

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S PROPOSED :  
2012 STANDARD OFFER SUPPLY PROCUREMENT : DOCKET NO. 4227  
PLAN AND 2012 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" or "Company") Standard Offer Service ("SOS") rates relative to the Industrial Group for the period April 1, 2012 through June 30, 2012, filed on February 22, 2012 ("Compliance Filing").<sup>1</sup> On July 29, 2011, the Commission approved NGrid's proposed SOS Procurement Plan for 2012 ("Approved Plan").<sup>2</sup> In this Compliance Filing, the Company also filed the Results of Competitive Procurement for the Industrial, Commercial and Residential Groups.

**II. Background**

In accordance with the Approved Plan for the Industrial Group, NGrid will conduct four separate procurements for three-month Full Requirements Service ("FRS") contracts.<sup>3</sup> Rates will change monthly based on the contract price. NGrid will request separate pricing from FRS bidders to take on the RES obligation during the period they provide SOS. NGrid will compare the pricing to its projection of the cost to fulfill its RES obligation and then choose the lower cost option. For the Residential and Commercial Groups, NGrid will continue its periodic procurements of a portion of the

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

<sup>2</sup> Order No. 20478 (issued September 20, 2011).

<sup>3</sup> The Industrial Group is made up of customers taking service under the following Tariffs: G-32, G-62, B-32, B-62 and X-01.

load through multi-year contracts with suppliers in order to develop a retail rate that is dollar cost averaged for ninety percent (90%) of the load with the remaining ten percent (10%) made up of projected spot market purchase prices. Similar to the RES procurement process for the Industrial Group, NGrid will request separate pricing from FRS bidders to take on the RES obligation during the period they provide SOS. NGrid will compare the pricing to its projection of the cost to fulfill its RES obligation and then choose the lower cost option. For these customer groups, where there are multi-year contracts, the Company will only evaluate the bidders' RES pricing for the first year.

### **III. Compliance Filing**

On February 22, 2012, NGrid submitted a 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 January 6, 2012 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 April 1, 2012 through June 30, 2012 for the Industrial Group through a FRS contract for 100% of the load. In the same RFP, NGrid requested pricing for 15% of the load for the period July 1, 2012 through December 31, 2012 and 20% of the load for the period January 1, 2013 through June 20, 2013 for the Residential Group.<sup>4</sup> Again, in the same RFP, NGrid requested pricing for 30% of the load for the period July 1, 2012 through December 31, 2012 for the Commercial Group.<sup>5</sup> NGrid received indicative bids on February 1, 2012 and final bids on February 8, 2012. The results of the bidding were

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<sup>4</sup> The Residential Group is comprised of Rate Classes A-16 and A-60.

<sup>5</sup> The Commercial Group is comprised of Rate Classes G-02, C-06, S-06, S-10 and S-14.

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 2012 obligation through separate solicitations.<sup>6</sup> Ultimately, NGrid accepted one bid for the Industrial Group, two for the Residential Group and one for the Commercial Group, each of which were the “lowest bidder for block.”<sup>7</sup>

#### **IV. Division’s Position**

On March 14, 2012, the Division submitted a Memorandum from Stephen Scialabba, Chief Accountant, and David Stearns, Rate Analyst V, summarizing the filing and stating that the filing is in compliance with Commission Order No. 20478 approving the Approved Plan. The Division provided the projected rates for the Industrial Group using adjustment factors in effect prior to April 1, 2012.

#### **V. Commission Findings**

On March 29, 2012, 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 Commission also approved the Industrial Rates as filed by NGrid for effect on usage on and after April 1, 2012. At the same Open Meeting, as part of its review of NGrid’s Electric Retail Rate Filing in Docket No. 4314

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<sup>6</sup> NGrid’s Compliance Filing, Attachment 5.

<sup>7</sup> *Id.* at 16.

and Renewable Energy Charge and Reconciliation in Docket No. 4227, the Commission approved a new Standard Offer Adjustment Factor, Administrative Cost Factor and Renewable Energy Factor for effect on usage on and after April 1, 2012. Therefore, the retail SOS charge on the Industrial Group for the period April 1, 2012 through June 30, 2012 is as follows: April - \$0.04788, May - \$0.0473 and June - \$0.04341. The average SOS rate for the Industrial Group for the period April 1, 2012 through June 30, 2012 represents a \$0.016893 decrease or 26.78% from the SOS rate for the Industrial Group for March 31, 2012.

Accordingly, it is hereby

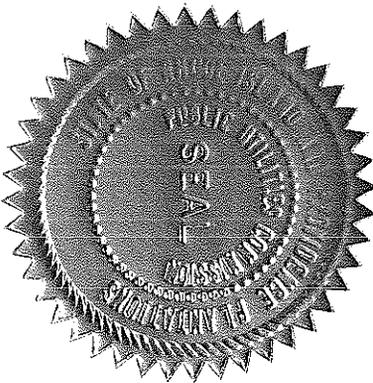
(20698) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's procurement process is in compliance with the previously approved 2012 SOS Procurement Plan.
2. Narragansett Electric Company d/b/a National Grid shall file its Standard Offer Service rates for the Industrial Group on or before June 1, 2012 for effect on usage on and after July 1, 2012.
3. The Standard Offer Service rates filed by Narragansett Electric Company d/b/a National Grid on February 22, 2012 for usage on and after the period commencing April 1, 2012, including the Standard Offer Adjustment Factor, Administrative Cost Factor and Renewable Energy Charge approved in Docket No. 4314 and 4227 are hereby approved for the Large Customer Group as follows: April - \$0.04788 per kWh; May - \$0.0473 per kWh; June - \$0.04341 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 APRIL 1, 2012  
PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2012. WRITTEN  
ORDER ISSUED APRIL 12, 2012.

PUBLIC UTILITIES COMMISSION



*Elia Germani*  
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Elia Germani, Chairman

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

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Paul J. Roberti, Commissioner \*

\*Commissioner Roberti concurs but is unavailable for signature.