

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-016

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

**Petition for Approval of Proposed Default Service Rates for August 1, 2011 through
October 31, 2011 for Large Commercial and Industrial Customers**

Order Approving Petition

ORDER NO. 25,237

June 17, 2011

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 June 14, 2011, 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 August 1, 2011 through October 31, 2011. 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 increases ranging from 4.0% to 4.9%

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 June 16, 2011, 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 August 1, 2011 through October 31, 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 May 6, 2011. 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 June 1, 2011 and final proposals on June 8, 2011. 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 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 8, 2011, National Grid entered into a wholesale transaction confirmation with NextEra. According to National Grid, a copy of the first amendment to the master power agreement was filed with the Commission on September 17, 2007 in Docket No. DE 07-012, National Grid's 2007 default service docket, and a copy of the second amendment to the master power agreement was filed with the Commission on September 20, 2010 in Docket No. DE 10-020, the Company's default service docket for 2010. 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.

To comply with renewable portfolio standard (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)¹, the Company requests bidders for default service to provide a separate RPS compliance adder with their bids. The Company explained that the RPS compliance adder is the incremental charge by a bidder for agreeing to take on the RPS obligation with the default service obligation. National Grid stated that the RPS compliance adder from the winning bidder for the Large Customer Group was above the Company's market estimate and, therefore, the Company did not accept the winning bidder's RPS compliance adder. National Grid stated that its next REC RFP would be issued in the near future. The Company said that if it is unable to purchase sufficient RECs to meet its RPS obligation, it will make an alternative compliance payment to the renewable energy fund, consistent with New Hampshire Code Admin Rules Puc 2500, the rules implementing the RPS statute.

National Grid proposed to increase the RPS compliance adder from \$0.00193 per kWh to \$0.00205 per kWh for effect with rates on August 1, 2011. The Company said it based these

¹ See 93 NH PUC 600.

costs on the recent 2011 market price for all REC classes. National Grid stated that it will reconcile its costs to comply with the RPS with the revenue billed to customers from the last RPS adder.

National Grid testified that the rates for the Large Customer Group for the period August 1, 2011 through October 31, 2011, including the various components included in the rate, in cost per kWh, will be as follows:

Month	August 2011	Sept. 2011	Oct. 2011
Base Default Service (DS) Rate	\$0.07217	\$0.06616	\$0.06595
DS Cost Reclassification ²	\$0.00035	\$0.00035	\$0.00035
DS Adjustment Reconciliation Factor ³	\$0.00101	\$0.00101	\$0.00101
RPS Adder	\$0.00205	\$0.00205	\$0.00205
Total Default Service Rate	\$0.07558	\$0.06957	\$0.06936

According to National Grid, the default service component cost increased 7.1% from the current three month period. For customers in the Large Customer Group, illustrative bill impacts for the three month period ending October 2011 range from 4.0% to 4.9% as compared to the three month period ending July 2011.

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. The projected completion date is now November 2011. The Company said it will be filing an updated report by the end of June concerning the project.

² The filing states that the DS Cost Reclassification Factor (for use on and after May 1, 2011) recovers costs associated with unbundling the default service-related administrative costs. *See* Order No. 25,207 (March 22, 2011) in the instant docket.

³ 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.

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 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 August 1, 2011 through October 31, 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 NextEra as its default service supplier for the Large Customer Group for the period from August 1, 2011 through October 31, 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 transaction confirmation with NextEra (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. 24,981 (June 19, 2009), Order No. 25,117 (June 18, 2010) and Order No. 25,207 (March 22, 2011). 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, in turn, would make it more difficult to obtain its supply at competitive prices and might thereby increase rates to customers. Insofar as protection is requested for wholesale contractual sales, we grant protective treatment until such time as the information is published by the FERC.⁴

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 NextEra Energy Power Marketing, LLC, and the resulting proposed rates, are APPROVED; and it is

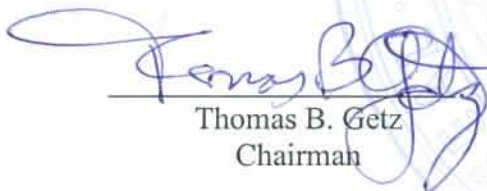
⁴ Pursuant to requirements of the Federal Energy Regulatory Commission (FERC), each wholesale supplier is obligated to report to the FERC the price and volume of its wholesale contractual sales during each quarter and to identify the party to whom the sale has been made, within 30 days of the end of that quarter. *See Revised Public Utility Filing Requirements*, 99 FERC ¶ 61,107 (April 25, 2002) and 18 CFR Parts 2, 35. The FERC makes this information available to the public through electronic quarterly reports.


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 August 1, 2011 through October 31, 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.

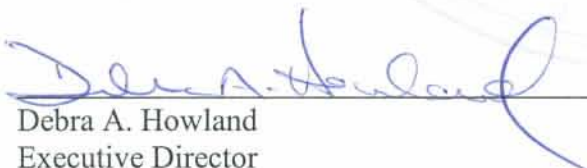
By order of the Public Utilities Commission of New Hampshire this seventeenth day of June, 2011.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director