

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

S. Scialabba

Division of Public Utilities & Carriers

Date: 06/06/2007

Re: Narragansett Electric – Renewable Energy Procurement Plan : Docket 3765

Pursuant to its Renewable Energy Procurement Plan approved by the Commission in this docket, on June 1, 2007 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission a Summary of the Company’s request for proposal (“Summary”) and three Certificate Purchase Agreements (“Agreements”).

In its Summary, Narragansett explains the procurement procedures employed to contract:

- Renewable Energy Certificates (“RECs”) to satisfy a portion of the Standard Offer Service Renewable Energy Standards (“RES”) obligations for calendar years 2007 (“Period I”), 2008 (“Period II”) and 2009 (“Period III”), and;
- RECs to satisfy the Last Resort Service (“LRS”) RES obligation during 2007 not supplied by the current LRS supplier.

Narragansett received respondent proposal information, pricing, and contract modifications from several suppliers, three of whom are identified herein by the letters X, Y and Z.

Several of the bidders submitted contract comments in the form of proposed revisions to the Agreement. One, Bidder X, proposed an agreement that would offer no security obligation and contained less comprehensive terms than those set forth in the Company’s Agreement. Because the proposed agreement did not comply with bidding requirements, Narragansett decided not to accept bids from Bidder X.

None of the Bidders could identify specific, quantifiable benefits to Rhode Island in its bids; therefore the Company evaluated the bids based on price and contract terms.

Bidder Y only bid 2007 vintage RECs, and required its bid blocks to be either jointly accepted or rejected. Narragansett rejected that bid, which was not the lowest cost bid. Bidder X had been rejected for the security concern mentioned above, so the winning bid went to the lowest-cost remaining bidder(s).

The Company also sought statements of interest from third parties (“Participating Purchasers”) interested in purchasing RECs during Period II and Period III.

As a result, Narragansett received Participating Purchaser information and non-disclosure agreements from potential purchasers.

Narragansett executed a non-disclosure agreement with potential purchasers. One interested purchaser was also a bidder. The Company did not execute a non-disclosure agreement with that purchaser, because Narragansett was concerned by the possibility that purchaser was only seeking competitors’ bid information.

Again for Period II and Period III, the winning bids were determined by price and contract terms.

Included in the summary are seven exhibits setting forth the calculation of the forecast RES obligation and a summary and analysis of bids received.

Article 3, Section (a) of the Agreement states, in part, “This Agreement shall take effect upon the close of business on the fifth Business Day following such filing (not including the date of the filing) unless the RIPUC communicates to the Buyer within the Five Day Waiting Period that it has concerns about the bid awards, requires further time for review for any reason, or otherwise does not desire the Buyer to go forward with the Agreement (“RIPUC Notice”).”

The instant filing is dated June 1, 2007.

The Division has no objection to the Company’s Request for Proposal Process as presented in the June 1, 2007 filing.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers