

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

IN RE: NARRAGANSETT ELECTRIC COMPANY :  
LAST RESORT SERVICE ACQUISITION PLAN : Docket No. 3444

REPORT AND ORDER

I. BACKGROUND

The 1996 Utility Restructuring Act (“URA”) required electric distribution companies, such as Narragansett Electric Company (“Narragansett”) to provide Last Resort Service (“LRS”) “for customers who are no longer eligible to receive service under the standard offer,” and that “acceptance of bids by the electric distribution company and the terms and conditions for such last resort service shall be subject to approval by the Commission.”<sup>1</sup> In the past, Narragansett Electric issued Requests for Proposals (“RFPs”) to bidders and filed the bids, not identifying the bidder, with the Commission for approval.<sup>2</sup> The Commission would approve the winning bid; Narragansett would notify the winning bidder and then appear before the Commission for approval of the actual rates.

In 2002, the General Assembly amended the URA, including the requirements for Last Resort Service. On June 18, 2002, House Bill 2002-7786, Substitute B, as amended, was signed into law by the Governor. As a result, R.I.G.L. § 39-1-27.3(c) now reads:

In recognition that electricity is an essential service, each electric distribution company shall arrange for a last resort power supply for customers who have left the standard offer for any reason and are not otherwise receiving electric service from nonregulated power producers. The electric distribution company shall procure last resort service supply from wholesale power suppliers. Prior to acquiring last resort supply, the electric distribution company will file with the

---

<sup>1</sup> R.I.G.L. § 39-1-27.3(f) (1996).

<sup>2</sup> In August 2001, the Commission approved LRS rates for the two six-month periods from September 2001 through February 2002 and March 2002 through August 2002. See Order No. 16920 (issued February 20, 2002).

commission a supply acquisition plan or plans that include the acquisition procedure, the pricing options being sought, and a proposed term of service for which last resort service will be acquired....All such components of the acquisition plans, however, shall be subject to commission review and approval. Once an acquisition plan is approved by the commission, the electric distribution company shall be authorized to acquire last resort service supply consistent with the approved acquisition plan and recover its costs incurred from providing last resort service pursuant to the approved acquisition plan.<sup>3</sup>

One result of the change in law is that rather than having the authority to approve the actual LRS rates, the Commission has been granted the authority to approve a LRS acquisition plan, specifically, the acquisition procedure, the pricing options sought and the term of service. As long as Narragansett complies with an approved LRS acquisition plan, it is entitled to recover its costs associated with providing LRS.

Another result of the change in law is the modification of the language regarding the eligibility requirements for customers who wish to take LRS. The original language limited eligibility for LRS to those customers “unable to obtain or retain electric service from nonregulated power producers.”<sup>4</sup> The new language expands eligibility to any customers who have left standard offer for any reason and are not otherwise receiving electric service from nonregulated power producers.<sup>5</sup>

Finally, the change in law expands the authority of the Commission with regard to the promulgation of rules and regulations regarding LRS. In addition to promulgating regulations implementing the LRS section of the statute, the Commission may define “the

---

<sup>3</sup> R.I.G.L. § 39-1-27.3(c) (2002).

<sup>4</sup> R.I.G.L. § 39-1-27.3(f) (1996).

<sup>5</sup> R.I.G.L. § 39-1-27.3(c) (2002). During the hearing, the Commission expressed concern that customers be given enough information upon which to make an informed decision to move from a Standard Offer Service (“SOS”) rate to a LRS rate.

terms and conditions upon which last resort service is offered and provided to customers.”<sup>6</sup>

## II. ACQUISITION PLAN SEPTEMBER 2002-AUGUST 2003

On July 9, 2002, Narragansett filed its first proposed LRS acquisition plan, through the pre-filed direct testimony of Michael J. Hager, the Director of Energy Supply – NE for National Grid USA Service Company. Mr. Hager testified that Narragansett’s proposed procedure for acquiring LRS would include ten steps: (1) issuance of an RFP to all interested wholesale power suppliers; (2) receipt of initial responses to the RFP, including background information, indicative pricing and proposed changes to the proposed power supply agreement; (3) review of the initial responses and resolution of any disputed contract language; (4) sharing of the initial responses with the Division of Public Utilities and Carriers (“Division”); (5) receipt of final, binding prices; (6) evaluation of the final, binding prices in consultation with the Division; (7) selection of a supplier; (8) execution of a power supply contract; (9) filing of the resulting LRS rates with the Commission; and (10) filing of a summary of the bids received on a confidential basis with the Commission for its review.

Next, Mr. Hager indicated that with regard to the pricing options sought and the proposed term of service, Narragansett would seek pricing on an “as delivered” basis, meaning that Narragansett would only be required to pay for LRS that is actually consumed by its LRS customers. Consequently, there would be no demand charges incurred and no minimum or maximum load requirements. Finally, a responsive price would have to include all commodity-related charges associated with the supply of LRS.<sup>7</sup>

---

<sup>6</sup> Id.

<sup>7</sup> Id. at 7.

Mr. Hager indicated that Narragansett would seek pricing for the two six-month periods September 2002 through February 2003 and March 2003 through August 2003. He stated that while Narragansett would definitely procure LRS for the first six-month period, procurement for the second six-month period would be dependent upon the prices received in response to the RFP. He noted that suppliers could bid for either one or both six-month periods and that the winning bidder for both periods could be the same or different, depending on their proposals.<sup>8</sup>

Mr. Hager testified that the indicative bids provide Narragansett with the ability to initially rank the bids and perform a review of each bidder's qualifications, including the bidder's financial strength. He explained that the winning supplier would be chosen from those bidders that have the following characteristics: a demonstrated ability to provide service during the six-month period; either acceptable financial strength or the ability to provide required financial security; and the willingness to execute a power supply contract that is acceptable to Narragansett. Once Narragansett has narrowed the field solely to those bidders with the above characteristics, Narragansett will then choose the bidder offering the lowest price.<sup>9</sup>

With regard to an acceptable power supply contract, Mr. Hager noted that individual wholesale power suppliers typically request contract changes that are not intended to shift the risks or costs between the supplier and Narragansett, but rather to add clarity to the contract. However, he also indicated that "to the extent a contractual change would shift risks or costs between the supplier and the Company, the Company will evaluate the economic cost of the proposed shift and factor the cost into the bid

---

<sup>8</sup> Id. at 6, 8.

<sup>9</sup> Id. at 8.

price.” He stated that any such analysis would be included in Narragansett’s information filing to the Commission.<sup>10</sup> In addition to that kind of analysis, Narragansett’s confidential informational filing with the Commission would contain a summary of the initial and final bids as well as the final executed power supply contract.<sup>11</sup>

Finally, Mr. Hager indicated that Narragansett’s proposed LRS acquisition plan was only intended to be in effect for the upcoming six- to twelve-month period. Therefore, he explained, Narragansett intends to file a new acquisition plan in 2003 which may or may not be the same as the plan presently before the Commission.<sup>12</sup>

### III. HEARING

Following notice, a public hearing was conducted on July 15, 2002, at the Commission’s offices, 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

|                            |   |
|----------------------------|---|
| FOR NARRAGANSETT ELECTRIC: | Thomas Robinson, Esq.                               |
| FOR THE DIVISION:          | Paul J. Roberti, Esq.<br>Assistant Attorney General |
| FOR THE COMMISSION:        | Cynthia G. Wilson, Esq.<br>Senior Legal Counsel     |

Michael Hager testified on behalf of Narragansett. He explained that the proposed LRS acquisition plan “seek[s] approval from the Commission to follow that same process...” that Narragansett had used to acquire LRS previously, choosing the

---

<sup>10</sup> Id. at 9-10.

<sup>11</sup> Id. at 10. In addition to filing a complete copy of the power supply contract under a request for proprietary treatment, Narragansett will also file a redacted public version.

<sup>12</sup> Id. at 10-12. Mr. Hager explained that potential changes from the current plan could include such options as pricing LRS by rate class/customer type, a requirement of a minimum term commitment from LRS customers, longer procurement periods or LRS pricing that encourages customers to return to the market. Much of Narragansett’s decision will be based on then-existing market conditions. Id. at 11.

lowest priced qualified bidder.<sup>13</sup> He testified that as of May 2002, LRS consisted of 703 customers requiring approximately ten megawatts of power.<sup>14</sup> While the majority of these LRS customers are residential, approximately 69% of the LRS load is provided to commercial, industrial and streetlighting customers.<sup>15</sup>

Cross-examination focused on four issues: (1) financial stability of the bidders;<sup>16</sup> (2) Narragansett's discretion regarding power supply contract changes;<sup>17</sup> (3) whether the 4.5 cents/kWh minimum rate for non-residential LRS customers should continue;<sup>18</sup> and (4) the appropriate duration of proprietary treatment for the LRS power supply contract.<sup>19</sup>

#### A. Financial Analysis

Mr. Hager testified that Narragansett's RFP and proposed power supply contract for LRS each have financial requirements that suppliers must meet. For example, Mr. Hager noted that Narragansett either requires a supplier to maintain investment grade ratings or provide a cash deposit or a letter of credit. If a supplier were to initially meet the financial strength requirements, but drop below the minimum standards set, Narragansett would require the supplier to provide an additional form of security, such as

---

<sup>13</sup> Tr. 7/15/02, p. 9.

<sup>14</sup> Id. at 19-20.

<sup>15</sup> See Narragansett's Response to Data Request 1-3.

<sup>16</sup> Id. at 10-18, 132-41.

<sup>17</sup> Id. at 31-55, 56-65, 70-122, 156-72, 175-91

<sup>18</sup> Id. at 123-24, 141-48, 155-56. For the period from June through October 2000, the Commission set residential LRS rates at the SOS rate. The Commission set non-residential LRS rates at the market price, with a phase-in to avoid rate shock. Narragansett faced a high under-collection due to the large number of non-residential customers that migrated from their market suppliers to lower-priced LRS during a period (December 1999-March 2000) when market prices for electricity were high. In an attempt to mitigate the resulting LRS under-collection, beginning in June 2000, the Commission set the non-residential LRS rate at the higher of the market rate or 4.5¢/kWh. Order No. 16281 (issued June 16, 2000). Between October 2000 and January 2001, Narragansett underestimated the market rate for some of the months, resulting in an under-collection even during the months when non-residential customers were to be paying market rates. However, this under-collection has been fully recovered. See Order No. 16731 (issued October 10, 2001) and Order No. 16916 (issued February 15, 2002).

<sup>19</sup> Tr. 7/15/02, pp. 129-32, 172-75. The Commission also made record requests regarding the manner in which National Grid was assisting customers and suppliers with expanding the retail market.

a letter of credit.<sup>20</sup> He explained that Narragansett does not regard performance bonds as an acceptable form of credit because past practice has shown that the holder of the bond tends to take the claimant through an entire litigation process prior to issuing payment, whereas a letter of credit is like cash so that Narragansett can simply draw down on it.<sup>21</sup> Mr. Hager also explained that if a supplier does not have an investment grade rating, Narragansett would examine the company's balance sheet and determine the level of creditworthiness.<sup>22</sup>

With regard to the application of the additional security requirement, Mr. Hager noted that although the additional security may be required, it will only be drawn upon if a supplier fails to deliver under the terms of the contract. He related a situation where a supplier to another National Grid Company fell below the required financial standards, but continued to perform its contractual obligations. Although Narragansett required additional security from that supplier, there was no need to draw on it in order to purchase an alternate power supply.<sup>23</sup>

In response to concerns voiced by the Commission about current uncertainties in the financial and energy markets, Mr. Hager testified that while Narragansett is not requiring a higher standard of financial strength than in the past, it does monitor the suppliers more closely.<sup>24</sup> Additionally, Narragansett has added an offset provision to its contracts so that Narragansett is not forced to write a check to a supplier who may owe

---

<sup>20</sup> Id. at 10-13. Mr. Hager explained that traditionally, ratings agencies delved into the details and performed an independent review of a company's books and business dealings when developing ratings which can be relied upon as a measure of a company's level of financial strength. Id. at 138.

<sup>21</sup> Id. at 14-16.

<sup>22</sup> Id. at 13-14, 138-41.

<sup>23</sup> Id. at 16-17.

<sup>24</sup> In 2001 and 2002, the utility industry, the energy and telecom sectors in particular, made some of the largest bankruptcy filings on record despite the fact that their investment ratings and financial statements appeared solid.

Narragansett money from another contract or to a supplier who may be delinquent in its payments under another contract with Narragansett.<sup>25</sup>

B. Discretion Within a Plan

As noted above, Narragansett was requesting Commission approval of an acquisition plan that would seek bids that included pricing on an “as delivered” basis with no demand charges, no minimum or maximum load requirements and which included all commodity related costs. A conforming bid would have all of these characteristics. Narragansett was also seeking flexibility or discretion under the LRS acquisition plan to enter into power supply contracts with non-substantive changes, to analyze any non-conforming bids that might shift risks between Narragansett and the supplier to enter into such contracts if Narragansett’s analysis showed a benefit to the ratepayer.<sup>26</sup> The Commission questioned whether Narragansett should have the discretion, for example, to accept a non-conforming bid. Testimony from Mr. Hager and Stephen Scialabba, Chief Accountant for the Division of Public Utilities and Carriers (“Division”), and arguments by counsel to the parties attempted to address the Commission’s concerns that on the one hand, all actions to be taken by Narragansett under an LRS acquisition plan should be subject to prior Commission review, while on the other hand, an LRS acquisition plan should not be so inflexible that it discourages Narragansett from seeking and entering into the most beneficial LRS supply contracts for ratepayers.

The Commission also expressed concern about the scope of review of Narragansett’s actions available to the Commission once it had approved a LRS acquisition plan. The parties agreed that if Narragansett did not comply with an approved

---

<sup>25</sup> Id. at 133-36.

<sup>26</sup> Narragansett Ex. 1, pp. 7-9, Tr. 7/15/02, pp. 30-34, 51-55, 56-61.



plan, the Commission would have the ability to review Narragansett's actions in procuring the LRS power supply. However, the parties also pointed out that if Narragansett did comply with the approved acquisition plan, under the statute, it would be allowed to recover its costs associated with procuring LRS. It became apparent that, for the most part, the Commission's concern was more forward-looking in the sense that, if acquisition plans become more complicated, the issue of whether Narragansett had complied with the plan could be a factual issue. In addition, the Commission queried whether it was required to take action upon receipt of Narragansett's confidential informational filing in order to maintain its right to review Narragansett's actions under the LRS acquisition plan. In particular, the Commission questioned whether the informational filing should be treated as a compliance filing requiring Commission approval or acceptance.

Toward the end of the hearing, the parties came to a consensus which they agreed to memorialize in a filing to the Commission prior to the open meeting regarding this matter. On July 17, 2002, Narragansett filed a letter with the Commission, setting out the agreement between the Division, the Attorney General and itself regarding the flexibility to be afforded Narragansett under the proposed acquisition plan and the suggested scope of the Commission's review of Narragansett's actions thereunder.<sup>27</sup> First, the letter stated that the approved LRS acquisition plan should provide Narragansett with some flexibility or discretion, when faced with a non-conforming bid, to make a decision that it believes would be to the benefit of ratepayers.

---

<sup>27</sup> July 17, 2002 letter from Thomas G. Robinson to Luly Massaro, Commission Clerk ("July 17<sup>th</sup> letter").

Second, the July 17<sup>th</sup> letter stated that “[i]f Narragansett retains discretion within the plan to modify the procurement process, it should also have the responsibility to exercise that discretion reasonably. Thus the exercise of discretion under the plan should be subject to review.”<sup>28</sup> More particularly, the letter indicated that this review should occur during the process when Narragansett is deciding which supplier and which contract option to accept. As part of its plan, Narragansett has agreed to consult with the Division regarding each of the initial bids, including those, if any, that do not conform to the requirements in the acquisition plan. Narragansett has also agreed to advise the Commission immediately if Narragansett decides to choose an option that does not conform to the requirements of the approved acquisition plan. Because the Division will be privy to all available options, it will have the opportunity to raise concerns regarding Narragansett’s choice and whether it conforms to the approved LRS acquisition plan. Finally, Narragansett would include the basis for its decision to accept a non-conforming bid in its informational filing with the Commission “after the commitment is made, but just prior to the effective date of the purchase.”<sup>29</sup> Accordingly, this will provide the Division and Commission with a number of opportunities to review Narragansett’s actions during the selection process.

The July 17<sup>th</sup> letter also indicated that Narragansett’s discretionary actions under an approved LRS acquisition plan should also be subject to an after-the-fact prudence review. Such a review would most likely be prompted if Narragansett’s discretionary action, such as a decision to accept a non-conforming bid, had an adverse impact on the ratepayers. The review would be based on a review of the facts before Narragansett at

---

<sup>28</sup> Id. at 2.

<sup>29</sup> Id. at 2.

the time it exercised its discretion. The letter concluded with the statement that, “with these limitations, Narragansett agrees that, notwithstanding the notification to the Division and Commission...the Commission retains the authority to conduct a retrospective review of the exercise of Narragansett’s discretion undertaken under an approved plan. Narragansett’s actions would also be subject to review for compliance with the Plan approved by the Commission.”<sup>30</sup>

C. Price Floor

In Commission Order No. 16281, in order to mitigate an LRS under-collection from a prior period, the LRS price for non-residential customers was set at the higher of the market price or 4.5 cents/kWh. According to Mr. Scialabba, the under-collection, which had resulted from a volatile commodity market, has been recovered. Therefore, in his opinion, the reason for setting the 4.5 cent price floor has passed. Mr. Hager testified that the LRS pricing should be reflective of the market and should not be artificially inflated.<sup>31</sup> He agreed with Mr. Scialabba that “if the reason for setting the floor, namely, [was a] mechanism to recover under-collections from prior periods,” the need no longer exists for setting the price floor.<sup>32</sup>

Counsel to the parties agreed that although the filing and hearing on the proposed LRS acquisition plan had been duly noticed, the issue regarding the need to continue with the 4.5 cent floor price for non-residential customers was not a main component of the filing. Therefore, while counsel agreed there was no need for a separate hearing on the issue, if the Commission wished to revisit the issue of the price floor for non-residential

---

<sup>30</sup> Id. at 3.

<sup>31</sup> Tr. 7/15/02, pp. 141-44.

LRS customers, the Commission should make its final determination at an open meeting after an opportunity for interested parties to comment.<sup>33</sup>

D. Confidential Informational Filing

Under its proposed LRS acquisition plan, Narragansett proposed to make a confidential informational filing regarding the LRS bids received together with the final supply contracts with the Commission after it had entered into its supply contract(s). At the time of the hearing, Narragansett expressed several concerns with the Commission's suggestion that both a public (redacted) and non-public (confidential) version of the information be filed.<sup>34</sup> First, Mr. Hager indicated that in the competitive market, the suppliers regard their pricing as competitively sensitive information. For example, they may bid in a certain pattern which another supplier may use to its advantage. Second, Mr. Hager was hesitant to allow a winning supplier to know the margin between its bid and the next closest bid. Third, winning suppliers often request a period of time during which their identity is not made public so that they are able to lock up the power requirements contracted for without the threat that their power supplier(s) will raise prices in anticipation of the load the winning supplier needs to serve.<sup>35</sup> The Commission expressed concern that such information not be kept confidential indefinitely.

---

<sup>32</sup> Id. at 145-46. The Commission expressed concern that current non-residential SOS customers be properly educated so as not to be enticed to switch to LRS by a low LRS price for a month or two, only to be surprised by higher market prices in later months. Id. at 148-52.

<sup>33</sup> See Tr. 7/15/02, pp. 146-48. The Commission has published a notice seeking comments by October 4, 2002, regarding the continuation of the 4.5 cent price floor for non-residential customers taking LRS. The Commission will review all comments received and make a determination regarding the continuation of the price floor at an open meeting later this month.

<sup>34</sup> On August 23, 2002 and September 13, 2002, Narragansett made its confidential informational filings with the Commission, the first addressing the bids received and the LRS supply contract for the period September 2002 through February 2003 and the second addressing the bids received and the LRS supply contract for the period March 2003 through August 2003. Redacted, public versions of this information were also filed.

<sup>35</sup> Tr. 7/15/02, pp. 129-32.

#### IV. COMMISSION FINDINGS

At its July 18, 2002 open meeting, the Commission approved Narragansett's LRS Acquisition Plan as filed with the understanding that the Commission shall have the right to review Narragansett's final LRS power supply contract for compliance with the approved Plan and to review the prudence and reasonableness of any discretionary actions taken by Narragansett under the Plan.

The Commission finds that Narragansett's proposal is in the best interest of ratepayers at this time. The Commission notes that the majority of LRS customers are residential customers and that the retail market has not yet developed with regard to the residential customers in Rhode Island. Furthermore, it appears that the group of non-residential customers taking LRS no longer includes Rhode Island's largest commercial and industrial customers who are presently acquiring their power supplies from the market. The Commission also notes that certain costs, such as ISO Tariff charges, can fluctuate, causing price volatility to customers. If Narragansett were to solicit LRS bids that included "floating" market rates or excluded various charges that would still be due from LRS customers, and Narragansett did not accurately estimate these rates and charges, Narragansett could end up with an LRS under-collection similar to that incurred due to the volatility of energy market prices in 2000, that would have to be recovered from ratepayers at a later date. However, Narragansett's proposed acquisition plan, which requires it to solicit bids with fixed pricing on an "as delivered" basis with no variable costs, offers all LRS customers protection from an under-collection over the next six to twelve months and is in the best interest of the LRS customers. Such pricing allows non-residential LRS customers to know exactly how much they are paying per

kWh for power, thereby affording them a fixed price stream from which to compare market prices.<sup>36</sup> Furthermore, because the proposed plan requires conforming bids to have no minimum or maximum purchase requirements, even if each and every non-residential customer currently acquiring energy from the market returns to LRS, Narragansett is not at risk of not having enough power to supply the increased LRS load. We thus conclude that Narragansett's acquisition plan is in the best interest of ratepayers because it protects ratepayers from the type of LRS under-collection that occurred due to the volatility of energy market prices in 2000.

The Commission also accepts Narragansett's July 17, 2002 letter as a reasonable resolution of the issue of the Commission's right to review the prudence of Narragansett's discretionary actions under the approved Acquisition Plan as well as to review Narragansett's actions for compliance with the Plan. With regard to the issues of continuing the 4.5 cent price floor, customer education relative to moving from one rate class to another or to the market,<sup>37</sup> and confidentiality of documents in the LRS process,<sup>38</sup> the Commission will address each in subsequent proceedings.

Finally, as the very recent enactment of the new statutory provisions pertaining to LRS has not afforded either the Commission or the parties an adequate opportunity for review, the Commission's approval is limited to the current acquisition plan. This filing is not intended to set any precedent with respect to future LRS Acquisition Plan filings.

---

<sup>36</sup> The LRS rates for residential customers continue to be set at the SOS rate. As a result, residential LRS customers are shielded from price volatility in a way that non-residential customers are not.

<sup>37</sup> Narragansett has advised the Commission that it will make a proposal to the Commission for its review and ruling regarding the best method to assist customers in making an informed decision as to whether or not to change their rate classification from SOS to LRS.

<sup>38</sup> Narragansett has advised the Commission that it will be addressing the issue of confidentiality of documents with its suppliers during the Fall of 2002 and will be making a proposal regarding the treatment of documents used during the procurement process and the treatment of potentially competitive information to the Commission for its approval.

Therefore, the Commission has also voted to institute a negotiated rulemaking process to address the interpretation of the new statutory provisions pertaining to LRS and to set parameters for reviewing future LRS filings.

V. LAST RESORT SERVICE RATES

On August 23, 2002, Narragansett filed the LRS rates for non-residential customers for the six-month period September 2002 through February 2003. On September 13, 2002, Narragansett filed the LRS rates for non-residential customers for the six-month period March 2003 through August 2003. The non-residential LRS rates are as follows:

|              |                     |
|--------------|---------------------|
| September    | 4.500 cents per kWh |
| October      | 4.500 cents per kWh |
| November     | 4.500 cents per kWh |
| December     | 4.500 cents per kWh |
| January 2003 | 4.569 cents per kWh |
| February     | 4.685 cents per kWh |
| March        | 4.741 cents per kWh |
| April        | 4.724 cents per kWh |
| May          | 4.500 cents per kWh |
| June         | 5.737 cents per kWh |
| July         | 6.532 cents per kWh |
| August       | 6.532 cents per kWh |

The LRS rate for residential customers will continue to be the same as the SOS rate. By Order No. 16916 (issued February 15, 2002), the Commission set the SOS rate

at 4.662 cents per kWh for the three-year period January 1, 2002 through December 31, 2004.

Accordingly, it is hereby

(17203) ORDERED:

1. Narragansett Electric Company's proposed Last Resort Service Acquisition Plan covering the two six-month periods, September 1, 2002 through February 28, 2003 and March 1, 2003 through August 31, 2003, is hereby approved.
2. The Commission shall have the right to review Narragansett's LRS power supply contracts for compliance with the approved Acquisition Plan, and to review the prudence and reasonableness of any discretionary actions taken by Narragansett under the approved Acquisition Plan.
3. Narragansett Electric Company shall comply with all other findings and instructions contained in this Report and Order.



EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON JULY 18, 2002. WRITTEN ORDER ISSUED OCTOBER 22, 2002.

PUBLIC UTILITIES COMMISSION

---

Elia Germani, Chairman

---

Kate F. Racine, Commissioner

---

Brenda K. Gaynor, Commissioner