

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID'S PROPOSED 2011 STANDARD  
OFFER SERVICE RATES AND RESULTS OF  
COMPETITIVE PROCUREMENT FOR THE INDUSTRIAL,  
COMMERCIAL AND RESIDENTIAL GROUPS

DOCKET 4149

**REPORT AND ORDER**

**I. Introduction**

On May 20, 2011, Narragansett Electric Company d/b/a National Grid ("National Grid") filed its Proposed Standard Offer Service ("SOS") Rates for the Industrial Group for the period July 2011 through September 2011. These proposed rates were filed in compliance with the Commission's decision on August 5, 2010 approving the 2011 SOS Procurement Plan ("Approved Plan") submitted by National Grid on March 1, 2010.<sup>1</sup> In addition to its proposed 2011 SOS rates, National Grid included in its May 20, 2011 filing the results of its competitive procurement process relating to the Industrial Group for the period July 1, 2011 through September 30, 2011, the Commercial Group for the period January 1, 2012 through June 30, 2012 and the Residential Group for the period January 1, 2012 through December 31, 2012. The results of the procurement process were shared with the Division on May 6, 2011.

**II. Compliance Filing**

As part of its May 20, 2011 filing, and in accordance with the Approved Plan, National Grid reported to the Commission that it completed its full requirements service ("FRS") contract procurements for 100% of the Industrial Group load for the period July 1, 2011 through September 30, 2011. For the Commercial Group, the Company has

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<sup>1</sup> See Order No. 20125 (Docket 4149), issued September 23, 2009, for the Commission's approval of National Grid's 2010 SOS Procurement Plan.

procured 20% of the load from FRS contracts for the period January 1, 2012 through June 30, 2012. For the Residential Group, the Company has procured 15% of the load from FRS contracts for the period July 1, 2012 through December 31, 2012.<sup>2</sup> The Company explained the procurement process in great detail, disclosing salient facts about all stages of the procurement process. A copy of the Request for Power Supply Proposals was provided to the Commission which included the Company's criteria for evaluating bids and the confidential identity of bidders.<sup>3</sup> The Company issued its Request for Proposals ("RFP") on April 8, 2011 and awarded final bids on May 11, 2011. The retail rate approved for the each customer group is based on the monthly FRS contract prices awarded for each customer load. For the Residential and Commercial Groups, the retail rate is based on FRS contract prices awarded for the group, plus an estimated cost of procuring 5% of the load from spot market purchases.<sup>4</sup> In light of the direct relationship between retail rates and contract prices, the Company disclosed in its filing the current wholesale power market conditions, explaining that electric prices have increased since the date of the Company's last RFP on February 9, 2011 and decreased from the indicative price date of May 4, 2011 to the final price date of May 11, 2011.<sup>5</sup> The Company further explained that rates do not include the cost to fulfill the RES requirement since the RES bids received by the Company were higher than the Company's market cost estimates to purchase RES certificates; therefore, in accordance

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<sup>2</sup> National Grid's Proposed Standard Offer Service Rates for the Industrial Group for the period July 2011 through September 2011 / Results of Competitive Procurement for the Period July 2011 through September 2011 for the Industrial Group, January 2012 through June 2012 for the Commercial Group, and January 2012 through December 2012 for the Residential Group, Attachment 5, p. 1.

<sup>3</sup> Id., Attachment 4.

<sup>4</sup> Id., Attachment 5, p. 3.

<sup>5</sup> Id., pgs. 3-4.

with the Approved Plan, the Company will attempt to fulfill its RES requirement through separate solicitations.<sup>6</sup>

The Company provided a calculation of the proposed SOS retail rates for the Industrial Group.<sup>7</sup> These rates, including the Standard Offer Adjustment Factor and Standard Offer Administrative Cost Factor, are as follows: July 2011 - \$0.06526 per kWh, August 2011 - \$0.06694 per kWh, September 2011 - \$0.06749 per kWh.<sup>8</sup>

### **III. Division's Position**

On June 27, 2011, the Division submitted a Memorandum from Rate Analyst, David Stearns, and Chief Accountant, Stephen Scialabba, summarizing National Grid's compliance filing and finding it consistent with the Commission's decision on August 5, 2010 and written order on September 23, 2010. The Division noted that the SOS rates included the Standard Offer Adjustment Factor and Standard Offer Administrative Cost Factor that were approved by the Commission in Docket 4226 and noted that the retail rates proposed for the Industrial Customer Group represents an average increase of 4.6% from existing rates.<sup>9</sup>

### **IV. Commission Findings**

On September 21, 2011, at an Open Meeting, the Commission considered the filings of National Grid and the Division and found that National Grid's procurement process conformed with the 2011 SOS Procurement Plan approved by the Commission on August 5, 2010 and by written Order No. 20125 issued September 23, 2010. The rates

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<sup>6</sup> Id., p. 3.

<sup>7</sup> Id, Attachment 1, p. 1.

<sup>8</sup> Id., Attachment 2, p. 1. Includes the SOS base charge of \$0.06336, \$0.06504 and \$0.06559 for July 2011, August 2011 and September 2011, respectively, the Standard Offer Administrative Cost Factor of \$0.00115, and the Standard Offer Adjustment Factor of \$0.0075.

<sup>9</sup> Division Memorandum, p. 2.

filed by National Grid on May 20, 2011 for the Industrial Group for the period July 2011 through September 2011 are hereby approved. The Commission notes that the foregoing rates represent increases to rates currently in effect for the Industrial Group.

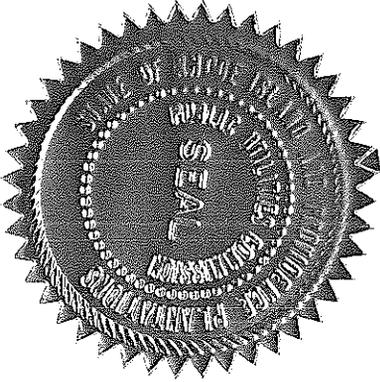
National Grid shall file its Standard Offer Service rates for the Industrial Group in November of 2011 for the next procurement period covering January, February and March of 2012. Accordingly, it is hereby

(20485) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's procurement process presented to the Commission on May 20, 2011 is in compliance with the previously approved 2010 SOS Procurement Plan as it relates to the Industrial Group;
2. Narragansett Electric Company d/b/a National Grid shall file its Standard Offer Service rates for the Industrial Group in November of 2011 for the next procurement period covering January, February and March 2012;
3. The Standard Offer Service rates filed by Narragansett Electric Company d/b/a National Grid on May 20, 2011 for the Industrial Group for the period from July 1, 2011 through September 30, 2011 are hereby approved and effective as follows: July, 2011- \$0.06526 per kWh, August, 2011- \$0.06694 per kWh, September, 2011 - \$0.06749 per kWh;
4. Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2011  
PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 21, 2011.  
WRITTEN ORDER ISSUED SEPTEMBER 30, 2011.

PUBLIC UTILITIES COMMISSION



*Elia Germani*  
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Elia Germani, Chairman

*Mary E. Bray*  
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Mary E. Bray, Commissioner

*Paul J. Roberti*  
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Paul J. Roberti, Commissioner