

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-016

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

Petition for Approval of Solicitation and Resulting Default Service Rates for February through April 2012 for Large Commercial and Industrial Customers

Order Approving Solicitation and Resulting Default Service Rates

ORDER NO. 25,304

December 20, 2011

APPEARANCES: McLane, Graf, Raulerson and Middleton, P.A. by Jinjue Pak, 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 Public Utilities Commission.

I. PROCEDURAL HISTORY

On December 13, 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 February 1 through April 30, 2012. 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 wholesale electric supply 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 resulting from this solicitation, typical bill impacts for the Large Customer Group will be decreases ranging from 10.5% to 12.5%.

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 the solicitation, bid evaluation and procurement of default service supply by National Grid for its Large and Small Customer Groups. According to the terms of the settlement agreement, National Grid procures default service supply for its Large Customer Group under three-month contracts with fixed prices that vary month-to-month. The settlement agreement provides that National Grid charge 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 hearing on the merits was held as noticed.

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 from February 1 through April 30, 2012. 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 4, 2011. The RFP was also distributed to all members of the New England Power

Pool Markets Committee and was posted on National Grid's energy supply website. According to National Grid, the RFP was widely distributed throughout the New England energy supply market place.

The Company testified that suppliers filed indicative bids on November 30, 2011 and final proposals on December 7, 2011. According to the Company, none of the bidders made the 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 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 December 7, 2011, National Grid entered into a wholesale Transaction Confirmation with NextEra to provide default service for the Large Customer Group for the three-month period from February 1 through April 30, 2012. According to National Grid, a copy of the Master Power Agreement with NextEra was filed in Docket No. DE 07-012, the Company's 2007 default service proceeding, and approved by the Commission in Order No. 24,787 (September 21, 2007), 92 NH PUC 362. 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 of obligations described in the sample power supply agreement provided in the settlement agreement.

To meet renewable portfolio standard (RPS) requirements for the period from February 1 through April 30, 2012, National Grid testified it will need to provide Class I (new renewable resources) renewable energy certificates (RECs) for 3.0% of sales, Class II (solar resources)

RECs for 0.15% of sales, Class III (existing biomass resources) RECs for 6.5% of sales, and Class IV (existing small hydro resources) RECs for 1.0% of sales.

Consistent with the amended RPS settlement agreement approved in Order No. 24,953 (March 23, 2009) 94 NH PUC 148 in Docket No. DE 09-010 (National Grid's 2009 default service proceeding), the Company's RFP requested 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 below the Company's market estimate and, therefore, the Company accepted the winning bidder's RPS compliance adder. As a result, NextEra will purchase sufficient RECs to match the power sales to National Grid's Large Customer Group for the three-month period from February 1 through April 30, 2012. Based on this procurement of REC compliance from NextEra, National Grid proposes to increase the RPS adder from \$0.00262 per kWh to \$0.00343 per kWh.

National Grid testified that the rates for the Large Customer Group for the period February 1 through April 30, 2012, including the various components included in the rate, stated in cost per kWh, will be as follows:

Month	February 2012	March 2012	April 2012
Base Default Service (DS) Rate	\$0.07023	\$0.05867	\$0.05607
DS Cost Reclassification ¹	\$0.00101	\$0.00101	\$0.00101
DS Adjustment Reconciliation Factor ²	\$0.00035	\$0.00035	\$0.00035
RPS Adder	\$0.00343	\$0.00343	\$0.00343
Total Default Service Rate	\$0.07502	\$0.06346	\$0.06086

According to National Grid, the load-weighted average of the default service rates for the Large Customer Group for the period February 1 through April 30, 2012 is \$0.06183 per kWh, compared with the load-weighted average rate of \$0.07644 per kWh for the period ending January 31, 2012. For the customers in the Large Customer Group that remain on default service, overall bill impacts will be decreases ranging from 10.5% to 12.5%.

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 stated that, in its view, the resulting rates are market based and recommended that the Commission approve the petition. Staff had no objections to the Company's motion for confidential treatment.

III. COMMISSION ANALYSIS

We find that in procuring its default service supply for its Large Customer Group for the period February 1 through April 30, 2012, National Grid complied with the procedures approved in Order No. 24,577. The testimony of National Grid, together with its bid evaluation report,

¹ 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.

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.

indicates that bid prices reflect current market conditions and, therefore, are reasonable. In light of these considerations, we will grant the petition.

Finally, National Grid requests confidential treatment of the transaction confirmation to the Master Power Agreement with NextEra (Schedule MMJ-4 attached to Ms. Janzen's testimony) including the transaction confirmation; redacted sections of the default service procurement summary (Schedule MMJ-2); the calculation of commodity costs at the retail customer meter (MMJ-6); the Company's calculation of the RPS adder (Schedule MMJ-5); and the Company's REC procurement summary. Similar requests for confidential treatment have been granted in Order No. 25,207 (March 22, 2011) and Order No. 25,237 (June 17, 2011) in the instant docket and in prior default service proceedings. *See, e.g.* Order No. 25,180 (December 20, 2010) and Order No. 24,981 (June 19, 2009). We have conducted an *in camera* review of the materials for which National Grid seeks confidential treatment and have determined that there is a privacy interest at stake that would be invaded by disclosure. Although the public has an interest in the information underlying the default service rates paid by customers, in this case the privacy interest in confidentiality outweighs that of disclosure. Disclosing the information would likely hamper the Company's ability to engage suppliers in competitive bidding in the future making it more difficult to obtain supply at competitive prices and possibly increasing 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 Federal Energy Regulatory Commission, which is expected to be August 1, 2012.

Based upon the foregoing, it is hereby

ORDERED, that the Transaction Confirmation to the Master Power 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

FURTHER ORDERED, that National Grid's request to increase the RPS adder for the Large Customer Group for the period from February 1 through April 30, 2012 from \$0.00262 per kWh to \$0.00343 per kWh is hereby GRANTED; 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 the 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 through April 30, 2012 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 New Hampshire Code Admin. Rule Puc 1603.02.

By order of the Public Utilities Commission of New Hampshire this twentieth day of
December, 2011.


Thomas B. Getz
Chairman


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director

