

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 05-098 and DE 07-052

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

2005 and 2007 Least Cost Integrated Resource Plans

Order Approving Plans

ORDER NO. 24,826

February 29, 2008

On May 1, 2007, Granite State Electric Company, a distribution utility, and its affiliates New England Power Company, New England Electric Transmission Corporation, New England Hydro-Transmission Corporation and New England Hydro-Transmission Electric Company, Inc. (collectively, "National Grid") submitted a least cost integrated resource plan (LCIRP) for 2007. National Grid filed the plan pursuant to RSA 378:38. National Grid previously filed a LCIRP for 2005 on May 19, 2005 in Docket No. DE 05-098. This order addresses both plans.

In compliance with the electric industry restructuring statute, RSA 374-F, and a Commission-approved electric restructuring settlement agreement, Granite State affiliate New England Power Company divested all of its generation facilities. *See Granite State Electric Co., Order No. 22,981 (July 15, 1999), 83 NH PUC 389.* Since the divestiture, Granite State's obligations to meet the power supply needs of its customers who do not directly contract with competitive suppliers is provided by third-party energy suppliers through a solicitation process approved by the Commission in *Granite State Electric Co., Order No. 24,577 (Jan. 13, 2006).* Consequently, neither Granite State nor its affiliate New England Power Company owns generating assets that could meet some or all of the power supply needs of default service customers.

In both its 2005 and 2007 LCIRPs, National Grid provides the following: an overview of its supply procurement strategy; a description of its participation in the Core Energy Efficiency programs and in the Independent System Operator-New England's (ISO-NE) real-time demand response programs, including an overview of the effectiveness of these programs; a discussion of Granite State's distribution planning process and National Grid's transmission planning process; and a description of projects under review to address the reliability needs of New Hampshire and to facilitate the competitive electric markets of the region. In addition, Granite State notes that it participates in the coordination of transmission planning through National Grid in the ISO-NE regional system planning process, which is regulated by the Federal Energy Regulatory Commission (FERC). Granite State acknowledges that, as a result of restructuring, it no longer performs least-cost integrated resource planning in the manner that a vertically integrated electric utility would. Pursuant to RSA 378:39, the Commission must, nevertheless, determine whether Granite State employed an adequate planning process in developing its 2005 and 2007 LCIRPs.

RSA 378:37, which requires each electric utility to file a least cost integrated resource plan at least biennially, was enacted in 1990, prior to electric utility restructuring in New Hampshire. The statute requires utilities to include the following materials in their plans:

- I. A forecast of future electrical demand for the utility's service area.
- II. An assessment of demand-side energy management programs, including conservation, efficiency improvement, and load management programs.
- III. An assessment of supply options.
- IV. An assessment of transmission requirements.
- V. Provision for diversity of supply sources.
- VI. Integration of demand-side and supply-side options.

VII. An assessment of plan integration and impact on state compliance with the Clean Air Act Amendments of 1990.

VIII. An assessment of the plan's integration and impact on state compliance with the national Energy Policy Act of 1992.

IX. An assessment of the plan's long- and short-term environmental, economic and energy price and supply impact on the state.

In 1996, the Legislature enacted the electric utility restructuring statute, RSA Ch. 374-F, which directed the Commission to implement a statewide electric utility industry restructuring plan that permitted retail choice of electric suppliers for all customer classes of utilities providing retail service under its jurisdiction. The Legislature soon recognized that requiring electric utilities to divest their long-term power supply contracts and generation assets would affect their ability to undertake integrated resource planning, and amended RSA 378:38 in 1997 by adding a provision authorizing the Commission to waive "any requirement to file least cost integrated resource plans by an electric utility under RSA 378:38, except for plans relating to transmission and distribution." RSA 378:38-a.

On January 28, 2008, Staff filed a memorandum reviewing Granite State's filings. It concluded, among other things, that "the current structure of Granite State does not lend itself to traditional least cost integrated resource planning." In addition, Staff observed that RSA 378:38-a does not permit waiver of plans relating to transmission and distribution but it recommended that other requirements be waived.

We consider first Granite State's supply-side and demand-side assessments. The usefulness of a supply-side assessment is obviated by the fact that Granite State meets its power supply needs from the competitive wholesale market. Because Granite State purchases full requirements service, it has no need for the type of supply-side assessments undertaken by traditional vertically integrated electric utilities. With respect to Granite State's demand-side assessment, the material filed is adequate under the circumstances, but we conclude that a closer look should be given to future demand side assessments.

Pursuant to RSA 378:38-a, with the exception of distribution and transmission planning, we waive, to the extent necessary, the requirement to file the materials under RSA 378:37. This waiver applies to the LCIRP filed in Docket No. DE 05-098 and Docket No. DE 07-052. With respect to Granite State's next filing, we direct Staff to meet with the Company to discuss, consistent with this order, the contents of such filing.

Finally, we find that Granite State's planning for distribution in its 2005 and 2007 LCIRPs is adequate. As to transmission, National Grid is an active participant in the coordination of transmission planning through ISO-New England's Regional System Planning process. The planning processes described in the filings are consistent with the requirements of ISO-New England, which oversees transmission planning in New England pursuant to federal law. Therefore, as a matter of state law, National Grid's transmission planning meets the adequacy test as well.

Based upon the foregoing, it is hereby

ORDERED, that the planning process used by Granite State Electric Company and affiliates in assessing transmission and distribution in its 2005 and 2007 LCIRPs is adequate; and

it is

FURTHER ORDERED, that, pursuant to RSA 378:38-a, the Commission waives the obligation of Granite State Electric Company to file an LCIRP except for assessments of distribution and transmission; and it is

FURTHER ORDERED, that the waiver shall apply to the LCIRPs filed by Granite State Electric Company in DE 05-098, DE 07-052, and to its next filing as described herein.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of February, 2008.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

ChristiAne G. Mason
Assistant Executive Director & Secretary