

January 23, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4227 - 2012 Standard Offer Service Procurement Plan
2012 Renewable Energy Standard Procurement Plan
Responses to Record Requests**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ responses to two (2) Record Requests that were issued at the Commission's Evidentiary Hearing held on December 14, 2011, in the above-captioned docket.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company")

Record Request 1

Request:

- (a) Do the suppliers to whom the RFP notification was issued include suppliers without generation assets?
- (b) Do these suppliers without generation assets utilize portfolio contracts and/or other hedging instruments?
- (c) How many of the winning bidders do not own generation assets?

Response:

- (a) – (c)

National Grid does not obtain from suppliers to whom an RFP notification is issued information regarding their generation assets.

National Grid announces an upcoming Standard Offer Service RFP via an email to wholesale suppliers, REC suppliers, and any other organization that has requested notification. The RFP announcement is also distributed to the NEPOOL Markets Committee via email, and the RFP itself is posted on the National Grid energy supply website.

National Grid does not require Full Requirements Service (FRS) suppliers to own generation in order to participate in the Standard Offer Service (“SOS”) competitive solicitation. Because the competitive solicitation process awards a contract to a supplier based on the lowest price, it is not necessary for National Grid to require disclosure of the supplier’s generation portfolio. The amount of generation assets that an FRS supplier chooses to allocate and the degree of hedging that an FRS supplier deems appropriate are solely the supplier’s choice. The risks associated with these decisions are borne by the supplier.

To participate in the competitive solicitation, a supplier must have an executed Master Power Agreement (“MPA”) as of the indicative bid date. If selected, the supplier provides SOS supply in accordance with the terms and conditions of the MPA. A supplier must also have an executed Market Participant Service Agreement with the ISO-New England or provide evidence of agreements with another Market Participant that would be responsible for its market settlement obligations.

Record Request 2

Request:

Section 6 of the RFP Summary indicates that futures prices have decreased since the last procurement. If this is true, why did retail rates increase?

Response:

Section 6 states:

“The NYMEX electric futures prices have decreased from the date of the previously completed RFP (August 10, 2011) for the January 2012 to December 2012 period. On that day, the average NYMEX electric futures on peak price for this term was \$55.82 and it decreased to \$53.51 as of this final bid date. Also, the average NYMEX electric futures off peak price for this term decreased from \$43.54 to \$41.61.

Additionally, the NYMEX electric futures prices decreased from the indicative price date to the final price date for the January 2012 to December 2012 period. The average on peak price decreased from \$54.01 to \$53.51 and the average off peak price decreased from \$42.22 to \$41.61.”

Section 6 does not provide a comparison of NYMEX electric futures for the previous rate period, April 2011 through December 2011, to the new rate period, January 2012 through June 2012. Therefore this section on “Description of Wholesale Markets Conditions” would not explain an increase in retail rates between the two periods.

Section 6 compares the recent RFP's NYMEX futures prices for the entire calendar year 2012 to the previous RFP's 2012 futures prices. This section also compares the final bid date's NYMEX futures prices to the indicative bid date's futures prices. This section is intended to provide information regarding short-term market movements. It does not compare multiple RFPs' NYMEX futures prices by rate period.

NYMEX electric futures provide an estimate of the power component of FRS winning bid prices. Below is a comparison of the “round the clock” (“RTC”) NYMEX electric futures prices for the Residential and Commercial Groups for the two rate periods.

The Narragansett Electric Company
d/b/a National Grid
Docket No. 4227
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2012 Renewable Energy Service Procurement Plan
Responses to Record Requests
Issued at Commission's Evidentiary Hearing on
December 14, 2011

Record Request 2 (continued, p2)

	Residential RTC \$ / MWH	Commercial RTC \$ / MWH		Residential RTC \$ / MWH	Commercial RTC \$ / MWH
Apr-11	42.76	43.45	Jan-12	62.63	64.44
May-11	41.58	42.22	Feb-12	61.96	62.85
Jun-11	42.51	43.21	Mar-12	45.65	46.14
Jul-11	48.06	49.32	Apr-12	44.41	44.25
Aug-11	49.71	50.56	May-12	42.86	42.78
Sep-11	42.34	43.19	Jun-12	43.85	43.99
Oct-11	44.35	45.00	Average	50.23	50.74
Nov-11	45.15	45.81			
Dec-11	48.49	49.08			
Average	44.99	45.76			

NYMEX electric futures are provided daily as monthly on-peak and off-peak prices. The RTC prices above are calculated for each month and customer group by utilizing the published on-peak and off-peak futures prices as of each RFP date, the load procured in each RFP, and an estimate of the on-peak and off-peak usage for each customer group. The April 2011 to December 2011 RTC prices consist of NYMEX electric futures prices for three RFPs. The January 2012 to June 2012 RTC prices consist of NYMEX electric futures for four RFPs.

The table above demonstrates that futures prices did not decrease for the January 2012 to June 2012 rate period. A straight average of the Residential RTC prices shows an increase from \$44.99 to \$50.23, an 11.6% increase. A straight average of the Commercial RTC prices shows an increase from \$45.76 to \$50.74, a 10.9% increase. These percentage increases in RTC NYMEX electric futures prices for the two classes are consistent with the retail rate increases for the Residential and Commercial Groups of 9.46% and 5.43%, respectively.

Prepared by or under the supervision of: Margaret M. Janzen