

ROBERT J. MUNNELLY, JR.
617.457.4062 DIRECT TELEPHONE
617.210.7062 DIRECT FACSIMILE
RMUNNELLY@MURTHALAW.COM

April 17, 2015

BY EMAIL AND MAIL

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

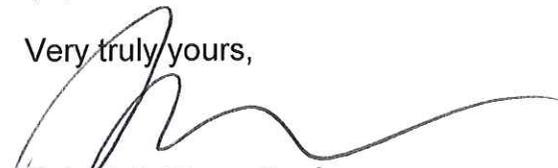
Re: Docket No. 4556 – In Re: National Grid's Proposed 2016 Standard Offer Supply Procurement Plan and 2016 Renewable Energy Supply Procurement Plan

Dear Ms. Massaro:

Enclosed for filing in the above-referenced case please find an original and nine copies of the Written Comments of NextEra Energy Power Marketing, LLC, submitted in lieu of pre-filed testimony.

Please let me know if you have any questions.

Very truly yours,



Robert J. Munnely, Jr.

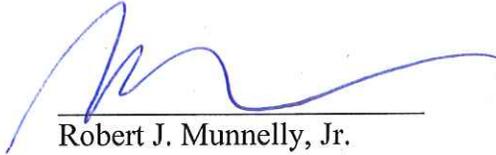
Enc.

cc: Service List (by mail and/or email)

CERTIFICATE OF SERVICE

I, Robert J. Munnely, Jr., hereby certify that on the date hereof I served a true copy of the foregoing Written Comments of NextEra Energy Power Marketing, LLC, by first class mail and/or email upon the service list in this Docket 4556.

Date: April 17, 2015



Robert J. Munnely, Jr.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S PROPOSED :
2016 STANDARD OFFER SUPPLY : DOCKET NO. 4556
PROCUREMENT PLAN AND 2016 :
RENEWABLE ENERGY SUPPLY :
PROCUREMENT PLAN : APRIL 17, 2015

**WRITTEN COMMENTS OF
NEXTERA ENERGY POWER MARKETING, LLC**

Introduction

NextEra Energy Power Marketing, LLC ("NEPM") hereby submits the following written comments in lieu of testimony in this proceeding in which the Public Utilities Commission ("PUC" or "Commission") will review the 2016 procurement plans for annual standard offer service supply and renewable energy service supply of Narragansett Electric Company d/b/a National Grid ("National Grid"). After reviewing National Grid's March 2, 2015 filings in this proceeding, including the pre-filed testimony and exhibits of Ms. Margaret M. Janzen ("Janzen Testimony"), the March 26, 2015 intervention materials of Lieutenant Governor Daniel J. McKee, and the April 3, 2015 intervention materials of Attorney General Peter F. Kilmartin, NEPM has developed recommendations to assist the Commission in its review of the National Grid procurement plans.

Background

NEPM is a wholly-owned subsidiary of NextEra Energy, Inc. ("NextEra"). NextEra is one of the largest electric power companies in North America, with consolidated annual revenues of approximately \$17.0 billion, approximately 44,900 MW of generating capacity, electric generating facilities located in 27 states in the U.S. and four provinces in Canada, and approximately 13,800 employees as of December 31, 2014. NextEra's principal subsidiaries are

Florida Power & Light Company, which serves approximately 4.7 million customer accounts in Florida and is one of the largest rate-regulated electric utilities in the United States, and NextEra Energy Resources, LLC (“NEER”), which together with its affiliated entities is the largest generator in North America of renewable energy from wind and solar. NEPM, a subsidiary of NEER, is a wholesale supplier of electricity products in the New England markets and elsewhere.

In early March 2015, National Grid filed the following procurement plans with the Commission: SOS Procurement Plan for large commercial and industrial (“C&I”) customers and residential and small C&I customers for Year 2016 (“SOS Procurement Plan”) pursuant to R.I.G.L. § 39-1-27.8; and Renewable Energy Standard Procurement Plan for Year 2016 (“RES Procurement Plan”) pursuant to R.I.G.L. § 39-1-26-4. National Grid offered the Janzen Testimony to support the SOS and RES Procurement Plan filings.

Intervention pleadings were timely filed by Lieutenant Governor McKee, Attorney General Kilmartin and NEPM. NEPM assumes that the Division of Public Utilities and Carriers (the “Division”) will participate as well. For its part, NEPM’s intervention pointed out that as an active wholesale supplier of electric power to many of New England’s electric utilities, and as a company whose corporate affiliates also generate renewable electricity as well as provide retail competitive electric supply services, NEPM has unique interests and a unique perspective that could be helpful to the Commission in its review of the National Grid filing.

National Grid’s 2016 filing and testimony proposed several changes to the previous 2015 National Grid Procurement Plan approved by the Commission in July 2014 and confirmed in a Final Order issued on February 23, 2015. In particular, National Grid proposes to change practices and solicit only “flat” bid prices for the entire full requirements service contract term

for each Residential and Commercial Group block put out for bid, instead of affording the option for a generator to bid “shaped” bid prices that reflect anticipated underlying changes in market prices for each month of the block. March 2, 2015 National Grid filing letter, at p. 2. The purpose of this change is to “help make the migration process easier” for customers who selected a competitive retail provider (also referred to as “Non-regulated Power Producer” or “NPP”) and facilitate a decrease and eventual elimination of the longstanding fixed to variable price billing adjustment. See id.; see also Janzen Testimony, pp. 16-18.

National Grid subsequently on April 9, 2015 responded to a set of Data Requests issued by the Division. See Responses to Division Requests, Set 1, Nos. 1-1 through 1-14.

NEPM now submits these comments in lieu of testimony on the 2016 National Grid procurement filings in advance of the Intervenor testimony deadline established by the Commission.

NEPM Comments

I. GENERAL COMMENTS REGARDING UTILITY PROCUREMENTS

NEPM is pleased to provide comments in this important docket to establish the legal and policy parameters for National Grid’s procurement of standard offer service and renewable energy service supply for 2016. NEPM is supportive of many of the processes that the Commission has implemented to date over the past half-dozen years of Commission procurement dockets in the State of Rhode Island. In particular, incorporating the option for suppliers to use “shaped” bids – as Commission-approved procurements have consistently done – increases a bidder’s comfort with its bid and minimizes the need for the bidder to incorporate risk premiums in its bids.

II. BIDDERS SHOULD CONTINUE TO BE ABLE TO SUBMIT SHAPED BIDS FOR THE 2016 PROCUREMENT FOR THE SAME REASONS FOUND BY THE COMMISSION IN THE 2012 YEAR ORDER

In the 2012 Procurement Docket (No. 4227), National Grid submitted a proposal to eliminate the use of “shaped” bids for residential customer classes and require exclusive use of “flat” bids for the duration of the bidding period. See generally March 11, 2011 National Grid Pre-Filed Testimony and attachments; see also September 20, 2011 Commission Final Order approving 2012 procurement plans, as modified, at pp. 2-3 (summarizing National Grid’s flat bid proposal). This proposal was opposed by the Division’s witness (Richard Hahn) (see September 20 Order at pp. 4-6), supplemented in National Grid rebuttal testimony (id., pp. 6-7), discussed in detail at the evidentiary hearing (id. at pp. 7-11), and, ultimately, rejected by the Commission for use in standard offer procurements on multiple detailed grounds. Id., at pp. 11-14. Among other factors supporting the decision maintaining shaped bids, the Commission concluded (1) when given the option of submitting flat or shaped bids, most suppliers chose to submit shaped bids and, indeed, suppliers had not opted to submit flat bids in Rhode Island (id., pp. 11-12); (2) the Commission discounted National Grid testimony that flat bids would not include a risk premium as not credible based on a lack of supporting evidence and, conversely National Grid’s admission that flat bids were typically not the winning bids in states where both flat and shaped bids were submitted (id., pp. 12-13); (3) National Grid testimony failed to show that changing to flat-only bids would increase responses to National Grid procurement processes (id., pp. 13-14); and (4) the record failed to support National Grid’s contention that flat bids would lead to reductions in deferrals. Id., pp. 14-15.

NEPM respectfully requests that the latest effort to require flat bids be rejected for the same lack of record support as the Commission found in rejecting the argument less than four years ago during the 2012 procurement cycle. As discussed above, the Commission found then that a required flat bid-only approach would prevent suppliers from using their preferred bidding approach, increase use of bid premiums and lead to higher prices for end users without sufficient countervailing benefits. The instant filing does not even purport to offer record evidence to demonstrate that each of the above subsidiary findings were factually incorrect at the time or, alternatively, circumstances had changed sufficiently since 2011-12 to justify reconsideration. Instead, the National Grid filing relies principally on the new argument that a flat bid approach would benefit consumers by eliminating harms from the operation of the fixed to variable true up adjustment. See generally Janzen Testimony at pp.17-18. Respectfully, this argument puts the proverbial cart before the horse. If adverse impacts to retail choice from operation of the true up are a significant problem, the Commission should address the root cause by reviewing the true up, as Massachusetts has just finished doing in D.P.U. Docket 14-140.¹ At this time, NEPM is not taking a position whether or not the true-up adjustment should be eliminated, in this docket or any future proceeding, but it notes that eliminating the adjustment would permit continued use of pro-supplier and pro-consumer shaped bids by wholesale suppliers without the necessity of bill fluctuations.

Beyond the bill fluctuation argument, addressed above, National Grid offers only limited and unpersuasive factual arguments to seek to support the proposed change to eliminate any use

¹ See Massachusetts D.P.U. Docket 14-140, December 11, 2014 Vote and Order to Open Investigation, pp. 7-12 (soliciting written comments by early 2015 on its proposal to eliminate the adjustment because of its limited benefits and significant potential detriments as a “barrier to participation [by these classes] in the competitive supply market”). The DPU eliminated the adjustment for residential and small commercial customers in an Order issued on April 13, 2015. See http://web1.env.state.ma.us/DPU/FileRoomAPI/api/Attachments/Get/?path=14-140%2fOrder_041315.pdf. <last accessed April 14, 2015>.

of shaped bids, even if the supplier believes such bids would result in more competitive offers with reduced risk premiums. First, Ms. Janzen observes “it is possible” that “some” suppliers would respond to flat bid mandate by making an offer without adding a risk premium. See Janzen Testimony at p. 19. It is certainly “possible,” but National Grid offers no record support for the proposition that it would be likely, let alone certain, that most suppliers would ignore risk and risk premiums in submitting Rhode Island bids pursuant to a new flat rate-only regime or even continue to participate if shaped bids are eliminated.² National Grid conceded it did not perform, and does not offer for the Commission’s consideration, any study to determine the extent of risk premiums associated with flat bids. See National Grid Response to Division Request 1-7. The Commission’s contrary findings in the 2012 procurement as to unnecessary risk premiums and concerns with supplier participation if the process does not permit supplier-preferred shaped bids remain persuasive and should continue to be followed. Second, Ms. Janzen correctly asserts that suppliers are “familiar” with flat priced bidding principles but ignores that familiarity does not equate to support by wholesale suppliers for flat bids in preference to shaped bids or to more competitive, lower priced bids that will benefit Rhode Island consumers.

For all of these reasons, the Commission should continue to maintain its well-supported and persuasive 2012 procurement year precedent permitting bidding suppliers to continue to have the option of submitting shaped bids. Principles of reasoned consistency in administrative decision making and reliance interests among interested parties support continued adherence to past precedent absent strong countervailing evidence supporting a policy change that,

² Indeed, Ms. Janzen’s testimony itself expressly acknowledges that most suppliers continue to prefer use of shaped bids. See id., p. 19. This is confirmed in the Response to Division Request 1-7 (acknowledging that five of the seven suppliers informally polled preferred retention of shaped bids). Of all the suppliers informally polled, only two indicated that they either would have no risk premium for a flat bid or might not have one. Id.

respectfully, has not been offered by National Grid in this proceeding. See generally Docket 3551, In Re: Petitions to Place the Newport Naval Station on the G-62 Rate, Report and Order dated December 23, 2003 (“Although this Commission is not required to follow precedent, it does make an effort to develop and follow consistent regulatory approaches. Also, this Commission has determined that when it changes a regulatory policy it will provide an explanation for such departures”) (internal quotations omitted).

In sum, from NEPM’s perspective, the factual bases for the Commission’s earlier ruling remain in effect and, moreover, the record is devoid of facts supporting a change in policy that would warrant a factual response from the wholesale supplier community. Accordingly, the National Grid proposal to adopt an all-flat bid approach should be rejected.

Conclusion

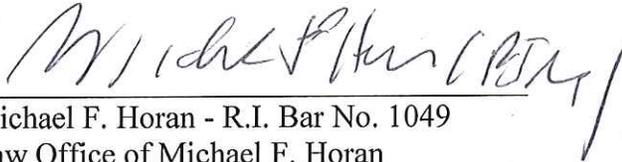
NEPM once again appreciates the opportunity to participate in this docket to review and refine procurement rules for the upcoming 2016 procurement year. For the reasons stated above, the Commission should reject the proposal to eliminate shaped bids.

Respectfully submitted,

NEXTERA ENERGY POWER MARKETING,
LLC



Robert J. Munnely, Jr. - MA BBO# 555202
CT Juris #433604
Murtha Cullina LLP
99 High Street - 20th Floor
Boston, MA 02110
T: (617) 457-4062
F: (617) 210-7062
rmunnely@murthalaw.com
Pro Hac Vice Pending



Michael F. Horan - R.I. Bar No. 1049
Law Office of Michael F. Horan
393 Armistice Blvd.
Pawtucket, RI 02861
T: (401) 725-7368
F: (401) 726-2460
office@horanlawoffice.com