

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 :

REPORT AND ORDER

I. Introduction

This Order addresses the Public Utilities Commission's ("Commission") review of Narragansett Electric Company d/b/a National Grid's ("NGrid") Large Customer Group Standard Offer Service Filing for the period October 1, 2010 through December 31, 2010 and Small Customer Group Standard Offer Service Filing for the period October 1, 2010 through March 31, 2011, filed on August 24, 2010 ("Compliance Filing").¹ On September 30, 2009, the Commission approved NGrid's proposed Standard Offer Service ("SOS") Procurement Plan for 2010 ("Approved Plan") as it relates to both Customer Groups.² In this filing, NGrid also advised the Commission of the results of its Competitive Procurement as it related to the Large Customer Group and the proposed rates for the Large Customer Group and Small Customer Group for the period commencing October 1, 2010.

II. Background

In accordance with the Approved Plan for the Small Customer Group, NGrid completed its full requirements service contract procurements for the period October

¹ NGrid requested confidential treatment of certain competitively sensitive information and such request has been granted.

² Order No. 19839 (issued November 24, 2009). The Large Customer Group is made up of customers taking service under the following Tariffs: G-02, G-32, G-62, B-32, B-62 and X-01). Order No. 19846 (issued December 7, 2009). The Small Customer Group is made up of customers taking service under the following Tariffs: A-16, A-60, C-06, S-10 and S-14). Order No. 19846 (issued December 7, 2009).

2010 through March 31, 2011 for 95% of the load in April 2010.³ The retail rate in effect for the period January 1, 2010 through September 30, 2010 is a blended rate based on the underlying monthly contract costs for the same nine-month period.⁴ Likewise, the proposed retail rate for the six-month period October 1, 2010 through March 31, 2011 will be a blended rate based on the underlying monthly contract costs for the same six-month period.

In accordance with the Approved Plan for the Large Customer Group, NGrid is to conduct four separate procurements for three-month FRS contracts. Procurements occur every February, May, August and November, commencing with November 2009 for the period commencing January 1, 2010. Rates will change monthly based on the contract price. Pricing will be requested both including and excluding the RES obligation. NGrid will compare the pricing to its projection of the cost to fulfill its RES obligation and then choose the lower cost option. The Approved Plan is just like previous LRS procurement plans except that the terms of the procurement are three month periods rather than six month periods.⁵

To meet the 2010 RES obligation relative to the SOS load already procured, NGrid will conduct stand-alone procurements through a competitive bidding process. To meet the Renewable Energy Supply (“RES”) obligation for the SOS load not yet procured the Company will request pricing from energy suppliers that include the cost of NGrid’s obligation under the RES and pricing that does not include the RES obligation. Where the inclusive pricing is below that which NGrid projects to meet its obligation, NGrid will accept the inclusive pricing and the supplier will be responsible for providing

³ Order No. 20045 (issued June 29, 2010), p. 3.

⁴ See Order No. 19839 (issued November 24, 2009), pp. 11-12.

⁵ Order No. 19839, pp. 3-4.

the Renewable Energy Certificates (“RECs”). Otherwise, NGrid will procure the RECs through stand-alone procurements.⁶

III. Compliance Filing

On August 24, 2010, NGrid submitted its fourth Compliance Filing including rate calculations, tariffs, typical bill analyses, a copy of the Request for Power Supply Proposals (“RFP”), a summary of the procurement process and public versions of the Master Power Agreements and Transaction Confirmations. NGrid explained that it had issued the RFP on July 23, 2010 directly to many suppliers, to all members of the NEPOOL Markets Committee, and had posted it on NGrid’s website. The RFP covered the service period October 1, 2010 through December 31, 2010 for the Large Customer Group. In the RFP, NGrid requested all-inclusive pricing for two blocks of 50% of the Large Customer Group’s load. NGrid received indicative bids on August 11, 2010 and final bids on August 18, 2010. The results of the bidding were shared with the Division of Public Utilities and Carriers (“Division”). According to NGrid, “the lowest final bids for each load block were compared to NGrid’s estimate of expected bids.” Additionally, NGrid compared the suppliers’ pricing to include NGrid’s RES obligation as part of the SOS contract with NGrid’s estimate of the market cost for RECs. Because the proposed RES cost adder from the winning bidders were higher than NGrid’s estimate of the market cost for RECs, NGrid did not include the RES adders in the final purchase prices, but instead will attempt to procure RECs to meet its 2010 obligation through separate

⁶ *Id.* at 4.

solicitations.⁷ Ultimately, NGrid accepted a bid for two of the Large Customer Group blocks.⁸

IV. Division's Position

On September 1, 2010, the Division submitted a Memorandum from David Stearns, Rate Analyst V, Stephen Scialabba, Division Chief Accountant, summarizing the filing and recommending Commission approval of the Large Customer Class SOS rates for the months of July, August and September 2010 and the Small Customer Class SOS rate for the period October 1, 2010 through March 31, 2010. The Division noted that the SOS rates included the Standard Offer adjustment factor approved by the Commission in Docket No. 4140, the proposed SOS Administrative Cost Factor approved by the Commission in Docket No. 4065, and the RES charge of \$0.00123 per kWh approved in Docket No. 4041. The Division also noted that the blended rate of \$0.09366 for the Small Customer Class represents a 1.74% decrease from the current rate of \$0.09532.⁹

V. Commission Findings

On September 21, 2010, at an Open Meeting, the Commission considered the filings made by NGrid and the Division and found the procurement process NGrid followed to conform to the Approved Plan. The rates filed by NGrid on August 24, 2010 for the period commencing October 1, 2010 are hereby approved for the Large Customer Group as follows: October - \$0.06901 per kWh; November - \$0.07148 per kWh; December - \$0.07571 per kWh. The rate filed by NGrid on August 24, 2010 for the period commencing October 1, 2010 of \$0.09366 is hereby approved for the Small Customer Group. The rates include the Standard Offer Adjustment Factor and the SOS

⁷ NGrid's Compliance Filing, Attachment 5.

⁸ *Id.* at Attachment 5, page 3 of 15.

⁹ Memorandum From David R. Stearns and Stephen Scialabba to Luly Massaro, 9/1/10.

Administrative Cost Factor, but do not include the RES charge, currently \$0.00123 per kWh. The Commission notes that these rates will represent a reduction for Small Customers.

NGrid shall file its Standard Offer Service rates for the Large Customer Group on or before December 1, 2010 for effect on usage on and after January 1, 2011 and on or before March 1, 2011 for the Small Customer Group (to be reclassified pursuant to the Commission's decision in Docket No. 4149).¹⁰ With regard to the Large Customer Group, NGrid shall also file a Procurement Summary that will include all portions of the Compliance Filing and updated numbers of Large Customers taking SOS service and Competitive Supply.

Accordingly, it is hereby

(20148) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's procurement process is in compliance with the previously approved 2010 SOS Procurement Plan as it relates to the Large Customer Group and Small Customer Group.
2. Narragansett Electric Company d/b/a National Grid shall file its Standard Offer Service rates for the Large Customer Group on or before December 1, 2010 for effect on usage on and after January 1, 2011.
3. The Standard Offer Service rates filed by Narragansett Electric Company d/b/a National Grid on August 24, 2010 for usage on and after the period commencing October 1, 2010 are hereby approved for the Large Customer

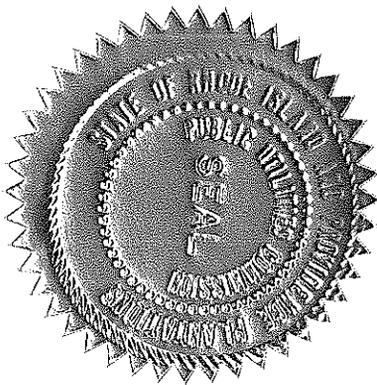
¹⁰ See Order No. 20125 (issued September 23, 2010). On March 1, 2011, NGrid will procure power for three customer groups as follows: C&I (rates G-62, B-62, G-32 and B-32); Commercial (C-06, G-02, S-10, S-14); and Residential (A-16, A-60). Docket No. 4149, National Grid Exhibit 3 (Pre-Filed Testimony and Schedules of Margaret M. Janzen), pp. 7-8; Schedule MMJ-7; Filing Letter 3/1/10.

Group as follows: October - \$0.06901 per kWh; November - \$0.07148 per kWh; December - \$0.07571 per kWh..

4. The Standard Offer Service rate of \$0.9366 per kWh filed by Narragansett Electric Company d/b/a National Grid on August 24, 2010 for usage on and after October 1, 2010 is hereby approved for the Small Customer Group.
5. Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2010
PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 23, 2010.
WRITTEN ORDER ISSUED SEPTEMBER 29, 2010.

PUBLIC UTILITIES COMMISSION



Elia Germani

Elia Germani, Chairman

Mary E. Bray

Mary E. Bray, Commissioner

Paul J. Roberti

Paul J. Roberti, Commissioner