

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID'S 2012 STANDARD OFFER
SERVICE PROCUREMENT PLAN AND 2012
RENEWABLE ENERGY STANDARD PROCUREMENT
PLAN

DOCKET NO. 4227

REPORT AND ORDER

1. Background

On March 1, 2011, Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company") filed with the Public Utilities Commission ("Commission") its 2012 Standard Offer Service ("SOS") Procurement Plan and 2012 Renewable Energy Standard ("RES") Procurement Plan. The 2012 SOS Procurement Plan is filed pursuant to R.I.G.L. § 39-1-27.8 which requires the Company to file a power supply procurement plan each year disclosing the Company's manner of procuring standard offer supply for the upcoming year. The Company is required to include in the SOS Plan the acquisition procedure, pricing options and terms of service relating to the standard offer supply.¹ The 2012 RES Procurement Plan is filed pursuant to R.I.G.L. § 39-26-4 ("Renewable Energy Standard") and the Commission's Rules and Regulations Governing The Implementation Of A Renewable Energy Standard ("RES Rules"). Rhode Island's Renewable Energy Standard requires the Company to obtain a certain percentage of the electricity it sells to customers from renewable energy resources.² The percentage of retail electricity sales that the Company must acquire from renewable resources starts at 3% in 2007 and increases incrementally each year until 2019.³

¹ R.I.G.L. § 39-1-27.8.

² R.I.G.L. § 39-26-4.

³ In years 2008 through 2010, the percentage of electricity sales from renewable energy resources increases by one-half percent (0.5 %). In years 2011 through 2014, it increases by an additional 1.0 %, and in years 2015 through

II. National Grid's 2011 SOS and RES Proposed Procurement Plans

A. 2012 SOS Procurement Plan

The Company's 2012 SOS Plan is the same as the 2011 SOS Plan approved by the Commission on August 5, 2010 with the exception of 2 minor changes.⁴ In the 2012 SOS Procurement Plan, the Company proposes to continue the current classification of customers into three separate groups-- Industrial, Commercial and Residential. Consistent with the 2011 SOS Procurement Plan approved last year, the Company proposes to continue procuring 100% of the Industrial Group Load through full requirement service ("FRS") contracts in quarterly solicitations. Similarly, the Company proposes to continue acquiring SOS supply for the Residential and Commercial Group Loads through a mix of FRS and spot purchases in alternating or staggered durations.⁵ The Company deviated slightly from the 2011 SOS Procurement Plan in requesting approval of "flat" pricing bids in place of the current option of either flat or shaped pricing bids for the Residential Group.⁶ To implement this change, the Company sought to revise its Request for Proposal ("RFP") to require suppliers to submit one flat bid price for the entire contract term for each Residential Group bid block.⁷ The current RFP allows the supplier to submit *either* shaped, i.e. varying, bids for each month of the block *or* one "flat" bid price for the entire block.⁸ The reason offered by the Company for proposing flat bids was to better align Company revenues from retail rates with supply costs paid to the FRS

2019, it increases by an additional 1.5%. The amount of retail electricity sales derived from renewable energy resources shall not exceed 2% of the Company's total retail electricity sales. R.I.G.L. § 39-26-4(a) and (b).

⁴ Written Order issued September 23, 2010 (Docket No. 4149).

⁵ National Grid I, pgs. 8-10.

⁶ National Grid I, p.15.

⁷ National Grid I, p. 15.

⁸ *Id.*, p. 15.

suppliers.⁹ This alignment of revenues to costs, according to the Company, will arguably minimize deferrals and reduce volatility of the residential retail rates.¹⁰ Currently, the Company calculates a flat bid by load weighting the shaped bids for each month by the Company's estimate of load for each month.¹¹ The proposal to switch to flat bids requires the supplier to perform the load weighting calculation.¹² Since the supplier may have different load assumptions than the Company, flat bids may assist the Company in identifying the lowest bidder.¹³ The Company conceded that flat bids may include a risk premium; however, the Company stated that 3 out of 4 suppliers it contacted said they would not include a premium for flat pricing.¹⁴ Furthermore, in the Company's opinion, if a premium were included in a flat bid, it would be comparatively small relative to other risk premiums.¹⁵

The Company also removed a collusion clause from its SOS RFP Notice and RES RFP Notice which the Division's consultant, Mr. Richard Hahn recommended be restored to these documents.¹⁶ The Company explained that it had removed the language because it had the unintended effect of inhibiting communications between suppliers but it was willing to reinsert this language into the RFP documents.¹⁷ Finally, during the course of discovery, it was revealed that the Company had removed a clause from the SOS RFP Summary that confirmed that the MPA does not shift risks or obligations to National Grid customers; however, in a data response, the Company implied this was unintentional and stated the language would be revised

⁹ Id., p. 15.

¹⁰ Id. See also National Grid's Response to Div 2-7.

¹¹ National Grid's Response to Div 1-7.

¹² Id.

¹³ National Grid 2, p. 3.

¹⁴ National Grid's Response to Div 1-7.

¹⁵ Id.

¹⁶ Division 1, pgs. 10-11.

¹⁷ National Grid's Response to Comm 2-1; Transcript, p.6.

to clarify that the bidders have executed MPAs prior to final bids leaving no outstanding issues regarding contract terms.¹⁸

B. National Grid's 2012 RES Procurement Plan

In its 2012 RES Procurement Plan, the Company proposed to continue procuring its NEEPOOL-GIS Certificates simultaneously with its SOS requirements.¹⁹ Accordingly, the Company is seeking to continue the same practice of requesting separate pricing for the RES obligation from FRS bidders at the same time SOS is provided.²⁰ If the RES price provided by the FRS bidder is at or less than market price, then the SOS supplier will be selected to provide the RES obligation. The only change from the Company's 2011 RES Procurement Plan related to FRS contracts for multiple years. For these contracts, the Company proposed to evaluate RES bids for the first year only.²¹ In support of this revision, the Company stated that it was cost effective to consider only the first year of multiple year RES bids because RES market prices have historically been higher in years following the first year and also because less market data is available after the first year.²² For the remaining years following the first year, the Company proposed to meet its RES obligation by procuring RECs from stand-alone RFPs and unsolicited bids from brokers or other parties.²³ The Division recommended approval of the Company's 2012 RES Procurement Plan.²⁴

III. Division's Testimony

The Division's consultant, Mr. Hahn, agreed that a flat price could minimize deferrals but

¹⁸ National Grid's Response to Comm 2-2.

¹⁹ National Grid 1, pgs. 18-19.

²⁰ Id.

²¹ Id., p. 19.

²² Id. See also National Grid's Response to Div 1-5.

²³ Id.

²⁴ Division 1, p. 9.

testified that the existence of semi-annual rate changes already minimizes deferrals.²⁵ He reasoned that flat bids would not reduce rate volatility because retail rates change on the same schedule regardless of whether or not the SOS supply is procured through flat or shaped pricing.²⁶ He also felt there was no valid reason for dismissing the current approach of allowing either flat bid or shaped bids, noting that it is not difficult for the Company to calculate a flat price.²⁷ Contrary to the Company's implication that it would be easier to accept flat bids, Mr. Hahn testified that it might be more difficult to compare flat bids for periods in excess of one year.²⁸ This opinion, however, seemed to be based on the mistaken assumption that SOS bids are bundled with REC bids, which Ms. Janzen later clarified, was not the case.²⁹ Mr. Hahn claimed the supplier survey performed by the Company was neither an objective nor sufficient basis for transitioning to flat bids.³⁰ He also questioned why the Company did not propose flat bids for the Commercial Group.³¹ Mr. Hahn recommended that the Commission reject the Company's proposal to accept flat bids for the Residential Group and maintain the current procedure of accepting either flat or shaped bids for this Group.³² He further recommended that if the Commission approves flat bids for the Residential Group, that it do so for periods of one year only and prohibit flat bids from covering a period longer than one year.³³ Mr. Hahn also recommended that the Company include certain information in its RFP documents shortly after bids are submitted. Specifically, he requested that the Company include the following

²⁵ Division 1, p. 7.

²⁶ Id., pgs. 7-8.

²⁷ Division 2, p. 4; Division 1, p. 8.

²⁸ Division 1, p. 8.

²⁹ National Grid 2, p. 4.

³⁰ Division 1, p. 8; Division 2, pgs. 3-4.

³¹ Division 1, p. 8.

³² Id.

³³ Id.

information in order to assist the Commission in assessing the level of competition in the SOS procurement process:

1. A summary of all bids received (instead of just winning bids), including indicative bids, shortly after they are received.

The summary should include the name of the bidder, the amount of power bid and the price;

2. An estimate, provided by the Company, of the bid premium included in any winning bid.

The bid premium would be the bid price less cost of components (i.e. energy, capacity, ancillary services etc.)³⁴

IV. National Grid's Rebuttal Testimony

In response to Mr. Hahn's testimony, National Grid's Director of Wholesale Electric Supply, Margaret Janzen, pointed out that although the schedule of rate changes is the same regardless of flat or shaped bids, a transition to flat bids would result in smaller adjustments (less volatility) because flat bids better align the Company's supply costs with retail rates.³⁵ The level of ease associated with flat bids is only a secondary reason for this proposal, the main reason being to minimize deferrals and rate volatility.³⁶ Ms. Janzen also explained that because most of the Commercial Group takes service under the Variable Price Option, the Company does not feel that flat bids serve to better align supply costs with revenue in this customer group.³⁷ Ms. Janzen clarified that RES pricing is evaluated separately from SOS bids, and therefore the flat bids

³⁴ Id., pgs. 11-12.

³⁵ National Grid 2, pgs. 2-3.

³⁶ Id., p. 3.

³⁷ Id., p. 4. Ms. Janzen also explained at the hearing that flat bids would not be appropriate for the Industrial Group because they are more capable of responding to market signals and managing their load accordingly. Transcript, p. 34.

would not interfere with SOS contracts with terms of more than one year.³⁸ Ms. Janzen agreed to provide to the Commission the bid summary information requested by Mr. Hahn shortly after the bids are received.³⁹ Ms. Janzen testified that calculating the risk premium for each block would not assist the Company in evaluating bids because the Company awards SOS contracts to the lowest bidder.⁴⁰

V. Hearing

National Grid testified in support of its 2012 SOS Procurement Plan and 2012 RES Procurement Plan at a hearing held on June 15, 2011 at the Commission's offices located at 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

FOR NATIONAL GRID: Thomas Teehan, Esq.

FOR THE DIVISION: Leo Wold, Esq.

FOR THE COMMISSION: Amy K. D'Alessandro, Esq.

Mr. Teehan explained that the 2012 SOS and RES Procurement Plans are identical to the 2011 procurement plans with a few minor exceptions.⁴¹ In the 2012 SOS Procurement Plan, the Company is requesting flat bids instead of shaped bids for the Residential Customer Group in order to reduce deferrals and facilitate comparison of bids.⁴² Ms. Janzen elaborated on the Company's purpose behind moving to flat bids, saying that it is in the best interest of ratepayers because it "matches up the procurement cost with the rate for that period."⁴³ Ms. Janzen also

³⁸ Id., p. 4.

³⁹ National Grid 2, p. 6. See also Transcript, p.14. The Company agreed to provide a summary of all bids received, including indicative bids. The summary would include the name of the bidder, the amount of power or number of tranches bid and the price. The Company agreed to provide this shortly after bids are submitted.

⁴⁰ National Grid 2, p. 6; see also Transcript, p.87 and p.89.

⁴¹ Transcript, pgs. 5-6.

⁴² Id., p. 5.

⁴³ Id., p. 11.

explained that switching to flat bids for the Residential Group would require the supplier to make load weighting calculations for the applicable months which would otherwise be performed by the Company.⁴⁴ Requiring the supplier to perform the load weighting calculation removes a step the Company would normally have to make in comparing bids.⁴⁵ The removal of this step, Ms. Janzen explained, would make it easier for the Company to determine the lowest bidder.⁴⁶

Ms. Janzen addressed Mr. Hahn's concern that flat bids may include a higher bid premium in stating that prior to filing the 2012 SOS Plan, the Company had asked suppliers whether they would include a higher premium with a flat versus shaped bid, and most of the suppliers replied that they would not include a higher premium with a flat bid.⁴⁷ In fact, three of the suppliers informed the Company that there would no premium embedded in the flat bid.⁴⁸

Ms. Janzen confirmed at the hearing that the Company was willing to provide the summary information recommended by Mr. Hahn (amount of power, number of tranches bid and the price) immediately following the solicitation.⁴⁹ She also confirmed the Company's willingness to calculate bid premiums, also recommended by Mr. Hahn, provided however that the bid premium would not be a factor in the Company's selection of the winning bid.⁵⁰ Ms. Janzen confirmed that the Company would continue its practice of awarding contracts to the lowest bidder.⁵¹ The Company was asked whether a transition to flat bids for the Residential Group would have a chilling effect on bidders who have historically submitted shaped bids instead of flat bids when given the choice.⁵² Ms. Janzen testified in response to this question that

⁴⁴ Id., pgs. 9-11.

⁴⁵ Id.

⁴⁶ Id., pgs. 11-12, 40.

⁴⁷ Id., pgs. 12-13.

⁴⁸ Id., p. 13.

⁴⁹ Id., pgs. 14-15

⁵⁰ Id., pgs. 36-37.

⁵¹ Id., p. 38.

⁵² Id., pgs. 40-41.

the Company was confident that the transition to flat bids would not adversely impact the bidding process since the Company had specifically addressed this issue with the suppliers prior to submitting its proposal with the Commission.⁵³ In further support of the Company's assertion that flat bids would not adversely impact the bidding process, Ms. Janzen noted that the suppliers contacted by the Company, prior to the filing of this proposal, were the most active bidders in the solicitation process.⁵⁴ Notably, when asked how suppliers currently submit bids, Ms. Janzen testified that suppliers are given a choice to submit either flat or shaped bids, and they typically choose to submit shaped bids.⁵⁵ Ms. Janzen also stated that in the Company's other jurisdictions, suppliers are given a choice of either flat or shaped bids, and though the Company is considering switching this practice to requiring only flat bids in other jurisdictions, it has not proposed this in any of its other service territories.⁵⁶

Ms. Janzen addressed the deletion of a collusion clause from one of the RFP documents stating that the original language in the RFP documents was intended simply to reflect that independent bids had been submitted in the solicitation process, i.e. no collusion had occurred between or among suppliers during the bidding process; however, when the Company learned that one of the suppliers had withdrawn from the bidding process because of this collusion language, the Company attempted to address this by deleting the language.⁵⁷ At the hearing, Ms.

⁵³ Id., p. 41.

⁵⁴ Id., pgs. 42-43.

⁵⁵ Id., p. 20.

⁵⁶ Id., pgs. 22-23.

⁵⁷ Id., pgs. 43-45. The collusion language in the SOS RFP Notice and RES RFP Notice that was deleted in the Company's original filing states, "Each respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP; the bidders' bids; the bidder's quantities of each product bid; the bidder's estimation of the value of a product; the bidder's preference for bidding on one or several products." National Grid's Response to Division 1-2.

Janzen was asked whether the Company would be willing to re-insert the collusion language into the RFP documents, and although she did not directly respond, Mr. Teehan confirmed that the Company is willing to re-insert the collusion clause into the RFP documents.⁵⁸

Mr. Hahn, representing the Division, conceded under cross-examination that flat bid pricing could result in minimizing deferrals; although he was careful to point out that this result was not guaranteed.⁵⁹ He also maintained his concern that flat bids may incorporate a bid premium and suggested that retaining the suppliers' choice between flat and shaped bids would allow the Company to determine whether in fact a bid premium was included in the shaped bids which in turn would result in a better, more informed evaluation of bids.⁶⁰ Mr. Hahn also testified that keeping the choice between flat and shaped bids would leave open the possibility of getting a lower price for ratepayers and would not present a burden to the Company.⁶¹ Mr. Hahn criticized, once again, the Company's method of soliciting feedback from suppliers concerning the transition to flat bids, saying that the survey was neither transparent nor dispositive of the issue of whether it would result in a bid premium.⁶² When questioned whether the current process of awarding contracts to the lowest bidder should be changed, Mr. Hahn seemed to suggest that the Company ought to consider bid premiums in the evaluation process.⁶³ In support of this position, Mr. Hahn cited the possibility of egregious market conditions, i.e. hurricane or other economic event, having a dramatic effect on energy prices.⁶⁴ Under these circumstances,

⁵⁸ Id., p. 43, 6.

⁵⁹ Id., p. 64.

⁶⁰ Id., pgs. 66-67.

⁶¹ Id., pgs. 62, 66- 67, 69.

⁶² Id., pgs. 86-87.

⁶³ Id., pgs 87- 89.

⁶⁴ Id., pgs. 78-79. 88-90.

Mr. Hahn suggested that it would be inappropriate for the Company to adhere to its normal practice of awarding supplier contracts to the lowest bidder.⁶⁵

VI. Commission Findings

At open meeting on July 29, 2011, the Commission voted 2-1 to reject the portion of National Grid's 2012 SOS Procurement Plan which requires suppliers to submit flat bids only, as opposed to flat or shaped bids, for the Residential Group. The Commission is charged with the responsibility to review and approve all components of National Grid's Standard Offer Service Procurement Plans.⁶⁶ Accordingly, after reviewing all components of the Company's 2012 SOS Procurement Plan and 2012 RES Procurement Plan, with the exception noted above, the Commission voted unanimously to approve the 2012 SOS and RES Procurement Plans, with modifications discussed herein.

Upon review of the record in this matter, the Commission is not persuaded that it would be in the best interest of ratepayers to authorize National Grid to modify its Standard Offer Service Procurement Plan to accept only flat bids from potential suppliers for the Residential Load. The record supports this finding in several respects which are discussed below.

The Commission first notes the lack of sufficient evidence to warrant a revision to the current practice of allowing suppliers to submit either flat or shaped bids in the SOS solicitation process. The testimony presented at the hearing revealed that National Grid's existing SOS Procurement Plan currently allows power suppliers an option of submitting flat or shaped bids

⁶⁵ Id. Mr. Hahn did not confirm whether he was maintaining the position put forth in his rebuttal testimony that flat bids, if approved by the Commission, should be limited to contracts in duration of 12 months or less. Transcript, pgs. 67-69. He testified that he would "need to consider that beyond [his] stay here this morning." Id., p. 69. His concern, however, was addressed by the Company in its rebuttal wherein Ms. Janzen clarified that RES pricing is evaluated separately from SOS bids, and therefore flat bids would not interfere with SOS contracts with terms of more than one year. National Grid 2, p.4.

⁶⁶ R.I.G.L. § 39-1-27.8.

for Standard Offer Service.⁶⁷ The record further revealed that given this option, power suppliers have typically chosen to submit shaped bids.⁶⁸ Additionally, throughout the proceeding, the Company adhered to the belief that flat bids do not necessarily include a risk premium. As support for its position that a risk premium would not be included in flat bids, the Company principally relied on the informal “survey” which indicated that three out of four suppliers verbally denied that a risk premium would be included in any submitted flat bid.⁶⁹ Ms. Janzen, however, testified that the Company “[had not] seen any flat bids” for Standard Offer Service in Rhode Island.⁷⁰ Also noteworthy is the fact that in National Grid’s other service territories, where both flat bids and/or shaped bids are permitted, they (flat bids) were typically not the winning bids.⁷¹ This evidence supports Mr. Hahn’s testimony that flat bids will most likely be higher than shaped bids as a result of a built in risk premium associated with flat bids. As Mr. Hahn noted at the hearing, “suppliers are reasonably good at dealing with risk but they don’t deal with them for free.”⁷² Higher flat bids translate to higher costs incurred by the Company which will ultimately result in higher retail rates. The Commission finds Mr. Hahn’s testimony, along with the evidence from other jurisdictions demonstrating that shaped bids were consistently lower than flat bids, significantly more persuasive than the Company’s reference to three suppliers’ verbal representations to the contrary.

It is worth noting that the Company did not allege at any time during this proceeding that the proposal to transfer to flat bids would create a more robust solicitation process or that the existing solicitation process was otherwise in need of improvement. The Company did not claim

⁶⁷ Transcript, p. 20.

⁶⁸ Id., p. 20.

⁶⁹ Id., pgs. 12-13.

⁷⁰ Id., p. 71.

⁷¹ Id.

⁷² Id., p. 82.

that the choice of flat or shaped bids was a burden to suppliers. In fact, although not advocating this, the Company witness testified that it would not be burdensome for the supplier to submit both flat and shaped bids.⁷³ The Company, however, testified that switching to flat bids for the procurement of its standard offer residential service would reduce deferrals and be administratively easier for National Grid.

While implementing flat bids for procuring standard offer service for the Residential Group may be administratively easier for National Grid, the record simply does not support a finding that flat bids will necessarily reduce deferrals. The Company's discovery response to Division's Data Request 1-7 is illustrative on this point, as it shows that monthly deferrals for 2010 were not biased in favor of shortages or overages, but fluctuated from month to month.⁷⁴ For the period ending February 2011, which included the entire year of 2010, the Company reported 5 shortages and 7 overages for a total deferral balance of approximately \$13 million for the Small Customer Group.⁷⁵ Additionally, the total Company deferral balance for the same period was approximately \$17 million.⁷⁶ This evidence supports Mr. Hahn's testimony that annual deferrals typically do not increase drastically one way or the other.⁷⁷ This fact, combined with the frequency of rate reconciliations, tends to weaken the Company's argument that flat bids are necessary to minimize deferrals. As Mr. Hahn pointed out, it cannot be said with certainty that flat bids will always result in reduced deferrals, particularly where the rates are

⁷³ Id., p. 49.

⁷⁴ Division 3, Attachment 1 to Company's Response to Division 1-7.

⁷⁵ Id. The Commission notes the discrepancy between the 2010 deferral balance for the Small Customer Group reported by the Company in Div. 1-7 (approximately \$13 million) and in Docket 4226 (1.4 million) which the Company reconciled on June 28, 2011 in a record response that shows different mathematical calculations for the two figures. Notably, both of these figures are lower than the threshold figure of \$23 million established in Docket 3788. In this docket, the Commission encouraged the Company to file for a rate change if the deferral balance exceeded this amount.

⁷⁶ Id.

⁷⁷ Transcript, pgs. 83-84.

adjusted twice per year.⁷⁸ In light of the foregoing discussion, the Commission finds that the totality of the evidence presented in this docket does not justify the Company's proposal to eliminate a supplier's option of submitting shaped bids for the Residential Group. Accordingly, the Company's request is denied.

The Commission finds that the remainder of the Company's 2012 SOS Procurement Plan, including the RFP documents submitted for approval, meet the requirements of R.I.G.L. § 39-1-27.8; provided however, that the following revisions are made. The Company shall revise the RFP documents to include the following two clauses which were omitted from the Company's original filing on March 1, 2011:

- 1) "Each respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP; the bidders' bids; the bidder's quantities of each product bid; the bidder's estimation of the value of a product; the bidder's preference for bidding on one or several products."
- 2) "National Grid was able to resolve all outstanding issues with the bidders prior to receipt of bids and executed agreements that did not shift risks or obligations to its customers from those contained in its proposed agreements."

The anti-collusion clause referenced in Paragraph 1 above shall be re-inserted into the SOS and RES RFP Notice, per the Company's agreement, and the clause referenced in paragraph 2 above shall be reinserted into the SOS RFP Summary. The Commission finds the removal of this language from the RFP documents unwarranted, and the Company has agreed to revise the documents accordingly. The Commission also finds Mr. Hahn's recommendations concerning the solicitation process to be valuable in assessing the robustness of the solicitation process.

⁷⁸ Id., pgs. 64-65.

Accordingly, the Company shall calculate bid premiums on all bids and submit these calculations to the Commission at the end of the solicitation process. Ms. Janzen testified that the Company is willing to calculate the bid premiums with the caveat that the Company would not use this information as a criterion for accepting bids.⁷⁹ The Commission find's Ms. Janzen's caveat reasonable as the Commission's access to this information is for informational purposes only. The Company shall also provide the Commission with a summary of all bids received immediately following the solicitation process. That summary shall include without limitation the name of the bidder, the amount of power bid and the price, and shall be provided to the Commission within 24 hours of the solicitation process. The Commission finds that this information will be helpful in evaluating the solicitation process and can be provided without substantial burden to the Company.

After careful review of the Company's 2012 RES Procurement Plan, the Commission finds that it is substantially similar to the RES Procurement Plan approved for 2011 and should be approved, provided the RFP Notice is revised as noted above. The Company's proposal to evaluate RES bids for the first year only when dealing with multiple year FRS contracts and procure RECs to meet the RES obligation for the remaining years from stand-alone RFPs does not appear to be unreasonable or less likely to ensure compliance with R.I.G.L. § 39-26-4 (The Renewable Energy Standard).

Accordingly, it is hereby

(20478) ORDERED:

1. The portion of the Narragansett Electric Company, d/b/a National Grid's 2012 SOS Procurement Plan which requires suppliers to submit flat bids only for the Residential

⁷⁹ Id., pgs. 36-37

Group is hereby denied. The Narragansett Electric Company, d/b/a National Grid, shall allow suppliers to submit either flat or shaped bids for the Residential Group, and all SOS RFP documents shall reflect the same.

2. The Narragansett Electric Company , d/b/a National Grid's 2012 SOS Procurement Plan is otherwise hereby approved, provided the following conditions are met:

a. The following anti-collusion clause that was removed from National Grid's SOS RFP documents shall be re-inserted:

“Each respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP; the bidders' bids; the bidder's quantities of each product bid; the bidder's estimation of the value of a product; the bidder's preference for bidding on one or several products.”;

b. The Narragansett Electric Company, d/b/a National Grid shall re-insert the following language into its SOS RFP Summary:

“National Grid was able to resolve all outstanding issues with the bidders prior to receipt of bids and executed agreements that did not shift risks or obligations to its customers from those contained in its proposed agreements.”

c. The Narragansett Electric Company, d/b/a National Grid shall calculate bid premiums on all bids and submit the calculations to the Commission at the end of the solicitation process; provided however, that National Grid shall not be required to use these bid premium calculations or estimates to determine either the robustness of the solicitation or whether to accept a supplier's bid;

d. The Narragansett Electric Company, d/b/a National Grid shall submit to the Commission and the Division a summary of all bids received within 24 hours,

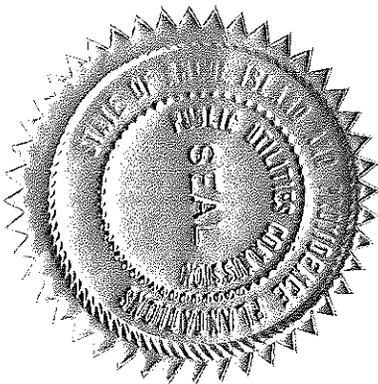
which summary shall include without limitation the name of the bidder, the amount of power bid and the price.

3. The Narragansett Electric Company, d/b/a National Grid's 2012 RES Procurement Plan is hereby approved; provided however that the following anti-collusion clause that was removed from National Grid's RES RFP documents shall be re-inserted:

"Each respondent certifies, by its submission of a bid, that it is bidding independently and that it has no knowledge of any proposal being submitted by another Respondent in response to this RFP. Each Respondent further certifies that, by its submission of a bid, it has not disclosed and will not disclose prior to any award hereunder any information relating to its proposal which could have an effect on whether another party submits a proposal to this RFP or on the contents of such proposal that another bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the bidder is submitting a proposal in response to this RFP; the bidders' bids; the bidder's quantities of each product bid; the bidder's estimation of the value of a product; the bidder's preference for bidding on one or several products.";

4. The SOS and RES RFP documents proposed in National Grid's March 1, 2011 filing are hereby approved; provided however, they shall be revised as necessary to comply with the terms and provisions of this Order.

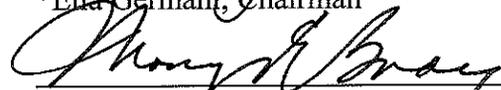
EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 29, 2011 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED SEPTEMBER 20, 2011.



PUBLIC UTILITIES COMMISSION



*Elia Germani, Chairman



Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner

*Chairman Germani dissented from the majority decision to reject the portion of the 2012 SOS Procurement Plan which required suppliers to submit only flat bids for the Residential Group.