STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S PROPOSED	:	
2010 STANDARD OFFER SUPPLY PROCUREMENT	:	DOCKET NO. 4041
PLAN AND 2010 RENEWABLE ENERGY SUPPLY	:	
PROCUREMENT PLAN – **ACCELERATED**	:	
STANDARD OFFER PROCUREMENT PLAN	:	

REPORT AND ORDER

I. National Grid's Proposed Accelerated Procurement Plan

On April 9, 2009, the Narragansett Electric Company d/b/a National Grid ("NGrid" or "Company") filed a proposed Standard Offer Service Accelerated Procurement Plan ("APP") for consideration by the Public Utilities Commission ("Commission") outside of the Commission's review of NGrid's expected Amended 2010 Standard Offer Service and RES Procurement Plans.[1] The purpose of the APP was to "lock in the commodity cost for a large portion of the Standard Offer Service ("SOS") load for the smallest customers."[2] In its filing, the Company noted that the current market prices are the lowest in over five years, but are projected to increase in 2010 and 2011. Therefore, the Company proposed the APP to enable it to take advantage of the low prices quickly. The Company proposed soliciting and entering into fixed price financial swap contracts for the energy portion of 95% of the projected SOS load for the "Small Customer group" for the period January 1, 2010 through September 30, 2010.[3] At the same time, the Company would also solicit fixed price financial swap contracts for

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[1] NGrid requested and received confidential treatment of certain portions of its filing in accordance with Commission Rule of Practice and Procedure 1.2(g) on the basis that the filing included competitively sensitive information that, if released, could impact the energy market and influence the bids received in NGrid's proposed solicitations.
[2] NGrid Exhibit 1, p. 1. The Small Customer group or load is defined as customers on one of the residential rates, Small C&I Rate C-06, Limited Private Lighting Rate S-10, and General Streetlighting Rate S-40. *Id.* at 1.
[3] *Id.* at 1, 3. The Company based its 2010 projections on the 2008 actual load data. *Id.* at 4.

the energy portion of 50% of the projected SOS load for the Small Customer group for the period October 2010 through March 2011.[4] At a later date, the Company would procure a full requirements service ("FRS") contract and unwind the financial instrument that had locked in a majority of the energy component and apply it against the FRS contract price, thus allowing customers to take advantage of the fixed price that had been determined by the financial swap arrangement.[5]

The Company indicated that the energy price equates to approximately 70% of the total SOS price and would provide certainty for a substantial portion of the SOS rate. However, the Company did indicate that the energy prices could be higher or lower when the financial instrument is unwound. Therefore, there is no guarantee that the rate the Company locks will be the lowest, but it will be certain and will be set at a time when energy prices are lower than in recent years.[6] NGrid proposes settling the swap contract on a predetermined date coinciding with execution of an FRS contract using the Day Ahead electric forward prices for the ISO New England Internal Hub as published by the New York Mercantile Exchange ("NYMEX").[7] The Company proposed filing quarterly reports showing the results of the settlement of financial contract hedges, requests for proposals for FRS contracts, and forecasted retail rates for each class. The Company also indicated its intent to continue reconciling its SOS related costs annually based on the October through September period. Under its proposal, NGrid will include separate reconciliations for large C&I customers and the Small Customer group.[8] The Company

[4] *Id.* at 3.
[5] *Id.* at 1-3.
[6] *Id.* at 2-3.
[7] *Id.* at 2-4.
[8] *Id.* at 5.

indicated that it expected to award the contract within two weeks of issuing the Solicitation.[9]

In its APP, the Company noted that the swap contract would not have an upfront premium and would not be for the physical delivery of energy, that it would settle through a liquid market and would apply to on-peak and off-peak hours.[10] The Company also set forth its reasons for not proposing FRS contracts at this time including a longer solicitation period, higher premiums due to uncertainty in load forecasts, market rule changes, and fewer bidders who may be qualified to provide FRS contracts than financial swaps.[11]

II. Constellation's Position

On April 24, 2009, Constellation Energy Commodities Group, Inc. and Constellation NewEnergy, Inc. (collectively, "Constellation") filed its Position Statement regarding NGrid's proposed APP. Constellation stated that it "understands the desire to take advantage of current favorable market conditions in order to hedge [small] customers against potential rate stability."[12] Constellation did not oppose financial hedges, but did suggest modifications to the Company's APP.[13] Constellation proposed having NGrid sell the hedges simultaneously with the full-requirements physical supply procurement rather than unwinding the hedges at the same time it enters into a full-requirements supply contract based on the NYMEX and using two-way margining rather

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[9] *Id.* at 5. Although this information was redacted in NGrid's filing, it was made public in Commission Exhibit 2 (NGrid's Response to PUC 1-9).
[10] NGrid Exhibit 1, p. 2
[11] *Id.*
[12] Constellation Exhibit 1, p. 1. Constellation also argued that the Commission's findings in the approval or rejection of an APP should be limited to the APP and should not be deemed a directive to the Company to proceed with a utility-managed portfolio approach for SOS procurement which includes FRS contracts and financial hedges absent a fuller record being developed. *Id.* at 3-7.
[13] *Id.*

than one-way margining as ways to reduce potential premiums and thus, to reduce the cost to ratepayers.[14] Constellation noted that if NGrid is to use the NYMEX as the index against which to settle the proposed financial swap arrangement, "the monthly volumes must be consistent with NYMEX's structure, which can combine certain months" as a single price.[15] Constellation suggested that if the Commission were to require NGrid to adopt the proposed changes in an updated filing, "a two-week delay in the release of the financial hedges solicitations should have no impact on Grid's ability to lock in lower market prices for the Small Customer Group."[16]

III. RESA's Position

On April 24, 2009, the Retail Energy Supply Association ("RESA") filed its Position Statement, "joining the comments, concerns and recommendations set forth in Constellation's Position Statement." RESA specifically noted that Constellation's Position Statement "(1) urges the Commission to clarify that any approval of these particular SWAP Contracts do not represent a broader PUC endorsement of a managed portfolio approach; (2) recommends the initiation of a separate docket to investigate the merits of managed portfolio versus full requirements service before additional departures from the latter model are approved; and (3) expresses a number of policy concerns regarding the managed portfolio approach."[17]

IV. OER's Position

On April 24, 2009, the Rhode Island Office of Energy Resources ("OER") filed its Position Statement supporting approval of the APP proposed by NGrid. The OER

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[14] *Id.* at 7-9.
[15] *Id.* at 8.
[16] *Id.* at 9.
[17] RESA Exhibit 1, pp 1-2.

noted that hedging is a useful means to lock in energy prices and shield customers from rate shock. The OER recognized the risks associated with the Company's proposal in that market prices could decline more and indicated that NGrid should be expected to undertake risk analysis as part of its decision to enter into the hedge in the same manner it would when entering into a FRS.[18]

V. Division's Position

On April 23, 2009, the Division of Public Utilities and Carriers ("Division") submitted its Position Statement recommending that the APP be approved as filed, with the confirmation that interest will be applied in a manner consistent with the current practice for reconciling SOS costs.[19] The Division's witness, Richard Hahn of LaCapra Associates, indicated that "this appears to be a favorable time to make purchase of electric energy" and concurred with the Company's decision to lock in energy prices at this time.[20] However, Mr. Hahn also noted that there are other mechanisms by which the Company could hedge future SOS supply costs, including settling the financial swap against actual pricing on a month-to-month basis during the FRS period. He noted the added financial benefit of this mechanism in a rising market.[21] Addressing the decision to enter into financial swaps rather than FRS contracts at this time, Mr. Hahn agreed that purchasing blocks of energy through the financial instrument could lead to a more diverse group of bidders. However, he stated that both a FRS and financial swap arrangement could effectively and efficiently lock in energy prices. Additionally, he stated that "it isn't clear that FR[S] contracts for SOS supply to the Small Customer class would face

[18] OER Exhibit 2, pp. 1-2.
[19] Division Exhibit 2, pp. 1-2.
[20] *Id.* at 1-2.
[21] *Id.* at 2-3.

significant migration risk, as NGrid states elsewhere that this risk is small."[22] Mr. Hahn concludes that "in the interest of moving forward at a time when market prices are favorable, we will not pursue these issues further here, but may re-visit them in future filings."[23]

VI. Hearing

Following public notice, a public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on April 28, 2009 for the purposes of hearing evidence and cross examining witnesses in the instant matter. The following appearances were entered:

FOR NATIONAL GRID:	Gerald Petros, Esq. Thomas Teehan, Esq.
FOR CONSTELLATION:	Michael R. McElroy, Esq.
FOR THE OER:	John McDermott, Esq.
FOR THE DIVISION:	Leo Wold, Esq. Special Assistant Attorney General
FOR THE COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel

At the hearing, NGrid presented Margaret Janzen, Director of Energy Supply and Distributed Generation, Alan Smithling, Manager Electric Supply Department, Jeanne Lloyd, Manager in the Electric Regulation and Pricing Department, and John Warshaw, Principal Analyst, Electric Supply in support of its filing. Ms. Janzen testified that NGrid was not requesting Commission approval of any proposal to create a managed portfolio for SOS procurement at this time. She stated that the Company was only seeking

[22] *Id.* at 4.
[23] *Id.*

approval of the two financial swap arrangements proposed in the APP.[24] In discussing the percentages the Company chose for the two periods, Ms. Janzen explained that the Company had proposed 95% for the first period (January 1, 2010 through September 30, 2010) in order to lock in lower prices while leaving a percentage roughly equivalent to the RES obligation in 2010 for further review in the full proceeding.[25] She indicated that the Company chose 50% for the second period (October 1, 2010 through March 31, 2011) because the Company believed that it would take some of the pricing risk out of the rates in those months while still providing some flexibility regarding how the remainder of the procurement would be completed for those months.[26]

Regarding the Division's concern with the application of interest, Ms. Lloyd testified that when the financial swap is unwound, a credit or payment would be posted to the SOS account and interest would be applied consistent with the way interest is currently applied in that account.[27] When asked about capacity costs, Mr. Smithling testified that for the period January 1, 2010 through March 31, 2010, he was comfortable with the expense projections as capacity prices were set for the forward capacity market. He explained that ancillary services are more market based, but he was comfortable using historical averages for projections.[28]

In defending the Company's proposal to use the NYMEX index to settle the financial swaps, Mr. Smithling explained that National Grid has used the methodology proposed in this APP to settle financial swap arrangements in the Niagara Mohawk service area. He indicated that he had not received any comments from bidders regarding

[24] Tr. 4/28/09, p. 18.
[25] *Id.* at 19.
[26] *Id.* at 81-83.
[27] *Id.* at 16-17, 29.
[28] *Id.* at 39-41

this provision of the solicitation.[29] Mr. Smithling explained that the NYMEX is also used to monitor the credit risk of its financial instruments on a daily basis using mark-to-market analysis. He noted that the Company's proposal included the use of one-way margining. He also explained the difference between one-way margining versus two-way margining. In one-way margining, the Company would require its counter-party to post security if prices increase and the mark-to-market analysis is positive. However, in the event prices fall and the mark-to-market analysis is negative, the Company will not be required to post security. He explained that this differs from two-way margining where the Company would be required to post security if prices decrease and the mark-to-market is negative.[30] Mr. Smithling conceded that two-way margining could potentially reduce costs to customers.[31] However, Ms. Janzen explained that the analysis of the reduced cost needs to address the potential added costs of posting a letter of credit.[32] Mr. Smithling also indicated that one-way margining would be the starting point for negotiation and that if a bidder proposed two-way margining "if the price is good" and the credit terms make sense, the company would consider it.[33]

With regard to risk associated with hedging 100% of the load through financial swaps, Ms. Janzen claimed there would be no risk to ratepayers. However, both she and Mr. Smithling acknowledged that if there were fewer customers on SOS at the time full requirement service contracts were entered into, there would be fewer customers to bear

[29] *Id.* at 41-46.

[30] *Id.* at 46-48, 72. *See* NGrid's Response to Record Request 1. In its record response, the Company also noted that additional risk to ratepayers with two-way margining would be the potential cost of posting a letter of credit if prices decrease and the Mark-to-Market is negative.

[31] Tr. 4/28/09, p. 48.

[32] *Id.* at 77-80.

[33] *Id.* at 49. In a record response, Mr. Smithling explained the risk of two-way margining to ratepayers as the cost of posting a letter of credit if prices drop and the Mark-to-Market is negative. Record Response 1.

those costs. This would be avoided if the Company entered into full requirements service contracts in lieu of the financial swaps. [34]

Ms. Janzen testified that the Company does routinely go out for full requirements service contracts but could enter into the fixed swap contract significantly quicker than the full requirements service contract. The difference would be three weeks. It would also be possible to make both solicitations for fixed swap contracts and full requirements service contracts simultaneously. The Company could accomplish the solicitation process for both within five weeks from the date of a Commission decision. Ms. Janzen testified that the Company would be willing to do as the Commission directs and gives approval for, but would still stand by its recommendation for the financial swap arrangement. She again noted the issue of covering on-peak and off-peak hours, the liquidity of the market for swaps, and the absence of cash outflows with the swaps.[35]

Ms. Janzen indicated that the Company has not undertaken such a simultaneous solicitation and therefore does not have an "apples to apples" comparison of pricing for both types of solicitations. She indicated that the Company maintained that there would be a premium associated with full requirements service contracts the further out the periods that would not necessarily be seen in the financial swap arrangements. She based this on the experience of the employees of National Grid. She indicated that based on her experience, contracts of approximately more than one year include more of a risk premium than shorter terms.[36]

Ms. Janzen confirmed that there is no requirement in any of the solicitations being discussed that would require NGrid to accept any of the proposals, for example, if there

[34] Tr. 4/28/09, pp. 54-59
[35] *Id.* at 62-66.
[36] *Id.* at 67-69, 75-76.

were a tragic world event that caused what appeared to be an aberration in energy prices. She stated that the Company would not have any objections to issuing a solicitation side-by-side as long as the Commission is clear about the three week delay and the potential for any increased premiums.[37] She confirmed that the Company could also structure the solicitation in such a manner that would allow it to enter into a FRS contract for the first period and a financial swap for the second period.[38]

During the hearing, Ms. Janzen explained why the Company was not proposing a price cap (or call) option. These reasons included timing, the existence of a premium to be paid up front and the inability to lock in off-peak pricing.[39] Discussing a price cap option which was raised during discovery, Ms. Janzen explained that it would be structured as a call option with a "strike price" which would be a cap on pricing and allow the Company to take advantage of lower price. However, while there would be no floor price under a call option, there would be an up-front premium for the product. She testified that the level of premium is dependent upon the strike price and the Company used "at-the-money" pricing of $60 per MWH which would result in a premium of 25% compared to the absence of a premium in a fixed price swap contract. She stated that one of the reasons the Company was not recommending a call option in this case was because the cost of the premium appeared to outweigh the benefit when looking at the amount the price would have to drop to make it a worthwhile option. For example, she explained, if the Company were to enter into a call option with a strike price of $60 and a 25%

[3737] *Id.* at 69-70. Ms. Janzen testified that she had no information which would contradict a report from the Energy Information Administration regarding its projections of future natural gas prices nor a statement from OPEC's Secretary-General that it was unlikely to cut oil production in May 2009. *Id.* at 88-89. The Company also provided a record response that showed that as of the end of April 2009, forward market prices of ISO-NE Internal Hub for May 2009 through March 2011 had fallen slightly since the Company's April 9, 2009 filing. Response to Record Request 2.

[38] Tr. 4/28/09, pp. 74-75.

[39] *Id.* at 21-28.

premium, the market price would have to fall to $45 per MWH in order for the Company to break even.[40] Finally, Ms. Janzen testified that, more importantly, there is currently no option market for off-peak hours, thus leaving the Company in a position of being unable to hedge a portion of the energy load if it were to choose the call option.[41]

Constellation presented Timothy Daniels, Vice President for Energy Policy in support of its position. Explaining Constellation's recommendations regarding the use of the NYMEX, Mr. Daniels indicated that there was no objection to using the NYMEX for the purposes of margining, but it was his company's position that the proposal to settle based on NYMEX forward pricing was a unique settlement structure that could add a level of risk premium to the bids. Instead, Mr. Daniels suggested that a better methodology that would eliminate the concerns would be to either include in the solicitation the requirement that the winning bidder of the FRS purchase the financial hedge contract or to sell the financial hedge through another solicitation at the time of awarding the FRS.[42] Mr. Daniels testified that these changes may result in more bidders and the potential for lower prices.[43] Likewise, Mr. Daniels stated that the absence of two-way margining may result in an embedded risk premium being included in the bid price.[44] However, Mr. Daniels conceded that he had not done any calculation comparing the relative costs of two-way margining versus one-way margining.[45]

In response to a question from the Division, Mr. Daniels indicated that while Constellation would prefer a FRS contract solicitation that extends over a several month

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[40] *Id.* at 21-26, 72-73.
[41] *Id.* at 25-26.
[42] *Id.* at 98-105.
[43] *Id.* at 106.
[44] *Id.* at 107-08, 114.
[45] *Id.* at 111.

period, "four weeks is not unheard of, so it could be done." Clarifying Constellation's statement that "a two week delay in the release of the financial hedge's solicitations should have no impact on Grid's ability to lock in lower margin prices for the smaller customer group," Mr. Daniels stated that the statement should not be taken as a prediction of the market, but more a judgment that two weeks usually does not have a huge impact on prices.[46]

In response to a question from the Commission regarding the effect on a solicitation if it included a FRS contract, a fixed price swap and a call option, Mr. Daniels indicated that there would be some additional work required, but he did not know if it would have a huge impact on the number of bidders. He noted that a larger deterrent tends to be multiple solicitations being issued by the various states due to a lack of coordination between the states. In that case, bidders need to prioritize and decide which solicitations to bid into.[47] He did indicate that the size of the Rhode Island load is attractive.[48] He agreed that Constellation likes FRS contracts, but in this instance, is not recommending one over the other.[49]

The Division presented Richard Hahn of LaCapra Associates in support of its position. Mr. Hahn testified that he believes it is important to act relatively quickly to take advantage of what amounts to favorable market conditions. Mr. Hahn stated that acting "relatively quickly" means within the next two to six weeks, noting that while prices may increase, he did not think something up to six weeks would make that much of a difference. He testified that he has no issue with a simultaneous solicitation of bids

[46] *Id.* at 113-14.
[47] *Id.* at 117-18.
[48] *Id.* at 118.
[49] *Id.* at 120.

for a financial swap and full requirements load following service, but would not favor a call option at this time. He noted that both approaches can effectively and efficiently lock in prices.[50] Mr. Hahn testified that he did not see a downside to a FRS solicitation, but did agree with the Company that purchasing blocks of energy rather than an "all-in" product would attract more bidders and thus, suppress the premium which may be included in the bids.[51]

Mr. Hahn further testified that "to the extent that the Commission found that you could issue simultaneous solicitations within a six-week period, and you wanted to test which one was better, I have no objection to that at all."[52] He indicated that in his experience, bids for FRS contracts can be provided in a shorter time frame than four to six weeks.[53] He added that he was supporting the Company's position if the alternative were to do nothing because this is an opportune time to act.[54]

With regard to the price point against which the fixed price swap contracts would settle, Mr. Hahn testified that settling against the NYMEX would be reasonable. He also testified that Constellation's proposals to settle the contracts through a sale to the winning bidder or a sale through a separate solicitation would be reasonable. However, he did note that a sale through a separate solicitation could incur additional time and perhaps lead to delay. Finally, he discussed another option of settling the swap contracts at the

[50] *Id.* at 124, 126-128, 137-38. In response to a question from Constellation's lawyer, Mr. Hahn agreed that this proceeding was not the venue for the Commission to make a policy determination that SOS energy procurement should happen through a managed portfolio. *Id.* at 125.
[51] *Id.* at 135-36, 148.
[52] *Id.* at 137-38.
[53] *Id.* at 129-30.
[54] *Id.* at 138.

end of each month during the period during which the power is supplied. He indicated that his point was that each option would be reasonable.[55]

Ms. Janzen was called back for redirect on the issue of the price point against which to settle the swap contract. She stated that it was the Company's position that the "swap would not work in concurrence with the full requirements service if they were settling on actuals" because there is an additional risk to customers if prices fall below the price in the swap contract at the close of the month in which the energy was delivered. This is because there would be an FRS in place for a set price which might be higher than the swap price. If that is the case, she explained that in addition to that higher FRS price, the Company (and ultimately the ratepayer) would also have to also pay an additional sum to the counter-party to the swap agreement. Conversely, in the Company's proposal to settle the swap contract in conjunction with the FRS contract, the energy portion is a fixed price.[56]

VII. Commission Findings

At its Open Meeting held on May 7, 2009, the Commission considered the evidence in the record and directed NGrid to issue simultaneous solicitations for financial swaps as filed and FRS contracts for the same percentages of load for the same time period. The Commission finds that because this proposal presents a new procurement strategy, requiring the Company to provide a concrete analysis through a review of the outcome of side-by-side solicitations of the proposed financial hedge and FRS will ensure that the Commission has the best evidence upon which to rely when approving rate

[55] *Id.* at 130-35, 143-47

[56] *Id.* at 151-53.

recovery. The Commission understands that the markets can change and that what proves to be the best for ratepayers in this set of solicitations could change over time.

Additionally, the Commission clarifies that this decision applies to the APP only for the periods January 1, 2010 through September 30, 2010 and October 1, 2010 through March 31, 2011. Further review of NGrid's Amended SOS and RES Procurement Plans filed on April 29, 2009 will be undertaken as a separate proceeding within this docket. In that portion of this docket, the Commission will review and consider all of the evidence regarding the procurement strategy proposed by NGrid and the evidence presented by other parties.

The Commission notes that each of the parties indicated that simultaneous solicitations could be conducted within the next five weeks. Further, the Commission notes that none of the parties expressed an opinion that five additional weeks will cause a drastic change in the energy market absent some unexpected world event. While the Commission recognizes that none of the parties can foretell the future, updated forward market prices at the end of April 2009 appear slightly more advantageous than those projected at the start of April 2009. Therefore, the Commission finds that this decision will pose no significant risk to ratepayers different from the risk posed during the five weeks of consideration of the proposed APP.

Addressing the manner in which NGrid should proceed with the simultaneous solicitations, Ms. Janzen testified that the solicitations could be designed so that indicative bids for both alternatives are received back on the same date. This is the intent of the Commission's decision. At that time, NGrid should immediately consult with the Division with a recommendation regarding which option to choose. In the event the

Company and the Division come to an agreement, no further Commission action is required for the Company to move forward with final pricing and executing the contract. However, in the event there is a disagreement, the Company shall submit the indicative bids to the Commission under seal for its review. The Commission expects the filing will include the Company's recommendation and the Division will be entitled to submit its recommendation. The Commission will meet at an Open Meeting prior to the receipt of final bids in order to advise the Company which alternative the Commission will grant rate recovery.

The Commission recognizes that the analysis of the financial swap and the FRS will require some assumptions of capacity and ancillary costs. However, the Commission is confident, based on Mr. Smithling's testimony that capacity charges are known, that the Company and the Division can come to an agreement with regard to the appropriate quantity. Further, although Mr. Smithling testified that the ancillary market is more uncertain, he also testified that it is a small portion of the SOS cost. Therefore, again, the Commission believes the Company and the Division can come to an agreement regarding the appropriate assumptions.

Two weeks after awarding a contract, the Company shall make an informational filing with the Commission which will include a summary of the procurement process identifying the key actions taken by NGrid to procure a fixed price for SOS customers. The Commission approves of the form used by NGrid when filing its Last Resort Service informational filings. This document includes key dates, contract submissions, indicative bids, the evaluation process and ranking of bids, regulatory communications, final bids, and analysis and awards. In the filing in this docket, the Commission also believes the

Commission should include a discussion of any "lessons learned" including any comments bidders made to the Company regarding any provisions of the solicitations or the process.

With regard to the APP, NGrid is also required to make an informational filing with the Commission setting forth any deviations from the approved plan, the rationale for the deviations and whether there was any shifting of risks as a result of the deviations. With regard to the solicitations for the fixed price swap contract and the FRS contract, it is not the Commission's intent to mandate every specific of the solicitation. Rather, the Commission recognizes that the Company needs to be able to exercise its management prerogative to reach an agreement that is the most favorable to ratepayers. However, the Commission is concerned with any decision by the Company which would result in lower costs but which would shift risks from a supplier to ratepayers which was either not included in the proposed plan or departs from current practice, i.e., where FRS last resort service contracts require suppliers to bear the risk of certain market rule changes during the contract period.

Accordingly, it is hereby

(19640) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's Accelerated Procurement Plan is approved with the modification that the Company shall issue a simultaneous solicitation for full requirements service contracts.
2. Upon receipt of indicative bids, Narragansett Electric Company d/b/a National Grid shall confer with the Division of Public Utilities and Carriers to determine which alternative to choose for each period.

3. If Narragansett Electric Company d/b/a National Grid and the Division agree on the alternative for each period, the Company may proceed with the solicitation with no further action of the Commission.

4. If Narragansett Electric Company d/b/a National Grid and the Division are unable to reach an agreement, the indicative bids shall be submitted to the Commission with a short recommendation and rationale for consideration by the Commission regarding the alternative for which rate recovery is appropriate.

5. Narragansett Electric Company d/b/a National Grid shall make an informational filing with the Commission within two weeks after awarding a contract describing the solicitation as set forth in the body of this Order.

6. Narragansett Electric Company d/b/a National Grid shall make a filing with the Commission setting forth any deviations from the Accelerated Procurement Plan or current practice with regard to full requirements service contracts, the rationale of the deviation and whether the deviation shifted any risks to ratepayers.

7. Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 7, 2009 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED MAY 8, 2009.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Mary E. Bray, Commissioner