

June 1, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket No. 4315
2013 Standard Offer Service Procurement Plan and
2013 Renewable Energy Standards Procurement Plan
Responses to Commission – Set 1

Dear Ms. Massaro:

Enclosed are the responses of National Grid¹ to the Commission's First set of Data Requests in the above referenced docket. This filing is also accompanied by a Motion for Protective Treatment in accordance with Rule 1.2(g) of the Commission's Rules of Practice and Procedure and R.I.G.L. §38-2-2(4)(i)(B). Consequently and pursuant to Commission rules, the Company has provided the Commission with one copy of the confidential materials for its review, and has otherwise included redacted copies of those materials.

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.

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.

Joanne M. Scanlon

June 1, 2012
Date

Docket No. 4315 National Grid – 2013 SOS and RES Procurement Plans Service List updated 5/15/12

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

National Grid

2013 Standard Offer Service Procurement Plan

Docket No. 4315

2013 Renewable Energy Standards Procurement Plan

**MOTION OF THE NARRAGANSETT ELECTRIC COMPANY,
D/B/A NATIONAL GRID
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION**

Now comes The Narragansett Electric Company, d/b/a National Grid (“Company”) and hereby requests that the Rhode Island Public Utilities Commission (“Commission”) grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(i)(B).

I. BACKGROUND

On June 1, 2012, the Company filed with the Commission its responses to Commission Data Requests Set 1. The Company’s response to COMM 1-5 identifies the brokers and indexes that the Company utilizes in determining the market costs for new RECs. The Company seeks confidential treatment for this pricing information since this information is competitively sensitive, proprietary information that the Company wishes to keep confidential. For the reasons stated below, the Company requests that this information be protected from public disclosure. The Company has also filed redacted copies of its filing deleting the competitively sensitive information in question.

II. LEGAL STANDARD

Rule 1.2(g) of the Commission's Rules of Practice and Procedure provides that access to public records shall be granted in accordance with the Access to Public Records Act ("APRA"), R.I.G.L. §38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a "public record," unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the Commission falls within one of the designated exceptions to the public records law, the Commission has the authority under the terms of APRA to deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(i)(B) provides that the following records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that the determination as to whether this exemption applies requires the application of a two-pronged test set forth in Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I.2001). The first prong of the test assesses whether the information was provided voluntarily to the governmental agency. Providence Journal, 774 A.2d at 47. If the answer to the first question is affirmative, then the question becomes whether the information is "of a kind that would customarily not be released to the public by the person from whom it was obtained." Id.

In addition, the Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established by the Court in Providence Journal v. Kane, 577 A.2d 661 (R.I.1990). Under this balancing test, the Commission may protect information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

III. BASIS FOR CONFIDENTIALITY

With respect to the broker and index information, the Company has redacted this information to prevent the situation where FRS suppliers view these broker sheets and indexes as guidance prior to submitting a bid. The Company compares RES pricing submitted by FRS bidders to the most recent market prices. If the Company has not recently held a standalone solicitation for RECs, it will obtain REC market prices from the most recent broker sheets and indices. If the broker or index names are released, suppliers may view these sources of pricing information prior to the RFP and determine a RES price to beat. The FRS suppliers may simply provide a price slightly lower than this price rather than submit their lowest possible bid. Release of this type of information would be commercially harmful to the Company and to its customers since potential bidders could use this information in such a way that would impede the Company's ability to obtain the best possible bid for its customers.

V. CONCLUSION

In light of the foregoing, the Company respectfully requests that the Commission grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

**THE NARRAGANSETT ELECTRIC
COMPANY**

By its attorney,



Thomas R. Teehan (RI #4698)
280 Melrose Street
Providence, RI 02907
(401) 784-7667

Dated: June 1, 2012

Commission 1-1

Request:

Please confirm that the Net Metering Tariff and Qualified Facility Tariff referred to on page 14 of Ms. Janzen's testimony are the same tariffs approved by the Commission in Docket No. 4314.

Response:

The Net Metering Tariff and Qualified Facility Tariff referred to on page 14 of Ms. Janzen's testimony are the same tariffs approved by the Commission in Docket No. 4314.

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

Commission 1-2

Request:

Schedule 3C of Ms. Janzen’s Testimony is entitled ISO-NE Settlement – One Day ISO Settlement Example. According to Ms. Janzen’s testimony, “the ISO-NE invoice detail will enable the Company to clearly distinguish between charges for SOS purchases and credit for electricity from these renewable resources. The Company proposes to recover any charges on the ISO-NE invoice related to generation, which would be netted against the credit for renewable energy.”

Please explain how Schedule 3C shows this with the result being that \$44,729 will be credited to all delivery customers while \$80,285 will be charged to SOS residential and commercial customers.

Response:

In this example, the table on the left, titled “Spot Market Transactions for Residential and Commercial Groups,” displays the energy-only expenses associated with the 10% spot market purchases. The table on the right, titled “Day Ahead and Real Time Generation,” displays the energy-only revenue associated with the Long Term Renewable Contracts. The Company will allocate these ISO-NE credits and charges to the appropriate customer type.

The Company will recover the \$80,285 charge for the Spot Market Transactions from the Residential and Commercial Standard Offer Service (“SOS”) Groups. An estimate of the 10% Spot Market Transactions is included in the SOS Rates. In the SOS reconciliation, the Company will reconcile the \$80,285 charge with the revenue collected through SOS Rates.

The \$44,729 associated with ISO-NE payments to the Company for renewable generation from resources approved in the Long Term Renewable Contracts will be credited to all delivery service customers through a recovery mechanism that the Company intends to file with the commission for consideration. (See the Company’s response to Commission 1-3) This \$44,729 will partially offset the Long Term Renewable Contracts payments for renewable generation.

The Company’s payment to ISO-NE will be \$35,556 (\$80,285 less \$44,729). The expenses and revenue financially net to determine the ISO-NE invoice amount.

Commission 1-3

Request:

Please indicate when the Company plans to file the proposed cost recovery mechanism for the recovery of above-market contract costs, as well as the reconciliation of estimates with actual costs, associated with any Long Term Renewable Contracts, referenced on page 15 of Ms. Janzen's testimony.

Response:

The Company plans to file the proposed cost recovery mechanism for the recovery of above-market contract costs, as well as the reconciliation of estimates with actual costs associated with any Long Term Renewable Contracts, by July 1, 2012, as a revision to the existing recovery mechanism, R.I.P.U.C. No. 2081, Long-Term Contracting for Renewable Energy Recovery Provision that was approved by the Commission in Docket 4308.

Prepared by or under the supervision of: Jeanne A. Lloyd

Commission 1-4

Request:

On page 21 of her testimony, Ms. Janzen indicates that “the Company proposes to continue to request separate pricing from FRS bidders to accept the RES obligation for the period served by the SOS contract.” The bids would then be evaluated in the same manner as prior RES solicitations and “[i]f the bid pricing is higher than the available market pricing or if market prices are not available for comparison, then the Company will not include the RES obligation with the SOS supply.” (emphasis added)

Later on page 21, she states, “It is possible that the Company may not award RES pricing in all SOS competitive solicitations. This is a slight modification from the 2012 RES Plan. Due to the amount of New RECs acquired from the Long Term Renewable Contracts, the Company may not require RES pricing for SOS transactions.” (emphasis added).

In his Memorandum, Mr. Hahn states, “In terms of the RES plan, though there may be no need to award REC pricing in all SOS competitive solicitations, the Company should still request pricing in the event that deliveries from the resources under the long-term contracts do not meet expected amounts. I expect “new” REC markets to continue to be tight over the foreseeable future and the Company should avoid being short under such market conditions.”

- a) Does National Grid plan to request REC pricing in all SOS competitive solicitations? If not, why not?
- b) Has National Grid awarded RECs in all prior SOS competitive solicitations?
- c) How will National Grid’s RES Procurement Plan satisfy Mr. Hahn’s stated concerns?

Response:

- a) Yes, for 2013 RES obligations, the Company will continue to request REC pricing in the SOS competitive solicitations. However, the Company may not need to award RES pricing because of the anticipated delivery of New RECs from the Long Term Renewable Contracts. If the Company forecasts that the expected combined RECs from Long Term Renewable Contracts and completed SOS solicitations will be greater than the New RES obligation, the Company may decide to not award RES pricing in SOS solicitations in 2013. In the event that a Long Term Renewable Contract does not provide the expected RECs amounts, the Company has the ability to solicit RECs through standalone RES solicitations or through SOS competitive solicitations.

Commission 1-4, page 2

- b) For the period January 2010 to the present, the Company has awarded RES pricing in one SOS solicitation. In all the other SOS solicitations, either the winning FRS suppliers did not submit RES pricing, or the submitted RES pricing of the winning FRS suppliers was higher than the market estimate.
- c) The Company agrees with Mr. Hahn's observation regarding the tightness of the REC market and believes that this proposed plan has the appropriate procurement methods to avoid being short RECs. For 2013 RES obligations, the Company will continue to request REC pricing in the SOS competitive solicitations. This pricing through competitive SOS solicitations will be conducted in addition to the competitive standalone RES solicitations. These procurement activities will complement the RECs procured from the Long Term Renewable Contracts, in order to meet the RES obligation.

The Company's proposal addresses Mr. Hahn's concerns of a shortage of New RECs to satisfy the New RES obligations. In the event that a Long Term Renewable Contract does not provide the expected RECs amounts, the Company has the ability to solicit RECs through standalone RES solicitations or through SOS competitive solicitations. The flexibility of the standalone RES solicitation makes it the ideal method because it can be issued at any time and for exact REC quantities, which are two advantages absent in the quarterly SOS solicitations.

In years beyond 2013, it may not be necessary to solicit RES pricing in SOS competitive solicitations because the expected New RECs from Long Term Renewable Contracts will exceed both the New RECs requirement as well as the allowable banking limit. At that point if the Company procured additional New RECs via standalone RES RFPs or SOS solicitations, it would be forced to either sell these RECs later or let them expire worthless because the REC quantity would exceed the allowable banking amounts.

Commission 1-5

REDACTED

Request:

With regard to the determination of the market cost of new RECs to assess to SOS customers, please provide examples of the source of broker information and public REC indexes.

Response:

At this time, the Company is unaware of any public indices for RI REC classes. The Company intends to utilize the most representative data sources, such as recent solicitation results, broker sheets, and proprietary market indices to determine market costs of New RECs. The Company obtains Rhode Island RECs market prices from [REDACTED] brokers and from the subscription-based [REDACTED]. The brokers that provide the Company with Rhode Island market prices are [REDACTED]. The Company will utilize new data sources if they become available, such as RECs indices or new broker sheets.

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

[REDACTED]

Commission 1-6

Request:

Does National Grid have access to the results of competitive solicitations in other states with a similar REC class other than those obtained by National Grid companies?

Response:

No, the Company does not have access to competitive solicitation results for any other state other than competitive solicitation results for its affiliates in Massachusetts and New Hampshire.

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

Commission 1-7

Request:

- a) If the transaction costs related to the procurement of RECs is not embedded in the REC price, how are they recovered now?
- b) Please provide the transaction/administrative related costs for the past three years (costs referenced on pages 23-25 of Ms. Janzen's testimony).
- c) How will transaction costs related to the procurement of RECs be recovered under the Company's proposal?
- d) If they are embedded in the REC price, how will they be treated for purposes of the Long Term Contracting Standard?

Response:

- a) Costs are categorized as transactional (broker fees) or administrative (the Company's staff). RECs procured through brokers include the broker fee with the REC price. RECs procured through non-broker transactions have no other transaction costs other than the Company's administrative costs. These administrative costs are not embedded in the REC prices.

These administrative costs include administering the solicitations, negotiating purchase agreements with counterparties, conducting legal review of contracts, tracking collateral requirements, settling and paying invoices, and managing the REC inventory. These administrative costs are included for recovery in the Standard Offer Service ("SOS") Administrative Cost Adjustment Factors along with the administrative costs of providing SOS, as provided for in the Standard Offer Adjustment Provision.

- b) The costs of procuring RECs are not tracked separately from the costs of providing SOS in the Company's accounting system. Recovery of SOS administrative costs was approved in Docket No. 4065 beginning in 2010. Prior to 2010, the Company did not record these specific administrative costs. The SOS administrative costs approved for recovery for 2010 and 2011 are \$6.3 million and \$5.8 million, respectively.
- c) Costs associated with the 2013 RES Procurement Plan will continue to be recovered through the existing mechanisms. The administrative costs related to the procurement of RECs will continue to be recovered through the Standard Offer Administrative Cost Adjustment Factors. The transactional (broker) costs and the REC costs will continue to be recovered through the Standard Offer Adjustment Provision.

Commission 1-7, page 2

- d) As described in the response to Commission 1-3, by July 1, 2012 the Company will file a revision to the existing recovery mechanism, R.I.P.U.C. No. 2081, Long-Term Contracting for Renewable Energy Recovery Provision, to recover costs associated with RECs procured through Long Term Renewable Contracts. The Company anticipates that all administrative and transactional (broker) costs resulting from the Long Term Renewable Contracts will be recovered from all delivery customers.

Prepared by or under the supervision of: Jeanne A. Lloyd and Margaret M. Janzen

Commission 1-8

Request:

Please identify the projects under Long Term Renewable Projects that will begin to generate electricity during 2012, the anticipated date of commencement, and the amount of RECs that the Company expects to be generated from each project during the 2012 REC trading period and the 2013 REC trading period.

Response:

In October 2012 the Company expects Rhode Island LFG Genco, LLC to become commercially operational and commence generation. The Company expects to receive approximately 60,000 Vintage 2012 New RECs and 239,000 Vintage 2013 New RECs from this project.

Starting in 2013, the Company expects several contracted distributed generation projects to commence generation. The Company expects to receive approximately 7,000 Vintage 2013 New RECs from these distributed generation projects.

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

Commission 1-9

Request:

Does the Company plan to continue to notify the Division of its REC solicitations and unsolicited offers that it has received or is considering, as suggested by Mr. Hahn in his Memorandum using the same practices it has been using under prior procurement plans? If not, why not? If so, but with changes, what is the Company's proposal?

Response:

Yes, the Company will continue to notify the Division of its REC solicitations and unsolicited offers that it is considering accepting at or below the market price. This approach is based on discussions with the Division on this topic.

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