

March 1, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: 2011 Standard Offer Service Procurement Plan
2011 Renewable Energy Standard Procurement Plan
Docket No. _____**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ Standard Offer Service ("SOS") procurement plan for 2011 as well as the Company's Renewable Energy Standard ("RES") procurement plan for 2011. The SOS Procurement Plan is submitted in compliance with the provisions of R.I.G.L. §39-1-27.8. The RES Procurement Plan is submitted in compliance with the provisions of R.I.G.L. §39-26-4 and the Rules and Regulations Governing the Implementation of a Renewable Energy Standard promulgated by the Rhode Island Public Utilities Commission ("Commission").

The filing relative to the Company's 2011 SOS Plan includes the proposed Procurement Plan for each customer group, the standard Master Power Agreement, a Request for Proposal ("RFP") Notice (template), and an RFP Summary (template). The Company is seeking Commission approval of its proposed Procurement Plan, the Master Power Agreement, and the RFP documents. (Since the Company is in the process of revising certain portions of its form RFP documents, the Company will supplement this filing will supplement this filing with the most current version of these documents shortly.) Additionally, the Company is seeking approval of its 2011 RES Procurement Plan consisting of the Plan document, Standard Certificate Purchase Agreement, RES RFP Notice (template), and RES RFP Summary (template). In support of the SOS Procurement Plan and the RES Procurement Plan, the Company is submitting the pre-filed direct testimony of Margaret M. Janzen. The Company is also submitting the pre-filed direct testimony of Jeanne A. Lloyd to describe its proposed SOS Procurement Plan tariff changes, pricing provisions, and rate-change and reconciliation filing schedules.

SOS Procurement Plan

Under the Company's proposed 2011 SOS procurement plan, starting in April 2011 there will be three customer groups consisting of an Industrial Group, a Commercial Group, and a Residential Group. In designing the 2011 SOS procurement plan, the Company drew on a comprehensive analysis of the strengths and weaknesses of various SOS procurement approaches. The Company was also guided by a survey of active Full Requirements Service ("FRS") suppliers to help determine which types of FRS products may be

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

associated with the most efficient FRS prices.² The Company's SOS procurement plan contains the following significant features:

Three Distinct Classes of Service

- Starting in April 2011, the Company is proposing to redefine its SOS customer groups by splitting the existing SOS customer groups into the following three groups instead of the current two:
 - 1) "Industrial Group" consisting of customers receiving service on 200 kW Demand Rate G-32, 3,000 kW Demand Rate G-62, Backup Service Rates B-32 and B62, and Electric Propulsion Rate X-01;
 - 2) "Commercial Group" consisting of customers receiving service on General C&I Rate G-02, Small C&I Rate C-06, Decorative Street and Area Lighting Rate S-06, Limited Private Lighting Rate S-10, and General Streetlighting Rate S-14;
 - 3) "Residential Group" consisting of customers receiving service on Basic Residential Rate A-16 and Low Income Discount Rate A-60.

Procurement Methods and Schedule:

- For the Industrial Group, the Company is proposing to continue the existing approved method of procuring SOS supply through FRS contracts, three months in duration, solicited quarterly, for 100% of the load through March 2012.
- For the Commercial Group and for the Residential Group, the Company is proposing a procurement schedule that will allow for a transition to a repeating schedule that would begin in late 2011. The repeating schedule for the Commercial Group would consist of quarterly solicitations for FRS contracts, with delivery periods between six months and twelve months, to meet the requirements of 90% of the Commercial Group load, with the remaining 10% of the necessary supply procured by the Company through ISO-NE spot market purchases. For the Residential Group, the repeating procurement schedule would consist of quarterly solicitations for FRS contracts, with delivery periods between six months and twenty-four months, to meet the requirements of 90% of the Residential Group load, with the remaining 10% of the necessary supply procured by the Company through ISO-NE spot market purchases.
- The Company's plan includes the steps and timing of the procurements, including opportunities for the Commission to review the bid results and approve the winning bidders.
- The Company is also proposing a slight modification to the products procured under the approved 2010 SOS Procurement Plan to allow the Company to extend the policy of procuring 5% of Small Customer Group supply in the form of spot market purchases through March 31, 2011.

Rate Changes

- Starting April 2011, the Industrial Group rates will be priced similar to the current Large Customer Group, with a fixed price that varies monthly, based on the three month FRS contract for 100% of

² Pursuant to Rule 1.2(g) of the Commission's Rules of Practice and Procedure, the Company is requesting confidential treatment relative to the competitively sensitive survey summary included as Schedule 2 to the Janzen testimony. A Motion for Confidential Treatment is included with this filing.

Luly E. Massaro, Commission Clerk

March 1, 2010

Page 3 of 3

the load. However, for the Residential and Commercial Groups, the rate change on April 1, 2011 would be effective through December 31, 2011. Thereafter, rate changes for the Residential and Commercial groups will occur each January 1 and July 1. Accordingly, the Company proposes to move to semi-annual rate filings for the Residential and Commercial Groups that would include a reconciliation of actual costs incurred during the prior periods of January through June and July through December with Standard Offer adjustment factor changes effective April 1 and October 1 of each year.

RES Procurement Plan

Finally, as mentioned previously, the Company is also filing its 2011 RES procurement plan. As was approved for the Company's 2010 RES Procurement Plan, for 2011 the Company proposes to continue to request separate pricing from FRS bidders to take on the RES obligation at the same time as providing SOS service. If the pricing provided by the winning SOS supplier or suppliers is higher than available market prices or if market prices are not available for comparison, then the Company would procure renewable energy certificates ("RECs") through a series of stand-alone RFPs issued by the Company as well as in response to unsolicited offers, sufficient to meet its RES obligations.

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

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION

2011 Standard Offer Service Procurement Plan

2011 Renewable Energy Standard Procurement Plan Docket No. _____

**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 March 1, 2010, the Company filed with the Commission its Standard Offer Service Procurement Plan. As an attachment to the testimony of Margaret M. Janzen, the Company attached a supplier survey that was conducted by the Company. This survey 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. In the instant case, the Company indicated to suppliers that participated in its survey that the survey would be kept confidential. Among other things, the survey requests participants to identify preferred types of supply procurements in terms of size and duration. If responses from suppliers were to become public it is foreseeable that in the future suppliers will not participate in similar Company-initiated surveys, which would ultimately 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 Attachments 2 to the testimony of Margaret M. Janzen

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: March 1, 2010

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. _____
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: MARGARET M. JANZEN

DIRECT TESTIMONY

OF

MARGARET M. JANZEN

MARCH 1, 2010

TABLE OF CONTENTS

I. Introduction..... 1

II. Purpose of Testimony 3

III. Current 2010 SOS Procurement Plan and Proposed Modification 4

IV. Proposed SOS Procurement Plan for 2011 and Subsequent Periods 6

V. SOS Rate Pricing for the Customer Groups 15

VI. Procurement Process and Schedule 17

VII. Renewable Energy Standard Procurement Plan for 2011 22

VIII. Conclusion 26

1 **I. Introduction**

2 Q. Please state your name and business address.

3 A. My name is Margaret M. Janzen, and my business address is 100 East Old Country Road,
4 Hicksville, NY 11801.

5
6 Q. Please state your position with and describe your duties at National Grid.

7 A. I am the Director of Electric Supply and Distributed Generation for National Grid USA
8 Service Company, Inc. I oversee the procurement of energy, capacity and ancillary
9 services, portfolio hedging strategies and other energy supply related activities, as well as
10 the interconnections of unaffiliated generating units to the electric distribution systems,
11 for National Grid's operating companies, including Narragansett Electric d/b/a/ National
12 Grid ("Narragansett" or "Company"). For Narragansett, these activities include the
13 procurement of power for Standard Offer Service ("SOS") as well as the procurement of
14 renewable energy certificates ("RECs").

15

16 Q. Will you describe your educational background and training?

17 A. I graduated from The Cooper Union in 1993 with a Bachelor of Engineering in Civil
18 Engineering. I received a Masters in Business Administration in Finance from Baruch
19 College in 2000.

20

21 Q. What is your professional background?

1 A. In July 1993 I joined the Brooklyn Union Gas Company as a Management Trainee and
2 Associate Engineer in the Project Engineering Department. In September 1997 I
3 accepted a position as an analyst in the Strategic Planning Department, and the name of
4 the company was changed to KeySpan Corporation. In August 1999 I became Manager
5 of the Capital Markets group in the Treasury Department and was responsible for
6 hedging of the corporate bond portfolio as well as new equity and debt issuances for
7 KeySpan. In August 2003 I moved to the Investor Relations Department, providing
8 financial and strategic information regarding the company to the investment community.
9 In March 2006 I joined the Regulatory Department and became Manager of the Gas
10 Pricing group, working on gas rate cases, regulatory mechanisms, implementation and
11 compliance. In March 2008 I accepted my current position of Director of Electric Supply
12 and Distributed Generation.

13
14 Q. Have you previously testified before the Rhode Island Public Utilities Commission
15 (“Commission”)?

16 A. Yes.

17
18 Q. Have you testified before any other state regulatory agencies?

19 A. Yes. I have testified before the New Hampshire Public Utilities Commission regarding
20 electric supply procurement activities and rates.

21

1 **II. Purpose of Testimony**

2 Q. What is the purpose of your testimony?

3 A. There are two purposes of my testimony. First, regarding Standard Offer Service, I will
4 review the existing 2010 Standard Offer Supply Procurement Plan (“2010 SOS Plan”)
5 approved by the Commission last year, and I will discuss the Company’s proposal for a
6 slight modification to the products procured under this plan. I will also discuss the
7 procurement plan that is proposed in this filing for 2011 and subsequent periods (“2011
8 SOS Plan”).

9
10 The second purpose of my testimony is to propose the Company’s 2011 Renewable
11 Energy Standard Procurement Plan (“RES Plan”). This plan is designed to meet the
12 Company’s 2011 obligations under the Renewable Energy Standard (“RES”) by obtaining
13 the statutorily established percentage of its energy supply from eligible renewable energy
14 resources including through the procurement of qualifying NE-GIS certificates. (See
15 R.I.G.L. §39-26-4 (d).)

16
17 Q. What is the basis for the Company’s submitting its proposed 2011 SOS Plan for
18 Commission approval?

19 A. Rhode Island General Laws §39-1-27.3 and 39-1-27.8 require the Company to arrange
20 for a power supply for customers who are not otherwise receiving electric service from a
21 non-regulated power supplier. Pursuant to §39-1-27.8, from 2009 through 2018, the

1 Company must file an annual supply procurement plan with the Commission that
2 includes the procurement procedure, the pricing options being sought, and a proposed
3 term of service for which SOS will be acquired. All such components of the procurement
4 plan are subject to review and approval by the Commission.

5
6 Q. What is the basis for the Company's submitting its proposed 2011 RES Procurement Plan
7 for Commission approval?

8 A. On June 29, 2004, the Rhode Island legislature enacted into law a Renewable Energy
9 Standard (R.I. Gen. Laws § 39-26-1 et seq.). On December 8, 2005, the Commission
10 issued final regulations implementing the RES effective January 1, 2006. Pursuant to the
11 RES law and Commission regulations, beginning on January 1, 2007, the Company and
12 all other obligated entities (as specified in Definition 3.24 of the RES Regulations) are
13 required to obtain a percentage of their energy supply from a mix of new and existing
14 renewable energy resources. Section 8.2 of the RES Regulations requires the Company,
15 and all obligated electric utility distribution companies, to annually submit a Renewable
16 Energy Procurement Plan to the Commission that demonstrates its procedures for
17 obtaining resources that satisfy the Company's RES obligations.

18
19 **III. Current 2010 SOS Procurement Plan and Proposed Modification**

20 Q. Please review the existing approved 2010 SOS procurement plan.

1 A. The 2010 SOS Plan [Docket 4041, approved on 11/24/09] has two distinct classes of
2 service:

3 (1) Large Customer Group, consisting of customers receiving service on General C&I
4 Rate G-02, 200 kW Demand Rate G-32, 3,000 kW Demand Rate G-62, Backup Service
5 Rates B-32 and B62, and Electric Propulsion Rate X-01 and (2) Small Customer Group,
6 consisting of customers receiving service on Basic Residential Rate A-16, Low Income
7 Discount Rate A-60, Small C&I Rate C-06, Limited Private Lighting Rate S-10,
8 Decorative Street and Area Lighting Service S-06, and General Streetlighting Rate S-14.

9
10 The 2010 SOS Plan for the Large Customer Group involves acquiring load following,
11 full requirements service (“FRS”) contracts for 100% of the load through quarterly
12 solicitations for three months in duration: January through March, April through June,
13 July through September, and October through December.

14
15 The 2010 SOS Plan for the Small Customer Group involves two distinct procurement
16 periods. The first period, January through September 2010, has 95% of the load
17 contracted through FRS contracts. The remaining 5% is purchased by the Company
18 through Independent System Operator-New England (“ISO-NE”) spot market purchases.

19 For the second period, October 2010 through March 2011, the Company has received
20 Commission approval in Order 19839 for 100% FRS contracts. Currently the Company
21 has entered into FRS transactions for 87.5% of the load for this period.

1 Schedule 1 depicts the approved 2010 SOS Plan and the proposed modifications to the
2 October 2010 through March 2011 period, for which the Company is seeking approval.

3
4 Q. Please describe the proposed modifications to the approved 2010 SOS Plan.

5 A. Currently, 12.5% of the Small Customer Group load, for the October 2010 to March 2011
6 period, needs to be procured during mid-2010. Although the approved plan involves
7 procurement of this supply in the form of FRS contracts, the Company is proposing
8 instead to continue the ISO-NE spot market purchases that are currently being made.
9 Specifically, the Company is proposing to procure 5% of the 12.5% through ISO-NE spot
10 market purchases and the remaining 7.5% of the 12.5% through an FRS solicitation in
11 May 2010. This will allow the Company to extend the policy of procuring 5% of Small
12 Customer Group supply in the form of spot market purchases through March 31, 2011.
13 Absent any problems with spot procurement in the future, the Company believes that it is
14 reasonable to continue the current level of spot procurement rather than revert back to
15 100% FRS contracts for the Small Customer Group during the six month period from
16 October 2010 through March 2011 since this minor change to the approved 2010 SOS
17 plan is consistent both with how supply is being procured now and the proposed SOS
18 procurement plan for 2011 and subsequent periods.

19 **IV. Proposed SOS Procurement Plan for 2011 and Subsequent Periods**

20 Q. Please summarize the Company's proposed SOS procurement plan for periods
21 subsequent to those addressed in the approved 2010 SOS Plan.

1 A. First of all, the Company is proposing to hold one more solicitation for a three-month
2 FRS supply product for the Large C&I Group, for the January to March 2011 period.
3 Second, as of April 1, 2011, the Company is proposing to redefine the SOS customer
4 groups. Third, the Company is proposing to continue the practice of procuring SOS
5 supply through a combination of FRS contracts and ISO-NE spot market purchases with
6 the mix of products tailored to meet the needs of each customer group.

7
8 Q. Why is the Company proposing to hold one more solicitation for a three-month FRS
9 supply product for the Large C&I Group, for the January to March 2011 period?

10 A. There are two reasons. First, this is simply an extension of the current approved
11 procurement practice for Large C&I supply. Second, this additional three-month FRS
12 product will result in adequate supply for the Large C&I group through March 31, 2011,
13 which is when the approved supply purchases for the Small Customer Group expire and
14 the SOS procurement groups can be redefined.

15
16 Q. Please describe the proposed redefinition of the SOS customer groups starting April 1,
17 2011.

18 A. Starting in April 2011, the Company is proposing to split the existing SOS customer
19 groups into three groups instead of two, and the three groups will be defined as follows:

20 (1) The "Industrial Group" will consist of customers receiving service on 200 kW

1 Demand Rate G-32, 3,000 kW Demand Rate G-62, Backup Service Rates B-32 and B62,
2 and Electric Propulsion Rate X-01.

3 (2) The “Commercial Group” will consist of customers receiving service on General C&I
4 Rate G-02, Small C&I Rate C-06, Decorative Street and Area Lighting Rate S-06,
5 Limited Private Lighting Rate S-10, and General Streetlighting Rate S-14.

6 (3) The “Residential Group” will consist of customers receiving service on Basic
7 Residential Rate A-16 and Low Income Discount Rate A-60.

8
9 Q. Why is the Company proposing to redefine the customer groups?

10 A. The Company believes that there are differences between various types of customers, and
11 as markets continue to develop, it is important to tailor the SOS supply portfolio for a
12 given type of customers to the appropriate balance of price stability and the ability and
13 willingness to respond to price signals to encourage efficient consumption, customer
14 investment, and service decisions. Industrial customers are generally the most willing
15 and/or able to access the competitive retail supply market to meet their needs. As a
16 result, these customers do not need to rely upon utility standard offer service to provide
17 them price stability to the same degree that commercial and residential customers do.
18 Therefore the SOS supply portfolio for industrial customers should comprise a greater
19 portion of shorter-term supply products. Similarly, commercial customers are generally
20 more willing and/or able to access the competitive retail supply market to meet their
21 needs than are residential customers.

1 As a result of these observations, under the Company’s plan, the supply portfolio for
2 industrial customers involves the highest portion of shorter-term FRS products (and
3 hence the lowest level of price stability and the strongest market price signals), followed
4 by the commercial customers, and then followed by the residential customers. Using a
5 tailored and separate supply portfolio for distinct customer groups is also consistent with
6 the Company’s experience in other service areas and ensures proper assignment of costs
7 and risks.

8
9 Furthermore, the types of supply products contemplated under the Company’s plan for
10 each customer group are generally consistent with a survey initiated by the Company of
11 active FRS contract suppliers. The purpose of this survey was to obtain a consensus of
12 important variables in order to help determine which types of FRS products may be
13 associated with the most efficient FRS prices. The Supplier Survey results are tabulated
14 in Schedule 2. The survey results indicate the following:

- 15 a) Procuring FRS contracts on a calendar year basis is preferable;
- 16 b) For residential customers, the preferred contract duration is 12 to 24 months;
- 17 c) For commercial customers, the preferred contract duration is 6 to 12 months; and
- 18 d) Procuring smaller blocks of approximately 50 MW is preferable (multiple bid
19 blocks would total the required load percentage for each solicitation).

1 Q. How is the Company proposing to procure SOS supply for the Industrial Group for
2 deliveries after March 31, 2011?

3 A. For the Industrial Group, the Company is proposing to continue the approved method of
4 procuring SOS supply through FRS contracts, three months in duration, solicited
5 quarterly, for 100% of the load through March 2012, as shown in Schedule 3A. This
6 proposed plan is similar to the approved 2010 SOS Plan the Company currently employs
7 for the Large Customer Group.

8
9 Q. How is the Company proposing to procure SOS supply for the Commercial and
10 Residential Groups in 2011?

11 A. SOS supply for the Commercial and Residential Groups will be procured separately.
12 Both portfolios will include a combination of FRS contracts and ISO-NE spot market
13 purchases, but the terms of the contracts and level of price stability offered to each group
14 is tailored to meet its needs.

15
16 Q. Why is procurement of supply through FRS products beneficial for customers?

17 A. An FRS product obligates the seller of the product to satisfy a specified percentage of all
18 of the standard offer service customers' supply requirements in every hour of the delivery
19 period, regardless of the standard offer service customers' changes in energy
20 consumption, and regardless of how frequently customers switch to or from default
21 service. Under the Company's plan, the seller of the FRS product is paid a

1 predetermined price per megawatt-hour for this service, so seller is responsible for
2 assuming, managing, and covering the financial costs and risks associated with electricity
3 supply, and customers are provided the associated price stability and protection against
4 adverse market outcomes. Sellers of FRS products must satisfy their obligation,
5 regardless of how high market prices may increase during the delivery period and
6 regardless of the SOS load level. Yet if market prices decrease after the supply contracts
7 are signed, then customers may elect service from a lower cost competitive retail supplier
8 without affecting the price of the SOS supply contracted under the FRS products.
9 Furthermore, under the Company’s plan, bidders compete on the basis of the lowest price
10 to provide the FRS product, and customers’ rates are based on the winning bid prices for
11 the fixed-price FRS products (with the exception of the portion of supply that is procured
12 through spot market-priced purchases).

13
14 Q. Do you have quantitative analysis that supports your statements about the benefits
15 provided by supply portfolios consisting of a mix of FRS products and spot purchases?

16 A. Yes. The Company completed a comprehensive review of procurement approaches for
17 Standard Offer Service for mass market residential and small commercial customers, and
18 engaged The NorthBridge Group (“NorthBridge”), a consulting firm with expertise
19 regarding electricity market pricing and standard offer service procurement, to assist with
20 the analysis of the costs and risks associated with various procurement approaches.
21 NorthBridge’s quantitative analysis utilized a Monte Carlo simulation approach to

1 replicate market uncertainty based on actual market data, including the prices for over 40
2 different standard offer service products recently solicited by 10 different utilities. The
3 results of this analysis are presented in the Company's January 22, 2010 compliance
4 filing in this docket, so I will not describe them here. Based in part on this analysis, the
5 Company determined that a combination of spot market purchases and FRS contracts is
6 the optimal procurement approach for mass market Standard Offer customers in Rhode
7 Island. Based on NorthBridge's analysis, the Company believes that a combination of
8 FRS contracts and spot purchases reasonably manages price volatility and reduces risks
9 for customers.

10
11 Q. Why is the Company proposing to combine spot purchases with FRS contracts in the
12 SOS supply portfolios?

13 A. There are a few reasons. First, spot market purchasing is effective in continuing to keep
14 the Company engaged in the energy markets for the Rhode Island load zone within the
15 ISO-NE. This is important for contingency reasons, as the Company would be better
16 positioned to perform 100% load bidding in the event of a supplier default. Second, the
17 inclusion of an appropriate amount of spot-based pricing will begin the process of
18 allowing customers to respond to short-term market signals, when appropriate rate
19 mechanisms are put in place. It should be noted that the level of spot market purchases
20 can be adjusted in the future as wholesale and retail markets evolve and technologies that
21 allow customers to respond to hourly market price signals become further developed.

1 Q. Why is the Company not proposing any spot purchases for the Industrial Group's load?

2 A. The Company views the 2011 period as a transition for the Industrial Group and will
3 collaborate with The Energy Council of Rhode Island (TEC-RI) and other interested
4 parties on the development of hourly pricing and transitioning for periods beyond 2011.
5 This development process will need to take into account the implementation and cost
6 recovery mechanism needed to initiate hourly pricing, as well as sufficient time to make
7 technical changes and to properly communicate pricing options to industrial customers.

8
9 Q. What are the specific procurement schedules for Commercial and Residential Groups?

10 A. Schedule 3B and C describe the details of the Commercial and Residential procurement
11 schedules. The Company considered the supplier survey feedback when determining the
12 duration of the layered FRS contracts for each customer group. Initially, several FRS
13 solicitations are proposed during 2010, as the Company would begin to layer in
14 solicitations for the benefit of diverse pricing points in a manner that diversifies risk for
15 customers. During 2011, several FRS solicitations will occur, resulting in contracts of
16 various durations that would serve customers in 2011 and 2012. To clarify, by this filing,
17 the Company is requesting approval of the proposed plan to conduct FRS solicitations
18 during 2010 and 2011, recognizing that some contracts will have delivery periods beyond
19 2011.

20

1 The Company is proposing a Commercial Group procurement schedule in 2011 that will
2 allow a transition to a repeating schedule. The repeating schedule consists of quarterly
3 solicitations, with each solicitation alternating between procuring one six-month contract
4 and one twelve-month contract. Each contract will be for 30% of the Commercial load.
5 When all FRS contracts have been completed, each month will have FRS contracts for
6 90% of the Commercial load and the remaining 10% of the load would be procured by
7 the Company through the ISO-NE spot market purchases. It should be noted that the
8 term “contract” used in this context, may in fact be several “bid blocks” that add up to a
9 total of 30% of the load. The smaller bid blocks should benefit pricing and supplier
10 diversity.

11
12 Thus, initially in 2010 and 2011 for the procurement period from April through
13 December 2011, the Commercial Group would have three FRS solicitations for contracts
14 of various durations, each serving 30% to 35% of the Commercial load. The remaining
15 5% will be procured by the Company through ISO-NE spot market purchases.

16
17 The repeating procurement schedule for the Residential Group also consists of quarterly
18 solicitations; however, the FRS contracts will be for four different durations and
19 percentages of load. The four contracts will be for 6 months, 12 months, 18 months and
20 24 months. When all FRS contracts have been completed, each month will have FRS
21 contracts for 90% of the Residential load and the remaining 10% of the load would be

1 procured by the Company through the ISO-NE spot market purchases. The additional
2 laddering and varying lengths of the Residential FRS contracts allows for mitigation of
3 price volatility because the individual contracts are procured at different times and are
4 “dollar cost averaged” to create a blended supply rate.

5
6 While the Company’s plan is designed to allow for repeating procurement schedules with
7 purchases of supply at different times and contract lengths for the Commercial and
8 Residential Groups, the plans to procure SOS supply for each group are flexible and
9 could be modified in future SOS filings as market conditions change.

10
11 Schedule 3 shows the procurement calendar for each customer group: Schedule 3A is for
12 the Industrial Group; Schedule 3B is for the Commercial Group; and Schedule 3C is for
13 the Residential Group. The white-colored blocks in the Schedule represent solicitations
14 for which the Company is requesting approval. The gray-colored blocks in the Schedule
15 represent those solicitations that are the intent of the Company at this point, but not for
16 approval.

17
18 **V. SOS Rate Pricing for the Customer Groups**

19 Q. How will the change from two customer groups to three customer groups starting April
20 2011 impact the SOS rate pricing?

1 A. The Large Customer and Small Customer Groups will continue on their current rate
2 pricing schedule through March 2011. The Large Customer Group will have a fixed
3 price that varies monthly and is based on the FRS supply contract prices. The Small
4 Customer Group rates are currently approved for a fixed commodity-only rate through
5 September 2010 at 9.281 cents/kWh. For the period October 2010 through March 2011,
6 the Small Customer rate would also be fixed at one flat level.

7
8 Starting April 2011, the Industrial Group will be priced similar to the current Large
9 Customer Group, with a fixed price that varies monthly, based on the three month FRS
10 contract for 100% of the load. However, for the Residential and Commercial Groups, the
11 rate change on April 1, 2011 would be effective through December 31, 2011. Thereafter,
12 all rate changes for the Residential and Commercial groups will occur each January 1 and
13 July 1. The Company proposes that the Residential Group have a flat fixed price for each
14 six-month period and the Commercial Group have a fixed price for each six month period
15 that varies monthly, based upon the FRS contract costs. In addition, the Company
16 proposes that the Commercial Group have the option to choose the flat fixed price for
17 each rate period. Schedule 2 demonstrates the timing of the contracts and rate periods;
18 all of the contract costs will be known at the time that the rates are set. The proposed
19 Standard Offer tariff and pricing provisions are discussed further in Ms. Lloyd's
20 testimony.

1 Q. Please describe the cost recovery mechanism.

2 A. The Company reconciles SOS revenue and expense pursuant to the Standard Offer
3 Adjustment Provision, R.I.P.U.C. No. 2014. As described in Ms. Lloyd's testimony, the
4 Company is proposing to include in its semi-annual retail rate filing for the Residential
5 and Commercial Groups, a reconciliation of actual costs incurred during the prior periods
6 of January through June and July through December. The Company will include separate
7 reconciliations for each customer group.

8
9 Q. What are the expected loads for these two SOS groups?

10 A. Schedule 4 shows the historical wholesale SOS loads and the forecast monthly loads for
11 2010. Schedule 4 also shows the SOS 2010 load forecast for the two customer groups,
12 and reflects the separation of SOS load into the three procurement groups starting in
13 April 2011.

14
15 **VI. Procurement Process and Schedule**

16 Q. Please explain the procedure that the Company will utilize to physically procure FRS
17 contracts.

18 A. Basically, the Company is not proposing any major changes to the methodology it
19 utilizes to obtain FRS contracts. The Company proposes to continue using the current
20 standard MPA agreement that is used to procure FRS contracts.

21

1 Q. Is the Company seeking approval of the MPA?

2 A. Yes, the Company is seeking approval of its standard MPA agreement which is included
3 as Schedule 5. The Company would only accept non-substantive changes to the standard
4 MPA if such changes proposed by suppliers do not shift risk to the Company's
5 customers.

6
7 Q. For what other documents is the Company requesting approval?

8 A. In addition to the SOS Procurement Plan in Schedule 3, the Company is requesting
9 approval for the standard SOS RFP Notice, as shown in Schedule 6, as well as the
10 standard SOS RFP Summary, as shown in Schedule 7.

11
12 Q. What is the Company requesting approval for, on an ongoing basis?

13 A. On an ongoing basis, the Company is seeking approval of the results of each solicitation.
14 In order to assist the Commission in making its decision whether to approve the lowest
15 bidders as the winning bidders, within one business day of receipt of final bids, the
16 Company will file with the Commission a confidential summary of the solicitation
17 results. If the Commission takes no action within three business days of receiving this
18 RFP summary, then the lowest bidders will be deemed to be approved by the
19 Commission as the winning bidders. If within that period of time, the Commission issues
20 an order disapproving or rejecting the results of the Company's solicitation for SOS, the
21 agreement between the Company and the suppliers shall become null and void, and the

1 parties shall have no further obligation under the agreements.

2
3 Q. What contingency plans is the Company proposing to support SOS?

4 A. The Company proposes a contingency plan that would be used in the event that: (1) an
5 SOS supplier defaults on its contract; or (2) the Commission does not approve winning
6 bids sufficient to meet the supply solicited.

7
8 In either of the two contingency events, the Company will acquire supply from the ISO-
9 NE administered markets until the applicable portion of its requirements is being
10 supplied by new suppliers under newly executed FRS contracts. The Company will also
11 consult with the Division to determine whether an unscheduled solicitation
12 (“Replacement RFP”) for FRS contracts should be held to replace the necessary supply.
13 The Company and the Division will file their recommendations with the Commission
14 regarding whether a Replacement RFP is warranted, and the Commission will decide
15 whether or not an unscheduled solicitation should be conducted. If a Replacement RFP
16 is held, the Commission will decide within three business days after Replacement RFP
17 bids are due whether to approve the Replacement RFP results, and the associated
18 contracts will be executed within one business day of Commission approval. If no
19 Replacement RFP is held, then in the next scheduled solicitation the Company will solicit
20 FRS contracts for any remaining portion of the necessary supply, and will continue to
21 acquire supply from the ISO-NE administered markets until the necessary supply has

1 been replaced by new suppliers under newly executed FRS contracts.

2
3 **Q.** Is the Company proposing that all costs that are incurred by the Company associated with
4 this contingency plan be reflected in the rates paid by retail customers?

5 **A.** Yes. However, in the case of supplier default, the Company would attempt to recover
6 any damages as a result of default in accordance with the credit provisions in the supplier
7 contract. The Company would first resort to the collateral provided by the supplier to
8 remediate damages under the default, and only if a deficiency remained would the
9 Company need to obtain recovery from retail customers. Even in that situation, the
10 Company could pursue other legally available remedies to recover damages from the
11 defaulting supplier, and if damages were recovered then the Company would refund to
12 customers the amount that exceeded any costs incurred.

13
14 **Q.** Please explain the procedure that the Company will utilize to physically procure SOS.

15 **A.** Similar to its recent FRS solicitations, the Company will take the following steps:

- 16 1. Issue a Request for Proposal (“RFP”) to all interested wholesale power suppliers
17 approximately 75 days prior to the start of the new service period;
- 18 2. Require that all suppliers have signed a Master Power Agreement (“MPA”);
- 19 3. Receive initial responses to the RFP, which will include background information on
20 each Respondent and the indicative pricing for the FRS contracts;

- 1 4. Review the FRS contract indicative bids with the Rhode Island Division of Public
2 Utilities and Carriers (“Division”);
- 3 5. Receive final binding prices and evaluate final prices and security requirements
4 within the day;
- 5 6. Review final binding prices for the FRS Contracts with the Division;
- 6 7. Select a supplier(s) and execute a power supply confirm(s); and
- 7 8. File the RFP Summary, provided in Schedule 7, of the procurement process including
8 bids received, on a confidential basis, with the Commission for its review and
9 approval, as described above.

10

11 Q. Can you explain how the winning bidders will be determined?

12 A. Subject to Commission approval, the winning bidders will be those who have offered the
13 lowest final bid prices.

14

15 Q. What form of RFP will the Company use to obtain FRS Contracts?

16 A. The proposed RFP Notification document, provided in Schedule 7, would reserve to the
17 Company the right to make non-substantive changes to the form and requirements of the
18 RFP to address any issues that may arise during the solicitation process. In addition, the
19 Company reserves the right to make non-substantive changes to the form and
20 requirements of the RFP to address any issues that may arise or to incorporate best
21 practices learned between the date of the Company’s filing in this Docket and the date

1 the RFP is issued; provided, however, that the Company will inform the Commission and
2 the Division in writing of such changes, if any.

3
4 **VII. Renewable Energy Standard Procurement Plan for 2011**

5 Q. How does the proposed 2011 RES Procurement Plan compare to 2010 RES plan
6 approved by the Commission?

7 A. For 2011, the Company is proposing to continue to follow the same procurement
8 approach that was approved in 2010. This approach consisted of purchasing through
9 FRS contracts, standalone RES RFPs, or through brokers. The Company is seeking
10 approval of the proposed 2011 RES Procurement Plan, which is included as Schedule 8.
11 The Company proposes to continue using the current standard Certificate Purchase
12 Agreement (“CPA”) that is used to procure renewable energy certificates (“RECs”).

13 Q. Is the Company seeking approval of the CPA?

14 A. Yes, the Company is seeking approval of its standard CPA which is included as Schedule
15 9. The Company would only accept non-substantive changes to the standard CPA if such
16 changes proposed by suppliers do not shift risk to the Company’s customers.

17
18 Q. For what other documents is the Company requesting approval?

19 A. The Company is requesting approval for the standard RES RFP Notice, as shown in
20 Schedule 10, as well as the standard RES RFP Summary, as shown in Schedule 11.

1 Q. What is the Company requesting approval for, on an ongoing basis?

2 A. On an ongoing basis, the Company is seeking approval of the results of each solicitation.
3 In order to assist the Commission in making its decision whether to approve the lowest
4 bidders as the winning bidders, within one business day of receipt of final bids, the
5 Company will file with the Commission a confidential summary of the solicitation
6 results. If the Commission takes no action within three business days of receiving this
7 RFP summary, then the lowest bidders will be deemed to be approved by the
8 Commission as the winning bidders. If within that period of time, the Commission issues
9 an order disapproving or rejecting the results of the Company's solicitation for RES, the
10 agreement between the Company and the suppliers shall become null and void, and the
11 parties shall have no further obligation under the agreements.

12
13 Q. Please describe the 2011 RES Procurement Plan that the Company is submitting with this
14 filing.

15 A. As stated above, the Company is submitting for approval its 2011 RES Plan. As with the
16 2010 RES Plan that was approved by the Commission (Docket 4041, Order No. 19839,
17 11/24/09), the 2011 RES Plan will continue to be integrated with the SOS procurement
18 plan. Consequently, in accordance with Section 8.2 of the Commission's Rules and
19 Regulations Governing the Implementation of a Renewable Energy Standard ("RES
20 Regulations"), the Company is submitting the 2011 RES Procurement Plan in

1 conjunction with the 2011 SOS Procurement Plan. I will cover the following topics in
2 my testimony regarding the Company's proposal to meet the RES for 2011:

- 3 • Estimated RES Requirements
- 4 • The Company's proposed 2011 RES Procurement Plan
- 5 • Integration of the 2011 RES Plan with SOS procurement

6
7 Q. Has the Company estimated its RES obligations for 2011?

8 A. Yes, the Company has developed an estimate of its RES obligations for Standard Offer
9 Service in 2011. This estimate of RES obligations is calculated by multiplying the 2011
10 required percentage from new or existing renewable energy resources by the estimated
11 SOS load for 2011. Schedule 4 is a summary of actual SOS loads and the estimate of
12 2010 Standard Offer load that is based on 2009 data and recent migration levels. Since
13 the Company is unable to predict customer migration, the Company is using the 2010
14 load estimate as a proxy for the time period covered by the 2011 RES Procurement Plan.

15
16 Q. How is the Company proposing to meet its RES obligations in 2011?

17 A. As was approved for the Company's 2010 RES Procurement Plan, for 2011 the Company
18 proposes to continue to link its purchase of NEPOOL-GIS Certificates with its purchase
19 of SOS FRS load requirements. Linking the purchase of the remaining RES obligation
20 with the actual SOS load requirement would enable the Company to directly purchase the

1 actual RES obligations from the FRS suppliers which would deliver the exact number of
2 NEPOOL-GIS Certificates to satisfy the RES requirement.

3
4 Accordingly, the Company proposes to continue to request separate pricing from FRS
5 bidders to take on the RES obligation at the same time as providing SOS service. The
6 Company will evaluate the RES pricing provided by the bidders by comparing it to
7 available RES market prices. If the pricing provided by the winning SOS supplier or
8 suppliers is at or less than the available market prices, then the SOS supplier will also be
9 contracted to provide the RES obligation. If the bid pricing is higher than the available
10 market pricing or if market prices are not available for comparison, then the Company
11 will not include the RES obligation with the SOS supply.

12 To meet RES obligations not secured through the purchase of its SOS supply, the
13 Company proposes to procure RECs through a series of stand alone RFPs issued by the
14 Company, sufficient to meet its RES obligations. The NEPOOL-GIS trading period for
15 2011 RECs will not begin until July 15, 2011 and conclude June 15, 2012. As a result,
16 there is sufficient time for the Company to procure these RECs. The Company may also
17 evaluate unsolicited offers from brokers or other parties for the sale of RECs. If an
18 unsolicited offer is at or less than the available market pricing, then the Company would
19 consult with the Division as to whether the Company should proceed with the REC
20 purchase.

1 **VIII. Conclusion**

2 Q. Does this conclude your testimony?

3 A. Yes. It does.

INDEX TO SCHEDULES

Schedule 1	Approved SOS Procurement Plan
Schedule 2	FRS Supplier Survey Results
Schedule 3	Proposed 2011 Procurement Plan – Industrial, Commercial, & Residential
Schedule 4	SOS Wholesale Loads
Schedule 5	Master Power Agreement (MPA)
Schedule 6	SOS RFP Notice (Template)
Schedule 7	SOS RFP Summary (Template)
Schedule 8	RES Procurement Plan for 2011
Schedule 9	Certificate Purchase Agreement (CPA)
Schedule 10	RES RFP Notice (Template)
Schedule 11	RES RFP Summary (Template)

Schedule 1

Approved SOS Procurement Plans

FRS Contract RFP Date		Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Jan-2011	Feb-2011	Mar-2011
Large C&I RFPs																
Award	Nov-2009	100%	100%	100%												
		(Awarded)														
Award	Feb-2010				100%	100%	100%									
					(Awarded)											
	May-2010							100%	100%	100%						
	Aug-2010										100%	100%	100%			

Small Customer RFPs

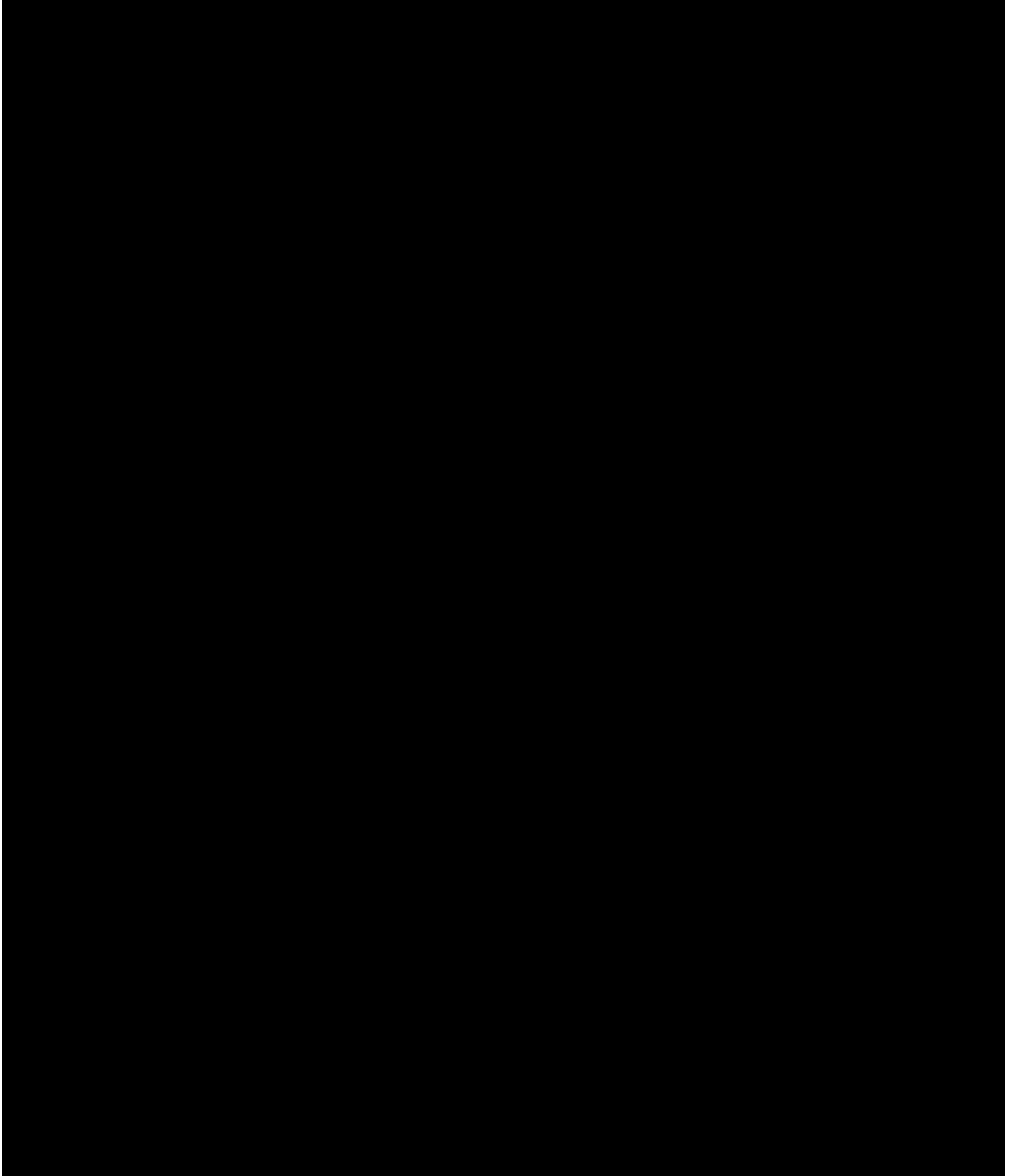
Award		95%	95%	95%	95%	95%	95%	95%	95%	95%	50%	50%	50%	50%	50%	50%
On-Going		5 % ISO-NE Spot Market Purchases by the Company														
Award	Nov-2009										25%	25%	25%	25%	25%	25%
Award	Feb-2010										12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
	Mid 2010										12.5%	12.5%	12.5%	12.5%	12.5%	12.5%

Proposed SOS Procurement Plans revisions to Small Customers

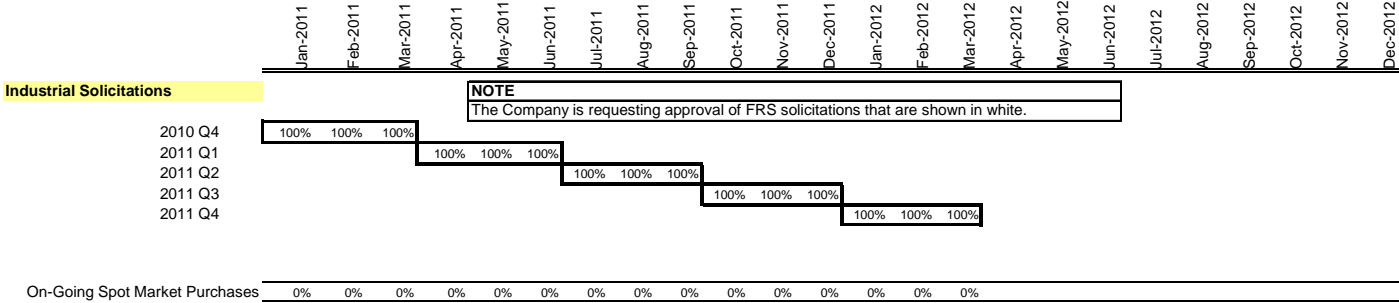
Small Customer RFPs

Award		95%	95%	95%	95%	95%	95%	95%	95%	95%	50%	50%	50%	50%	50%	50%
On-Going		5 % ISO-NE Spot Market Purchases by the Company														
Award	Nov-2009										25%	25%	25%	25%	25%	25%
Award	Feb-2010										12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
	May-2010										7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
	On-Going										5 % ISO-NE Spot Market Purchases					

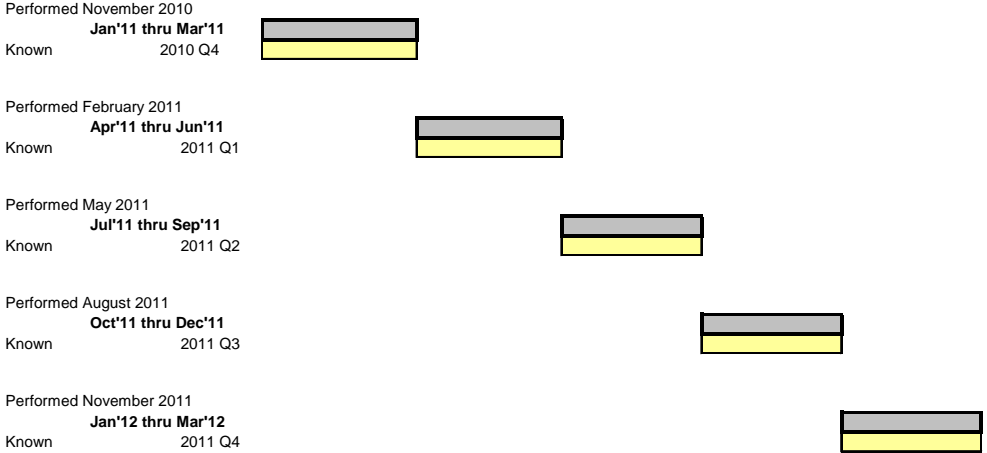
Schedule 2 Supplier Survey Results



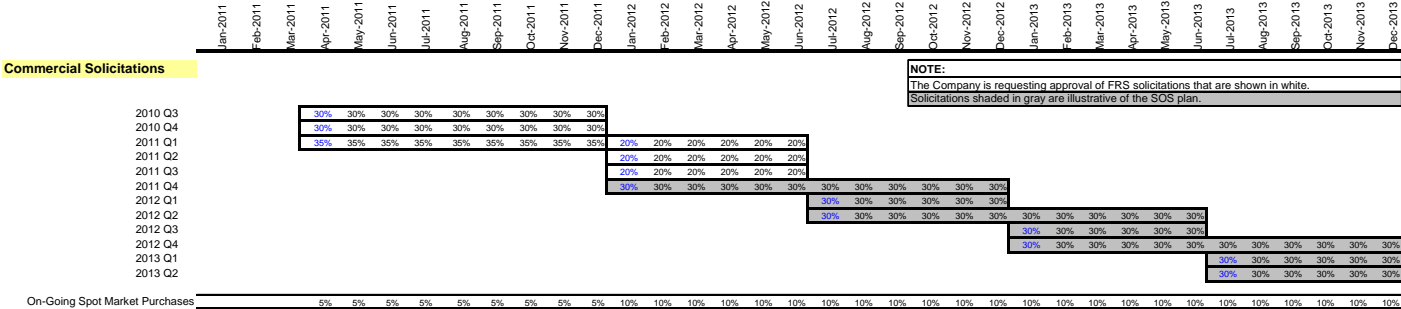
Schedule 3A 2011 SOS Procurement Plan Industrial Customers



Rate Period Calculation

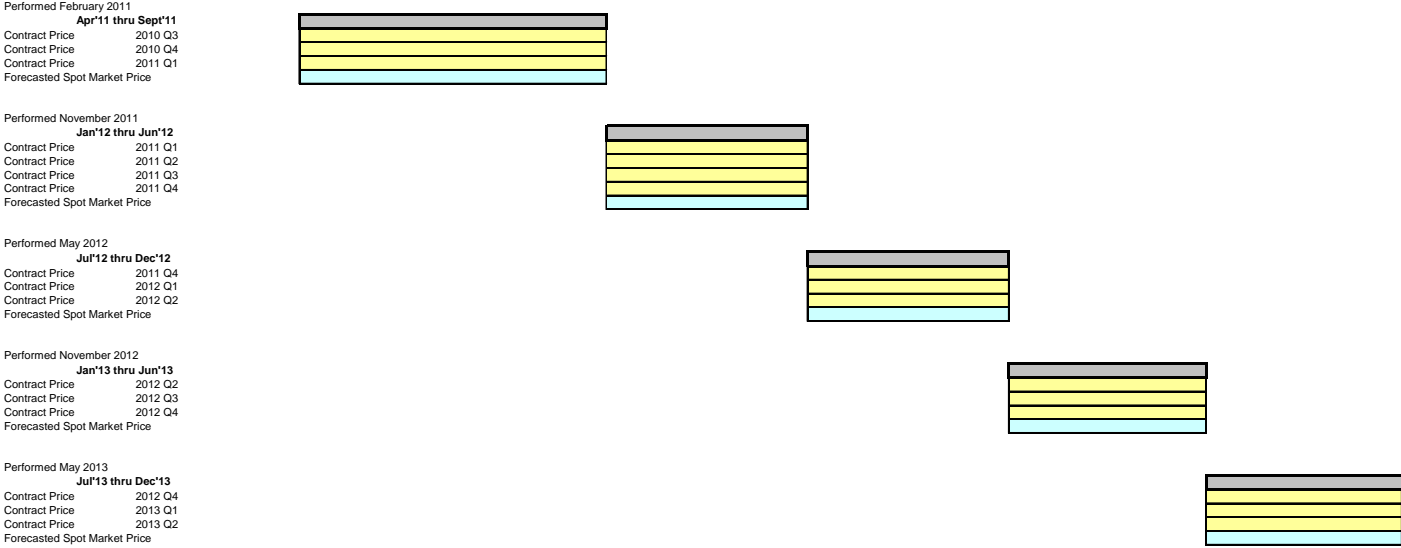


Schedule 3B 2011 SOS Procurement Plan Commercial Customers



NOTE:
The Company is requesting approval of FRS solicitations that are shown in white.
Solicitations shaded in gray are illustrative of the SOS plan.

Rate Period Calculation

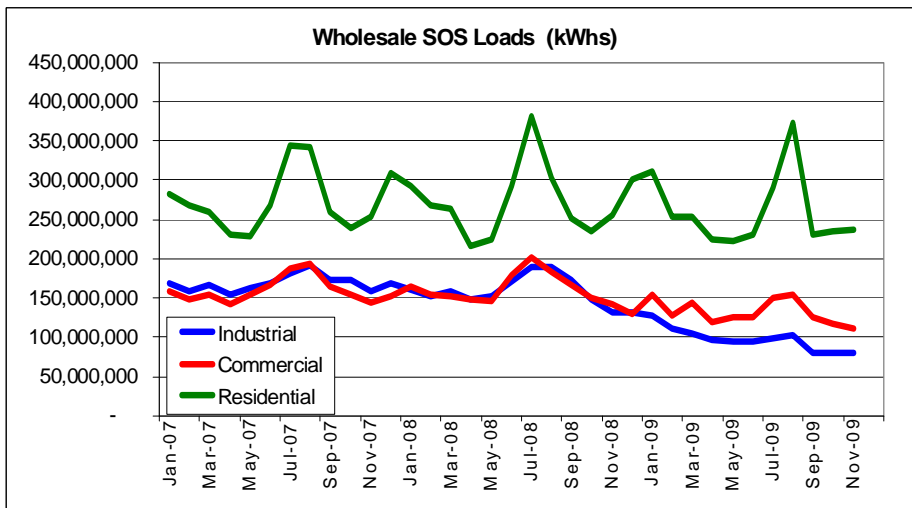
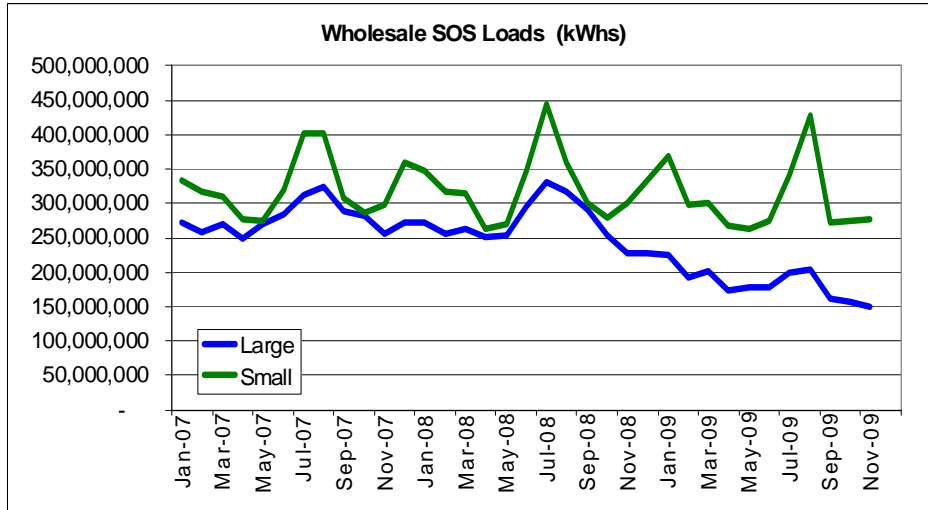


Schedule 3C 2011 SOS Procurement Plan Residential Customers

	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sept-2011	Oct-2011	Nov-2011	Dec-2011	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012	Jul-2012	Aug-2012	Sept-2012	Oct-2012	Nov-2012	Dec-2012	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sept-2013	Oct-2013	Nov-2013	Dec-2013	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sept-2014							
Residential Solicitations	NOTE: The Company is requesting approval of FRS solicitations that are shown in white. Solicitations shaded in gray are illustrative of the SOS plan.																																																			
2010 Q3	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%					
2010 Q4	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%		
2011 Q1	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%		
2011 Q2																																																				
2011 Q3																																																				
2011 Q4																																																				
2012 Q1																																																				
2012 Q2																																																				
2012 Q3																																																				
2012 Q4																																																				
2013 Q1																																																				
2013 Q2																																																				
2013 Q3																																																				
2013 Q4																																																				
2014 Q1																																																				
2014 Q2																																																				
2014 Q3																																																				
2014 Q4																																																				
On-Going Spot Market Purchases	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Rate Period Calculation																																																				
Performed February 2011																																																				
Apr'11 thru Dec'11																																																				
Contract Price 2010 Q3																																																				
Contract Price 2010 Q4																																																				
Contract Price 2011 Q1																																																				
Forecasted Spot Market Price																																																				
Performed November 2011																																																				
Jan'12 thru Jun'12																																																				
Contract Price 2011 Q1																																																				
Contract Price 2011 Q2																																																				
Contract Price 2011 Q3																																																				
Contract Price 2011 Q4																																																				
Forecasted Spot Market Price																																																				
Performed May 2012																																																				
Jul'12 thru Dec'12																																																				
Contract Price 2011 Q1																																																				
Contract Price 2011 Q2																																																				
Contract Price 2011 Q3																																																				
Contract Price 2011 Q4																																																				
Contract Price 2012 Q1																																																				
Forecasted Spot Market Price																																																				
Performed November 2012																																																				
Oct'12 thru Mar'13																																																				
Contract Price 2011 Q4																																																				
Contract Price 2012 Q1																																																				
Contract Price 2012 Q2																																																				
Contract Price 2012 Q3																																																				
Contract Price 2012 Q4																																																				
Forecasted Spot Market Price																																																				
Performed May 2013																																																				
Apr'13 thru Sept'13																																																				
Contract Price 2011 Q4																																																				
Contract Price 2012 Q2																																																				
Contract Price 2012 Q3																																																				
Contract Price 2012 Q4																																																				
Contract Price 2013 Q1																																																				
Forecasted Spot Market Price																																																				

Schedule 4

Historical Wholesale Loads



Actual Wholesale SOS Loads (GWhs)					
	2 Procurement Groups		3 Procurement Groups		
	Large	Small	Industrial	Commercial	Residential
2007	3,340	3,893	2,025	1,921	3,286
2008	3,236	3,874	1,903	1,920	3,287
2009	2,206	3,672	1,168	1,588	3,122

Schedule 4 (continued)

Forecasted Wholesale Loads

		SOS PROCUREMENT GROUPS (MWhs)				
		Large	Small	Industrial	Commercial	Residential
Jan	2010	168,026	362,908	87,253	133,150	311,028
Feb	2010	150,157	294,112	79,606	112,008	252,059
Mar	2010	163,020	296,296	81,852	128,169	252,820
Apr	2010	149,764	263,905	79,722	109,357	223,347
May	2010	155,397	259,731	80,224	115,108	221,479
Jun	2010	159,119	270,557	83,318	115,854	231,237
Jul	2010	179,434	337,307	90,126	140,730	290,234
Aug	2010	189,481	421,359	96,820	146,050	373,110
Sep	2010	163,342	272,299	84,782	121,740	229,829
Oct	2010	159,347	275,625	83,474	116,968	235,003
Nov	2010	151,123	276,946	79,829	110,677	237,564
Dec	2010	163,074	329,138	85,264	111,740	300,654
Total		1,951,284	3,660,183	1,012,269	1,461,550	3,158,364

Schedule 5

Master Power Agreement (MPA)

Schedule 6

SOS RFP Summary (Template)

Schedule 7

SOS RFP Notice (Template)

Schedule 8

2011 Renewable Energy Standard Procurement Plan

Objectives

This plan satisfies Section 8.2 of the Commission’s Rules and Regulations Governing the Implementation of a Renewable Energy Standard (“RES Regulations”). Under Section 8.2, the Company is required to annually submit a Renewable Energy Standard Procurement Plan that sets out its procedures for obtaining resources that satisfy its obligations under the Rhode Island Renewable Energy Standard (“RES”) (R.I. Gen. Laws § 39-26-1 et seq.).

The plan is for the procurement of the RES renewable energy certificates (“RECs”) to meet the obligations associated with provision of Standard Offer Service (“SOS”) for 2011. A competitive procurement process will be utilized for the purchase of 2011 requirements for both Existing and New RECs, either bundled with Full Requirements Service (“FRS”) transactions or purchased separately.

Requirements

Year	Percentage from New Renewable Energy Resources	Percentage from <i>either</i> New or Existing Renewable Energy Resources	Total RES Target Percentage	Estimated Standard Offer Load (MWhs)	Standard Offer Existing RES Obligation (RECs)	Standard Offer New RES Obligation (RECs)
2011	3.5	2.0	5.5	5,611,467	112,229	196,401

REC Procurement

Procurement of RECs (both New and Existing) will be linked to the purchase of SOS FRS load requirements. Separate pricing would be requested from bidders to take on the RES obligations at the same time as providing this service. The Company will evaluate the RES pricing provided by the bidders and compare it to the Company’s best estimate of REC market prices. If the pricing provided by the winning SOS supplier is at or less than the Company’s market price estimate, the SOS supplier will also be contracted to provide the RES obligation.

RECs not purchased with SOS supply will be acquired through standalone RFPs for RECs. The Company expects to issue two or more REC RFPs in 2011. The Company may also evaluate unsolicited offers from brokers or other parties.

The principal criteria to be used in evaluating proposals will be lowest evaluated bid price. In the event of identical low bids, the Company will use other criteria to determine the winning bidder such as:

- Quantity of RECs offered
- Firmness of delivery

For a unit contingent offer, a supplier will also be required to demonstrate the likelihood that NEPOOL-GIS certificates will be created from a renewable resource. For resources under construction, a supplier will be required to demonstrate the likelihood that the resource will create certificates during the contract period.

Schedule 9

Certificate Purchase Agreement (CPA)

Schedule 10

RES RFP Notice (Template)

Schedule 11

RES RFP Summary (Template)

DIRECT TESTIMONY

OF

JEANNE A. LLOYD

MARCH 1, 2010

Table of Contents

I. Introduction and Qualifications1

II. Purpose of Testimony2

III. Proposed Standard Offer Service Tariff and Rate Proposal3

Standard Offer Service Rate Filing Schedule3

Illustrative Standard Offer Service Tariff.....3

IV. Standard Offer Service Reconciliation3

V. Conclusion10

1 **I. Introduction and Qualifications**

2 Q. Please state your full name and business address.

3 A. My name is Jeanne A. Lloyd, and my business address is 40 Sylvan Road, Waltham,
4 Massachusetts 02451.

5

6 Q. Please state your position.

7 A. I am the Manager of Electric Pricing, New England in Regulation and Pricing's
8 Electricity Distribution and Generation group of National Grid USA Service Company,
9 Inc. This group provides rate-related support to The Narragansett Electric Company
10 d/b/a National Grid ("National Grid" or "Company").

11

12 Q. Please describe your educational background and training.

13 A. In 1980, I graduated from Bradley University in Peoria, Illinois with a Bachelor's Degree
14 in English. In December 1982, I received a Master of Arts Degree in Economics from
15 Northern Illinois University in De Kalb, Illinois.

16

17 Q. Please describe your professional experience?

18 A. I was employed by EUA Service Corporation in December 1990 as an Analyst in the
19 Rate Department. I was promoted to Senior Rate Analyst on January 1, 1993. My
20 responsibilities included the study, analysis and design of the retail electric service rates,
21 rate riders and special contracts for the EUA retail companies. After the merger of New
22 England Electric System and Eastern Utilities Associates in April 2000, I joined the

1 Distribution Regulatory Services Department as a Principal Financial Analyst. I
2 assumed my present position October 1, 2006. Prior to my employment at EUA, I was
3 on the staff of the Missouri Public Service Commission in Jefferson City, Missouri in the
4 position of research economist. My responsibilities included presenting both written and
5 oral testimony before the Missouri Commission in the areas of cost of service and rate
6 design for electric and natural gas rate proceedings.

7
8 Q. Have you previously testified before Rhode Island Public Utilities Commission
9 (“Commission”)?

10 A. Yes.

11
12 **II. Purpose of Testimony**

13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to present an illustrative Standard Offer Service (“SOS”)
15 tariff which has been revised to be consistent with the 2011 SOS supply procurement
16 plan (“the 2011 Plan”) as described in the testimony of Ms. Janzen. In addition, my
17 testimony discusses proposed SOS pricing provisions for each of the procurement classes
18 and changes to the SOS rate change and reconciliation filing schedules.

19
20 **III. Proposed Standard Offer Service Tariff and Rate Proposal**

21 Q. Please describe the changes that the Company is proposing to make to the existing SOS

1 tariff.

2 A. As explained in the testimony of Ms. Janzen, beginning in April 2011, the Company is
3 proposing to implement three SOS customer groups consisting of customers receiving
4 SOS on the identified rate classes: 1) the “Industrial Group” (Rate G-32, Rate G-62,
5 Rates B-32 and B62, and Rate X-01); 2) the “Commercial Group” (Rate G-02, Rate C-
6 06, Rate S-06, Rate S-10, and Rate S-14; and 3) the “Residential Group” (Rate A-16 and
7 Rate A-60).

8

9 Q. What is the Company’s proposal for SOS pricing for each customer group?

10 A. The Company is proposing to price the Residential Group in a manner similar to the
11 current pricing for the Small Customer Group, i.e., a fixed price for the six-month pricing
12 period that reflects the weighted average of the contract prices for the period plus an
13 estimate of the cost of procuring a portion of the load through spot market purchases.

14

15 Pricing for the Industrial Group will continue to be based upon the actual monthly
16 contract prices received for that customer group for a three-month period, as adjusted for
17 losses.

18

19 For the new Commercial Group, the Company is proposing both fixed and variable price
20 options. The variable price option will be similar to pricing for the current Large
21 Customer Group with prices that vary monthly based upon the contract prices for that

1 customer group for a six month period, in addition to the element of an estimate of the
2 cost of procuring a portion of the load through the spot market. The fixed price option
3 will be similar to the pricing for the Residential Group with a fixed price for the six-
4 month pricing period that reflects the weighted average of the contract prices for the
5 period plus an estimate of the cost of procuring a portion of the load through spot market
6 purchases.

7
8 Q. Why is the Company providing two pricing options to this customer group?

9 A. The Commercial Group consists of a mix of commercial and industrial customers. Some
10 customers in this group are currently receiving service in the Small Customer Group and
11 will become accustomed to receiving a fixed SOS price. These customers are relatively
12 small and, like residential customers, have few competitive options. Those customers
13 may prefer to continue to have a more stable fixed price option available to them. Other
14 larger customers have more competitive options available and may prefer to have prices
15 that more closely reflect market prices.

16
17 Q. How will the Company determine which pricing option to apply to each customer's bill?

18 A. The Company will designate the variable price option as the "customary" pricing option
19 for customers in the Commercial Group. This means that, upon implementation of the
20 change in the SOS pricing structure for this group, all customers will be assigned the
21 variable price option. Thereafter, the customer will have a one-time option to switch to

1 the fixed price option. If the customer chooses to switch to fixed pricing, the customer
2 must remain on fixed pricing throughout the remainder of his/her stay on SOS.

3
4 Q. Why will the Company allow customers to switch pricing options only once during their
5 stay on SOS?

6 A. The Company is proposing to impose a one-time option to switch to fixed pricing in
7 order to avoid allowing customers to “game” the system by remaining on the fixed price
8 option when the fixed price is below the variable price and switching to the variable price
9 option when the reverse is true.

10
11 Q. How will customers in the Commercial Group be notified of the availability of the two
12 pricing options and their ability to choose the fixed price option?

13 A. Prior to implementation, the Company will conduct an outreach effort for customers in
14 this group to inform them of changes to SOS and the pricing options available to them. If
15 customers in the Commercial Group wish to elect to switch to the fixed price option
16 before the implementation of the pricing structure for this group, the customers may do
17 so and the Company will classify the customer accordingly.

18
19 Standard Offer Service Rate Filing Schedule

20 Q. What is the current SOS rate filing schedule?

21 A. As approved in the 2010 SOS procurement plan, the Company conducts quarterly SOS

1 procurements for the Large Customer Group in February, May, August and November
2 and semi-annual procurements for the Small Customer Group in February and August.
3 Rate changes are effective April 1, July 1, October 1 and January 1 for the Large
4 Customer Group and April 1 and October 1 for the Small Customer Group.
5

6 Q. Is the Company proposing any changes to the SOS rate filing schedule?

7 A. Yes. As described in the testimony of Ms. Janzen, the Company is proposing that SOS
8 rate filings for SOS rates beginning January 1, 2012 for the Residential and Commercial
9 Groups be submitted in May and November of each year resulting in rate changes
10 effective July 1 and January 1, respectively.
11

12 Q. Why is the Company proposing to change the SOS rate filing schedule?

13 A. Shifting the effective dates of SOS rate changes follows directly from the proposed
14 procurement schedule as described in Ms. Janzen's testimony. As Ms. Janzen describes,
15 shifting the procurement schedule avoids a situation in which there would be SOS load
16 not covered by an underlying contract, making it necessary to estimate prices for the SOS
17 load not under contract. Such an estimation process is likely to result in the Company
18 incurring deferrals, either an over collection or under collection of SOS costs, as actual
19 costs will invariably be different than what the Company would have estimated.
20 Therefore, in order to avoid deferrals that create uncertainty for both customers and the
21 Company as a result of this approach, the Company is proposing to shift its procurement

1 schedule to avoid such a situation and, hence, the effective date of SOS rate changes.

2
3 Q. If the Commission approves the Company's proposal, when will the first January 1 rate
4 change occur?

5 A. The Company would propose to maintain the current schedule of rate changes through
6 April 2011. The rates effective April 1, 2011 for the Residential and Commercial Groups
7 would remain in effect through December 2011, with the first January 1 rate change
8 occurring on January 1, 2012. Under the new schedule, the Company would file
9 proposed SOS rates for the Residential Group and Commercial Group no later than June
10 1 and December 1 of each year, at least thirty (30) days prior to their respective July 1
11 and January 1 effective dates.

12
13 Illustrative Standard Offer Service Tariff

14 Q. Please describe the changes proposed to the illustrative SOS tariff included in Schedule
15 JAL-1.

16 A. The illustrative SOS tariff included in Schedule JAL-1 has been revised from the
17 currently effective tariff to reflect the change to the customer groups and the pricing
18 applicable to each group described earlier in my testimony.

19
20 In addition, the tariff has been revised to indicate that the billing adjustment currently
21 applicable to the Small Customer Group for customers who leave SOS to take service

1 from competitive suppliers prior to the end of the pricing period will be applicable to
2 customers in the Residential Group and the customers in the Commercial Group who
3 choose the fixed price option.

4
5 **IV. Standard Offer Reconciliation**

6 Q. Is the Company proposing any changes to the Standard Offer Adjustment Provision
7 (“SOAP”), R.I.P.U.C. No. 2014¹?

8 A. The Company is proposing that, beginning in 2012, the SOS reconciliation be filed every
9 six months in February and August for rate changes effective April 1 and October 1 of
10 each year.

11
12 Q. Why is the Company proposing to reconcile the SOS revenue and expenses every six
13 months, rather than annually, as has been the past practice?

14 A. The Company is proposing to reconcile SOS revenue and expenses every six months in
15 order to mitigate the potential for significant under or over collection of SOS expense.

16 While basing the SOS rates on the known underlying contract prices will minimize
17 deferrals, there remains a portion of SOS load that will be supplied through spot market
18 purchases. As it is likely that actual spot market prices will be different than how the cost
19 of this supply will be reflected in the SOS rates, the Company could incur an over or
20 under collection of costs. Reconciling revenue and expense more frequently will
21 ultimately allow for a better alignment of revenue and expense.

¹R.I.P.U.C. No. 2014 is currently pending Commission approval in Docket No. 4065.

1 Q. Will these semi-annual reconciliations be based on actual data?

2 A. Yes. The SOS reconciliations will reflect actual SOS revenue and expense for each six
3 month period. For example, the February filing would propose an SOS adjustment factor
4 effective April 1 and would include SOS revenue and expense for the period July through
5 December. The August filing would include SOS revenue and expense for the period
6 January through June with an adjustment factor effective October 1.

7
8 Q. Is the Company proposing any other changes to the SOAP?

9 A. The Company is not proposing any other substantive changes to the SOAP provisions
10 under which the Company is allowed to recover the costs associated with the
11 procurement of SOS. However, it will be necessary to revise the SOAP to reflect the
12 changes to the procurement classes in the SOS Administrative Cost adjustment section.
13 If the Commission approves the changes to the customer groups as proposed by the
14 Company in this docket, the Company intends to file the SOAP in advance of the
15 proposed April 1, 2011 effective date of the changes.

16

17 **V. Conclusion**

18 Q. Does this conclude your testimony?

19 A. Yes it does.

Index of Schedules

Schedule JAL-1

Proposed Standard Offer Service Tariff

**NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. ____
STANDARD OFFER SUPPLY PROCUREMENT PLAN FILING
WITNESS: JEANNE A. LLOYD**

Schedule JAL-1

Proposed Standard Offer Service Tariff

**NARRAGANSETT ELECTRIC COMPANY
TARIFF FOR STANDARD OFFER SERVICE**

AVAILABILITY

Standard Offer Service shall be available to all Customers (including new Customers) who have not elected to take their electric supply from a non-regulated power producer or any Customer who, for any reason, has stopped receiving Generation Service from a non-regulated power producer.

MONTHLY CHARGE

The Charge for Standard Offer Service will be the sum of the applicable Standard Offer Service charges in addition to all appropriate Retail Delivery charges as stated in the applicable tariff. The monthly charge for Standard Offer Service shall also include the costs incurred by the Company to comply with the Renewable Energy Standard, established in R.I.G.L. Section 39-26-1 and the costs to comply with the Commission's Rules Governing Energy Source Disclosure. The charge for Standard Offer Service will include the administrative costs associated with the procurement of Standard Offer Service, including an adjustment for uncollectible accounts as approved by the Commission.

RATE FOR ALL CLASSES

The Supplemental Schedule to this tariff sets forth the rates for each rate class for the specified period. These rates are subject to change at the end of the period specified in the Supplemental Schedule. The Company will file a new Supplemental Schedule for the next pricing period prior to the expiration of the current period.

The rates for each rate class shall be as follows:

Residential Group (Rates A-16, A-60). The rate applicable to this class shall be a fixed price that represents a weighted average of the actual monthly contract prices over the period specified in the Supplemental Schedule, plus an estimate of the costs of any supply not procured through full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Commercial Group (Rates C-06, G-02, S-06, S-10, S-14). There are two rate options available to customers in the Commercial Group. The Supplemental Schedule to this tariff sets forth the rate options for each rate class for the specified six month period. One option is referred to as the "Fixed Price Option". The second option is referred to as the "Variable Price Option". The rates for each option are subject to change at the end of the six month period specified in the Supplemental Schedule.

Fixed Price Option: represents a weighted average of the applicable winning bid over six months plus an estimate of the costs of any supply not procured through

**NARRAGANSETT ELECTRIC COMPANY
TARIFF FOR STANDARD OFFER SERVICE**

full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Variable Price Option: represents the actual monthly price from the applicable winning bid for each month of the same six month period plus an estimate of the costs of any supply not procured through full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Customers in the Commercial Group have a one-time right to elect an option other than the one they are automatically placed on by the Company. However, once the election is made, such Customers will be required to remain on the elected option during their uninterrupted stay on Standard Offer Service unless and until they begin taking Generation Service from a Non-regulated Power Producer. Customers in the Commercial Group may make this election at the time they are first placed on Standard Offer Service or at any time after service has commenced.

Customers may notify the Company at any time to elect a different pricing option. The switch will be made by the Company on the next scheduled meter read date after receiving the notice, provided that the Company has received notice no later than two business days prior to the next meter read date. Otherwise, the switch will not occur until the next successive meter read date after receipt of the notice.

Industrial Group (Rates B-32, G-32, B-62, G-62 and X-01). The rates applicable to this class shall be fixed monthly prices and represent the actual monthly contract prices for each month of the period specified in the Supplemental Schedule.

TERMINATION OF STANDARD OFFER SERVICE

Standard Offer Service may be terminated by a Customer upon the next scheduled meter read provided that notice of the change of supplier was received in accordance with the Company's Terms and Conditions for Non-regulated Power Producers.

There shall be no fee for terminating Standard Offer Service.

BILLING ADJUSTMENT WHEN LEAVING STANDARD OFFER SERVICE

Customers in the Residential Group and customers in the Commercial Group billed under the Fixed Price Option who leave Standard Offer Service to receive Generation Service from a Nonregulated power producer shall be subject to a billing adjustment for the time they were billed under the Standard Offer Service rate during the current pricing period. Specifically, the

billing adjustment shall be based on the difference between the Standard Offer Service rate in effect for the current pricing period and the actual monthly contract rates for the same period, multiplied by the Customer's kilowatt-hour usage during the same period. The billing adjustment can be either a charge or a credit.

RATE CHANGES

The rates set forth in this tariff are effective for usage on and after the Effective Date. Any changes will be filed with the Commission and are subject to Commission review and approval.

Effective Date: April 1, 2011

**NARRAGANSETT ELECTRIC COMPANY
TARIFF FOR STANDARD OFFER SERVICE**

AVAILABILITY

Standard Offer Service shall be available to all Customers (including new Customers) who have not elected to take their electric supply from a non-regulated power producer or any Customer who, for any reason, has stopped receiving Generation Service from a non-regulated power producer.

MONTHLY CHARGE

The Charge for Standard Offer Service will be the sum of the applicable Standard Offer Service charges in addition to all appropriate Retail Delivery charges as stated in the applicable tariff. The monthly charge for Standard Offer Service shall also include the costs incurred by the Company to comply with the Renewable Energy Standard, established in R.I.G.L. Section 39-26-1 and the costs to comply with the Commission's Rules Governing Energy Source Disclosure. The charge for Standard Offer Service will include the administrative costs associated with the procurement of Standard Offer Service, including an adjustment for uncollectible accounts as approved by the Commission.

RATE FOR ALL CLASSES

The Supplemental Schedule to this tariff sets forth the rates for each rate class for the specified period. These rates are subject to change at the end of the period specified in the Supplemental Schedule. The Company will file a new Supplemental Schedule for the next pricing period prior to the expiration of the current period.

The rates for each rate class shall be as follows:

Residential Group (Rates A-16, A-60). The rate applicable to this class shall be a fixed price that represents a weighted average of the actual monthly contract prices over the period specified in the Supplemental Schedule, plus an estimate of the costs of any supply not procured through full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Deleted: Small CustomerDeleted: .C-06, S-10 and S-14

Commercial Group (Rates C-06, G-02, S-06, S-10, S-14). There are two rate options available to customers in the Commercial Group. The Supplemental Schedule to this tariff sets forth the rate options for each rate class for the specified six month period. One option is referred to as the "Fixed Price Option". The second option is referred to as the "Variable Price Option". The rates for each option are subject to change at the end of the six month period specified in the Supplemental Schedule.

Deleted:

Fixed Price Option: represents a weighted average of the applicable winning bid over six months plus an estimate of the costs of any supply not procured through

Deleted: 2039

Deleted: 2012

**NARRAGANSETT ELECTRIC COMPANY
TARIFF FOR STANDARD OFFER SERVICE**

full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Variable Price Option: represents the actual monthly price from the applicable winning bid for each month of the same six month period plus an estimate of the costs of any supply not procured through full requirements services contracts including, but not limited to, spot market purchases from the Independent System Operator – New England.

Customers in the Commercial Group have a one-time right to elect an option other than the one they are automatically placed on by the Company. However, once the election is made, such Customers will be required to remain on the elected option during their uninterrupted stay on Standard Offer Service unless and until they begin taking Generation Service from a Non-regulated Power Producer. Customers in the Commercial Group may make this election at the time they are first placed on Standard Offer Service or at any time after service has commenced.

Customers may notify the Company at any time to elect a different pricing option. The switch will be made by the Company on the next scheduled meter read date after receiving the notice, provided that the Company has received notice no later than two business days prior to the next meter read date. Otherwise, the switch will not occur until the next successive meter read date after receipt of the notice.

Industrial Group (Rates B-32, G-32, B-62, G-62 and X-01). The rates applicable to this class shall be fixed monthly prices and represent the actual monthly contract prices for each month of the period specified in the Supplemental Schedule.

Deleted: Large Commercial & Industrial

Deleted: G-02.

TERMINATION OF STANDARD OFFER SERVICE

Standard Offer Service may be terminated by a Customer upon the next scheduled meter read provided that notice of the change of supplier was received in accordance with the Company’s Terms and Conditions for Non-regulated Power Producers.

There shall be no fee for terminating Standard Offer Service.

BILLING ADJUSTMENT WHEN LEAVING STANDARD OFFER SERVICE

Customers in the Residential Group and customers in the Commercial Group billed under the Fixed Price Option who leave Standard Offer Service to receive Generation Service from a Nonregulated power producer shall be subject to a billing adjustment for the time they were billed under the Standard Offer Service rate during the current pricing period. Specifically, the

Deleted:

Deleted: Small Customers

Deleted: -

billing adjustment shall be based on the difference between the Standard Offer Service rate in effect for the current pricing period and the actual monthly contract rates for the same period, multiplied by the Customer's kilowatt-hour usage during the same period. The billing adjustment can be either a charge or a credit.

RATE CHANGES

The rates set forth in this tariff are effective for usage on and after the Effective Date. Any changes will be filed with the Commission and are subject to Commission review and approval.

Effective Date April 1, 2011

Deleted: : March 1,

Deleted: 2010