were found sufficient to justify modification of the present approval process established in the general laws. The Commission does not find it necessary to implement a new review process for the sole reason that other jurisdictions have done so, nor does the Commission find any direct benefit from this review process to SOS ratepayers, as alleged by the Company. Furthermore, the Commission is not bound by the terms of the Company's Gas Purchase Incentive Plan and is hesitant to rely on another Company proposal, that may rest on an entirely different set of circumstances, as an independent basis for approving this proposal. While the Commission understands the Company's overall intent to establish a "repeating schedule of procurement"[90], the Commission will not accept a tenuous set of reasons fashioned by the Company to facilitate the Company's broader objective to modify

[88] As noted above, the Commission rejected this portion of the 2011 SOS Procurement Plan as to all of the customer classes.
[89] Paragraph VI. , Post-Hearing Briefs
[90] Transcript of July 8, 2010 hearing, p. 97.

the review process prospectively. The Commission is reluctant to read this type of pre-textual review in the language of R.I.G.L. §39-1-27.8. The Commission would accept revisions to the current solicitation process that were demonstrated to improve the current process and/or benefit ratepayers within the statutory parameters established by the legislature. The Commission, however, finds no such basis for implementing this portion of the Company's Plan.

The Commission approved the procurement method proposed for the Commercial and Residential Groups in the Company's 2011 SOS Procurement Plan, with the exception noted above regarding review of solicitations, and with additional exceptions. Specifically, the Commission rejected the Company's proposal to assign a one-time variable "customary" or default pricing option for all rate classes within the Commercial Group. Specifically, the Commission rejected the variable default pricing option for the small customer (C-06) class after finding that the variable pricing option would not necessarily benefit this class. The Commission instead approved a fixed customary option for the C-06 customers, as these customers are least likely, of all customers within the non-residential class, to obtain competitive supply. The variable default option was approved for all other rate classes within the Commercial Group. The Company's proposed fixed pricing for the Residential Group was also approved.

The Commission rejected the portion of the 2011 SOS Plan which allowed the Commercial Group just one opportunity to select a pricing option. The Commission found Mr. Hahn's suggestion to allow customers another opportunity to switch pricing options within a limited time frame reasonable in light of the reasons offered by the Company in support of the one-time option, namely to avoid gaming and minimize deferrals. The Commission found, given the elimination of the fuel adjustment clause and the Company's ability to reconcile deferrals on a semi-annual basis, that allowing Commercial customers to switch only once during their stay would have minimal impact on the Company's ability to mitigate deferrals. Furthermore, while gaming avoidance may be a legitimate concern, the Commission finds that the Company's means of addressing this concern goes too far. Allowing customers to switch pricing options once, after the initial selection, during a twelve month period would adequately address the potential for gaming. Accordingly, the reasons submitted by the Company in support of restricting customers to a one-time pricing option are unpersuasive. Consistent with these findings, the Commission approved for the Commercial Group an option to switch pricing once, after the initial pricing selection, during a twelve month period.

The Commission reviewed the evidence in support of the block and FRS procurement approaches. The perceived benefit of the block approach, as described by Mr. Hahn, is that the overall price of electricity is less given that the contract terms by their nature provide suppliers with substantially greater ability to eliminate the risk of load volatility.[91] On the other hand, with full requirements service, the risk of load volatility translates into higher bids from suppliers attempting to account for projected excess or shortages in supply. This incremental cost has been termed "residual compensation".[92] In theory, by resorting to block purchases, a supplier can avoid some or all of the residual compensation that would arguably be recovered from ratepayers. In evaluating the benefit of the block product approach, the debate focuses on the expected savings relative to other risks and policy considerations. Specifically, the Commission must consider how much money is truly saved by providing suppliers with the opportunity to shed the residual compensation risk by allowing them to bid on block purchases rather than FRS contracts. In considering this issue, the Commission is mindful that allowing suppliers to bid on block purchases does not necessarily translate into full elimination of residual compensation.

[91] Division Exhibit 1, p. 18.
[92] Transcript of July 8, 2010 Hearing, pgs. 30-31.

Thus, the crux of the Commission's policy determination regarding the selected procurement approach on an on going basis must necessarily focus on the evidence quantifying the residual compensation risk. During this proceeding, this issue was strongly debated by the parties.

The NorthBridge study concluded that the overall risk premium was surprisingly low. Conversely, Mr. Hahn of behalf of the Division, maintained that the residual compensation cost translated to $ 3.92/MWh based on his analysis of the NorthBridge study.[93] National Grid's witness, Mr. Fisher, was equally adamant in criticizing Mr. Hahn's conclusion that the rate impact of the FRS approach was as high as $ 3.92/ MWh and ultimately never retreated from his position that the Northbridge Study demonstrated that the FRS approach cost ratepayers approximately $ .72/MWh.[94] During cross-examination, National Grid pressed Mr. Hahn on his interpretation of data submitted by the NorthBridge Group.[95]

In evaluating the evidence presented in this docket which attempts to quantify the residual compensation in real dollars to ratepayers, the Commission finds that on balance, the actual numbers likely reside somewhere between the stated positions of Mr. Hahn and Mr. Fisher. Mr. Fisher provided overwhelming data in support of his recommendations both in rebuttal and throughout these proceedings, and the Commission finds merit in Mr. Fisher's criticism that Mr. Hahn failed to account for residual compensation when calculating the rate impact of the FRS approach, particularly given that Mr. Fisher's data was used in Mr. Hahn's analysis[96]. Mr. Hahn's claim that his results are corroborated by Mr. Fisher's recommendations in other states was equally cloudy given the disparate market conditions and the varying nature of customer classes in different jurisdictions. The evidence in this docket leads the Commission

[93] Division Exhibit 2, p. 7.
[94] National Grid Exhibit 7, pgs. 14-16; Transcript of July 8, 2010 Hearing, pgs. 22-33.
[95] Transcript of July 8, 2010 Hearing, pgs. 170-171.
[96] National Grid Ex.7, p. 3.

to conclude that the actual level of residual compensation is likely closer to Mr. Fisher's number ($.72/MWh) than Mr. Hahn's ($3.93/MWh). This does not mean that Mr. Hahn may not be correct that in other markets outside New England, the residual compensation risk could be higher or as high as Mr. Hahn suggests in this case; however, in the New England wholesale energy markets, the evidence more strongly points to much lower levels based upon the comprehensive analysis contained in the Northbridge Study.

If the residual compensation risks are deemed to be on the low side, then there are other countervailing policy considerations that arguably support a FRS procurement approach. First, Rhode Island remains a retail choice state according to the terms of the Utility Restructuring Act and subsequent amendments[97]. While there currently may be minimal activity in terms of the number of customers served by non-regulated suppliers, it does not necessarily follow that mass migration from Standard Offer service will not occur in the near future. A number of other jurisdictions have experienced an up-tick in the level of supplier activity in residential and small commercial classes.[98] A FRS approach utilizing layered procurements presents minimal migration risk. On the other hand, a managed portfolio approach relying on block purchases could lead to mass migration and substantial costs born by National Grid from unsubscribed "take or pay" electricity, which costs would ultimately be recovered from a smaller class of standard offer ratepayers. This outcome poses a real concern about equity and rate impacts. Like the stranded costs that ratepayers were required to pay at the onset of retail competition, a mass migration from standard offer service would also result in significant incremental costs being passed on to ratepayers. Clearly from this perspective, FRS contracts are more consistent

[97] R.I.G.L. § 39-1-27 et seq.
[98] Id., p. 184.

with the Commission's responsibility to ratepayers[99], particularly given the limited savings that would accrue to customers in a managed portfolio regime.

The Commission rejected the portion of the 2011 SOS Plan which required four rate changes per year for the Commercial and Residential Groups, finding that it would pose an unnecessary administrative burden on all parties potentially leading to further subsidization on the part of ratepayers. Where there is currently one annual reconciliation of SOS revenues and expenses, the Commission will take a measured approach to allowing more frequent rate changes. Furthermore, the expiration of the fuel adjustment clauses contained in the legacy SOS contracts, combined with FRS contract pricing, should lead to less volatility in pricing and smaller deferral balances.

Finally, the Commission approved the Company's request to modify the 2010 SOS Procurement Plan to allow spot purchases for five percent (5%) of the Small Customer Group load for the period October 1, 2010 through March 31, 2011. The Company testified that the remaining load for this customer group is 12.5 percent (87.5 percent having already been procured)[100]. Given that five percent (5%) of this load would be less than the load percentage to be served from spot purchases under the 2011 SOS Plan, the Commission finds this level of spot purchases for the remaining 2010 Small Customer load would pose no significant risk of harm to ratepayers.

The Commission approved National Grid's 2011 RES Procurement Plan, with the exception of the proposed regulatory approval of company solicitations. The 2011 RES Plan is the same, with the exception of the proposal to review solicitations, as that approved for 2010 in Docket 4041. The Commission finds that the 2011 RES Plan continues to satisfy the

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[99] R.I.G.L. § 39-1-1(c).
[100] National Grid Exhibit 3, pgs. 5-6.

requirements of R.I.G.L. §39-26-4. The Company's proposed documents including the standard Certificate Purchase Agreement ("CPA"), the standard RES RFP Notice and the RES RFP Summary are also approved with the exception of those provisions pertaining to regulatory review of solicitations, namely Article 3 of the CPA and Section 3.2 of the RES RFP. The solicitation review process proposed by the Company in the 2011 RES Plan is identical to the solicitation review proposed in the Company's 2011 SOS Procurement Plan. For the reasons provided above in the discussion of the 2011 SOS Procurement Plan, the portion of the 2011 RES Plan requiring Commission review of the Company's solicitations is not approved.

Accordingly, it is hereby

(20125) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's 2011 SOS Procurement Plan as it relates to the Large Industrial Group is approved except that the Company shall eliminate the portion of the Plan which seeks Commission approval of Company solicitations.
2. Narragansett Electric Company d/b/a National Grid shall file a report with the Commission no later than March 1, 2011 regarding an analysis of the implementation issues and investment requirements of transitioning the Industrial Group to 100% spot purchases.
3. Narragansett Electric Company d/b/a National Grid's 2011 SOS Procurement Plan as it relates to the Commercial and Residential Groups is approved except that the Company shall eliminate the following from the Plan:
    a. The portion of the Plan which seeks Commission approval of Company's solicitations shall be eliminated;

b. The portion of the Plan which requires four rates changes per year shall be eliminated. The Company shall schedule its semi-annual reconciliations to occur in January and July to coincide with the SOS pricing changes, so that there will be only two rate changes per year.

c. The portion of the Plan which assigns a variable customary option to the C-06 rate class shall be eliminated. Narragansett Electric Company d/b/a National Grid shall modify the Plan to reflect that the C-06 rate class shall have a fixed customary pricing option.

d. The portion of the Plan which permits a one-time pricing option for the Commercial Group shall be eliminated. Narragansett Electric Company d/b/a National Grid shall modify the Plan to allow customers in the Commercial Group one opportunity, after the initial pricing option, to switch pricing options during a twelve month period.

4. Narragansett Electric Company d/b/a National Grid's 2010 SOS Procurement Plan as it relates to the Small Customer Group for the period October 1, 2010 through March 31, 2011 shall be modified such that the Company may continue procuring 5% of its load through spot market purchases.

5. Narragansett Electric Company d/b/a National Grid's 2011 Renewable Energy Standard Procurement Plan is approved except that the Company shall eliminate the portion of the Plan which seeks Commission approval of Company solicitations.

6. Narragansett Electric Company d/b/a National Grid shall file new Tariffs for Standard offer Service to reflect the Commission's decisions herein.

7. Narragansett Electric Company d/b/a National Grid shall continue filing its Standard Offer Service Reconciliation Report and shall include in those filings a comparison of estimated SOS spot market purchases to actual SOS spot market costs incurred to date.
8. Narragansett Electric Company d/b/a National Grid shall file its Proposed 2012 SOS Procurement Plan and 2012 RES Procurement Plan no later than March 1, 2011.
9. Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions contained herein.

EFFECTIVE AT WARWICK, RHODE ISLAND ON AUGUST 5, 2010 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED SEPTEMBER 23,2010.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Mary E. Bray, Commissioner

Paul J. Roberti, Commissioner