

April 9, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

RE: Docket 4041 - National Grid Accelerated 2010 Standard Offer Procurement Plan (“APP”)

Dear Ms. Massaro:

On behalf of National Grid¹, I have included for filing ten (10) copies of National Grid’s Standard Offer Service Accelerated Procurement Plan (“APP”). In this filing, the Company seeks Commission review and approval of a partial Standard Offer Procurement Plan designed to obtaining fixed price financial swap contracts for energy for a large portion of the Small Customer group load (defined as customers receiving service on Basic Residential Rate A-16, Low Income Rate A-60, Small C&I Rate C-06, Limited Private Lighting Rate S-10 and General Streetlighting Rate S-14).

This proposal is intended to take advantage of the currently favorable wholesale market prices for electric power. The Company fully intends to file its amended overall 2010 Standard Offer Supply Procurement Plan in compliance with the Commission’s clarified Order 19610 (April 6, 2009). That filing will contain the Company’s plan for large commercial and industrial customers and will be coordinated with its 2010 RES Procurement Plan for all customer load. However, the Company is filing this plan in advance so as to move quickly to lock in energy prices for the Small Customer Class, which is the segment of its Standard Offer customers that will most likely be dependent on receiving Standard Offer supply during 2010.

This filing contains 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)(B). The Company seeks protection from public disclosure of certain confidential, commercially sensitive, and proprietary aspects of the proposed Accelerated Procurement Plan. Accordingly, the Company requests that the Commission protect the confidentiality of that information. To that end 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 the plan. In developing this plan, the Company has worked in consultation with the Division of Public Utilities and Carriers.

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

¹ The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”).

Luly E. Massaro, Commission Clerk
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Very truly yours,

A handwritten signature in blue ink, appearing to read "T. Teehan". The signature is fluid and cursive, with a large initial "T" and a stylized "R" and "Teehan" following.

Thomas R. Teehan

Enclosure

cc: Docket 4041 Service List
Paul Roberti, Esq.
Steve Scialabba, Division

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

_____)	
National Grid)	
Accelerated 2010 Standard Offer)	
Procurement Plan (“APP”) Plan)	Docket No. 4041
_____)	

**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 April 9, 2009, the Company filed with the Commission its proposed Accelerated Procurement Plan (“APP”) to procure fixed-price financial instruments to hedge a portion of the projected supply for the Small Customer class. This filing contains a plan document that describes the timing and other pricing details of solicitations under the plan. 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

One of the key considerations, consistent with the Commission’s rules and precedent, is that public disclosure of these terms 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.

The Company seeks to protect from public disclosure the terms contained in its filing at pages 2, 3, and 5 of the plan document and Attachments 2,3, and 4 to that filing. These redactions contain dates upon which the Company would be issuing solicitations, pricing information, and details of the proposed contracts. The Company believes that disclosure of these details could adversely impact the prices the Company would receive as a result of these solicitations.

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: April 9, 2009

National Grid¹

Rhode Island Standard Offer Service Accelerated Procurement Plan

I. Objective

The goal of the Standard Offer Service Accelerated Procurement Plan is to lock in the commodity cost for a large portion of the Standard Offer Service (“SOS”) load for the smallest customers. This Accelerated Procurement Plan will be considered part of the overall Standard Offer Service Procurement Plan for 2010.

II. Fixed Price Financial Swap Contract for Energy

- A. The Company believes the current wholesale electric market presents an opportunity to move on an accelerated basis to hedge or fix a portion of the energy commodity costs to provide standard offer supply for 2010. The graph in Attachment 1 shows the actual monthly Rhode Island Day Ahead electric prices over the last six years. Current market prices have not been this low since late 2003; however, the forward electric prices do steadily increase in 2010 and 2011.
- B. The Accelerated Procurement Plan allows the Company to move promptly to take advantage of these current low energy prices by obtaining fixed price financial swap contracts for energy for a large portion of the Small Customer group load (defined as customers receiving service on Basic Residential Rate A-16, Low Income Rate A-60, Small C&I Rate C-06, Limited Private Lighting Rate S-10 and General Streetlighting Rate S-14). Under the plan, the Company would procure financial instruments that, as of the date of the bid, lock in the prices for the energy component of the projected Small Customer load. The energy component of the projected load is the component that is most subject to changes in fuel prices and is thus most volatile. At a later date, the Company would procure a full requirements service (“FRS”) contract for the Small Customer load. On that date the Company would unwind the financial instrument that had locked in a majority of the energy component of the projected Small Customer load, offsetting movement in the price of that energy.
- C. The fixed price financial contract would allow the Company to pay a fixed price for energy and to receive from its counterparty a floating price for energy, hence the term “swap.”
1. This swap contract would apply to a fixed notional of load for a fixed period of time.

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

2. The swap contract would not have an upfront premium and would not be for physical delivery of energy.
3. The swap contract would unwind and be financially settled between the counterparties on a predetermined date [REDACTED] when a one-time settlement cost would be calculated and paid to one of the counterparties, depending on where prices moved.
4. The settlement is based on Day Ahead electric forward prices for the ISO New England Internal Hub, which is a liquid market allowing for transparent pricing and monitoring.
5. If Day Ahead electric forward prices for the ISO New England Internal Hub are higher on the settlement date than the contract award date, then the swap is “in the money,” and the Company will receive a settlement payment.
6. Conversely, if Day Ahead electric forward prices for the ISO New England Internal Hub are lower on the settlement date than the contract award date, then the swap is “out of the money,” and the Company will pay a settlement to the swap counterparty.
7. The settlement amount (positive or negative) will be applied to the calculation of retail rates for the Small Customer group.

D. The fixed price financial swap contract offers the following advantages over the FRS contract:

1. Allows for an expedited solicitation, with a quicker bid turnaround time than FRS contracts, because the ISO-NE Internal Hub is a very liquid and transparent market;
2. Allows for competitive and efficient pricing of energy during both the solicitation process and on the settlement date, due to the liquidity of the futures market for ISO-NE Internal Hub prices;
3. Allows the Company to efficiently lock in energy prices for those time periods starting out more than twelve months from the award date (i.e. October 2010 through March 2011). The Company believes obtaining FRS contracts for periods that start more than twelve months into the future may have higher premiums in the fixed price contracts, due to the larger uncertainty in load forecasts, migration impacts, potential ISO market rule changes, and credit requirements;
4. Allows for a broad spectrum of bidders (beyond that of FRS bidders) with potentially better credit ratings that could result in lower prices for customers;
5. Allows the Company to provide energy price stability and effectively lock in commodity costs to customers in a similar manner as a FRS contract. The table in Attachment 2, Example of Hedging Process using Financial

Contract, illustrates how a fixed price financial swap effectively achieves the same commodity costs as a FRS contract issued at the same time. Attachment 2 also shows that that the financial contract would hedge approximately 70% of the total commodity cost, locking in the energy component. The remaining components of total commodity costs, such as capacity, have less volatility. Capacity prices have been fixed seasonally through 2011 in the ISO-NE Forward Capacity Market; and

6. Allows for the transition to a managed portfolio for procuring Standard Offer Service to be implemented more efficiently.
- E. The Company will lock in a portion of the commodity costs for the Small Customer group. Since the Company's RES obligations under R.I.G.L. §39-26-4 relate to at most 4.5 % of the standard offer procurement for 2010, the expedited plan would provide for less than all of the projected supply requirements for the Small Customer class, and thus set aside a portion of the Small Customer Class load for treatment within the context of its upcoming amended filing. Under the Accelerated Procurement Plan, the following process will occur:
1. The Company will issue a Solicitation for an Electric Swap Transaction (Attachment 3);
 2. The Company will procure a fixed price financial swap contract for 95% of the energy portion of the estimated wholesale load requirements for the Small Customer group, for January 1, 2010 through September 30, 2010 (Period #1);
 3. The Company will procure a fixed price financial swap contract for 50% of the energy portion of the estimated wholesale load requirements for the Small Customer group, for October 1, 2010 through March 31, 2011 (Period #2);
 4. The financial swap contract obtained for the period January 1, 2010 through September 30, 2010 will settle with the counterparty based upon [REDACTED] closing forward market prices;
 5. The net benefit (costs) associated with the settlement of the financial swap contract will be used in the calculation of retail rates for the Small Customer group, for the time period January 1, 2010 through September 30, 2010;
 6. The financial swap contract for October 1, 2010 through March 31, 2011 will be retained and will be settled with the counterparty based upon [REDACTED] closing forward market prices;
 7. The net benefit (costs) associated with the settlement of the financial swap contract will be used towards the calculation of retail rates for the Small Customer group, for the time period October 1, 2010 through March 31, 2011;

8. Review bid results with Division Staff before awarding contract; and
 9. An industry standard International Swaps and Derivatives Association (“ISDA”) contract, Credit Annex Agreement and Confirmation Agreement (Attachment 4) would be entered into with the winning bidder(s).
- F. This accelerated hedge will be indexed to the Day Ahead electric forward prices for the ISO New England Internal Hub as published by the New York Mercantile Exchange (“NYMEX”).
1. NYMEX publishes ISO New England Internal Hub monthly forward prices for On-Peak and Off-Peak periods;
 2. The ISO-New England Internal Hub is highly correlated (99.8%) to the actual monthly average Day Ahead electric prices for the Rhode Island Zone; and
 3. The Rhode Island Zonal prices historically have been 98.3% of the New England Internal Hub price.
- G. The estimated load requirements were developed by using the actual 2008 load data as the basis for the overall forecast for calendar year 2010. The monthly on-peak and off-peak loads were calculated using the 2008 data in combination with the Customer Class Load Shapes to produce a typical monthly forecast for 2010 and 2011. The final monthly load requirements may be adjusted as necessary, based upon responses to the solicitation process.

1. Period #1 Transaction

Transaction Month	On-Peak MW	Off-Peak MW
January 2010	480	420
February 2010	480	420
March 2010	420	380
April 2010	360	320
May 2010	360	320
June 2010	490	410
July 2010	590	470
August 2010	590	470
September 2010	410	350

Total On-Peak Quantity: 1,419,840 MWH
Total Off-Peak Quantity: 1,383,200 MWH

2. Period #2 Transaction

Transaction Month	On-Peak MW	Off-Peak MW
October 2010	220	190
November 2010	230	190
December 2010	260	220
January 2011	250	220
February 2011	250	220
March 2011	220	200
July 2010	220	190

Total On-Peak Quantity: 487,680 MWH
Total Off-Peak Quantity: 479,310 MWH

III. Reporting Requirements

The Company will provide quarterly reports showing the results of the settlement of financial contract hedges, requests for proposals for FRS contracts, and forecasted retail rates for each class.

IV. Cost Recovery

Pursuant to Standard Offer Adjustment Provision, R.I.P.U.C. No. 2002, the Company will file its annual reconciliation in November of each year for costs incurred during the prior October through September period. The Company will include separate reconciliations for large C&I customers and residential and small C&I customers.

V. Schedule

[REDACTED]

VI. Attachment List

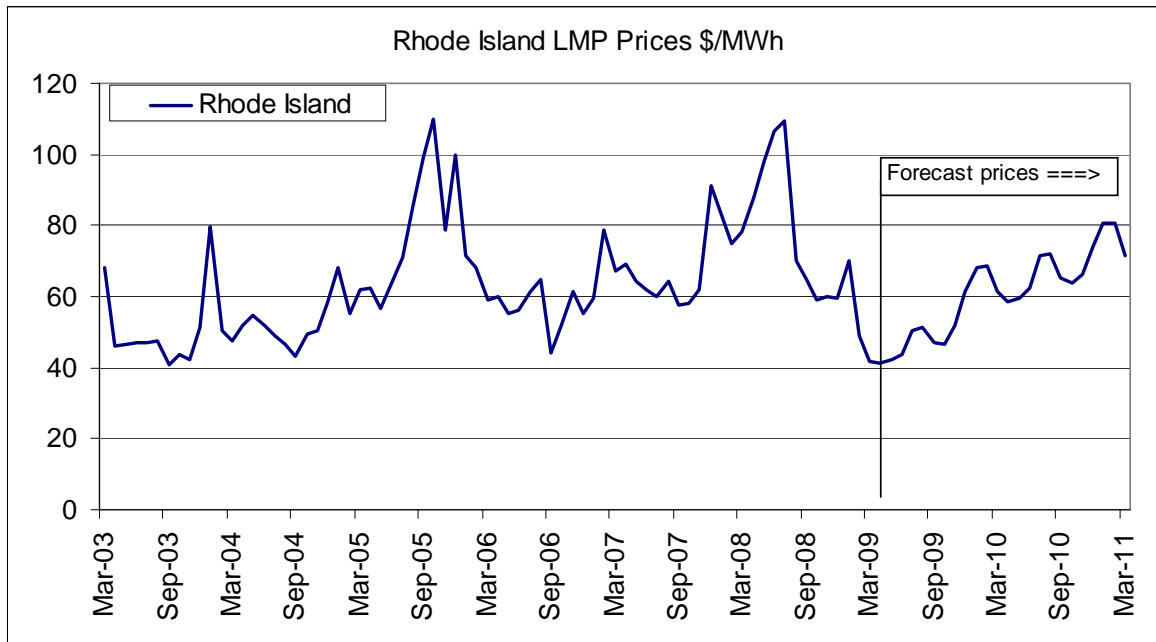
Attachment 1:

[REDACTED]

Market Prices: Historical & Forecast

[REDACTED]

Attachment 1
Market Prices: Historical & Forecast



Attachment 2
Example of Hedging Process using Financial Contract

REDACTED

Attachment 3
Proposed Solicitation for an Electric Swap Transaction

REDACTED

Attachment 4
Proposed Confirmation Agreement

REDACTED