

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 09-225

GRANITE STATE ELECTRIC COMPANY d/b/a NATIONAL GRID

Petition for Approval of Renewable Default Service Option

Order Approving GreenUp Service

ORDER NO. 25,101

May 7, 2010

Appearances: McLane, Graf Raulerson & Middleton PA by Sarah B. Knowlton, Esq., on behalf of Granite State Electric Company, d/b/a National Grid; the Office of Consumer Advocate by Meredith A. Hatfield, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

I. PROCEDURAL BACKGROUND

On November 13, 2009, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a request for approval of its GreenUp Service proposal, a new renewable default service rate option, pursuant to RSA 374-F:3,V(f). With the proposal, National Grid filed the testimony and related exhibits of Edward H. White, Jr., acting Vice President of Renewable Development in the Customer and Markets organization of National Grid USA and Vice President of Energy Products, and Juliana C. Griffiths, Manager, Supplier Services in the Retail Access Group of National Grid Corporate Services, LLC's Energy Management Portfolio Department. National Grid USA is the service company for National Grid and its affiliates. National Grid also filed a proposed tariff with the GreenUp Service proposal.

On November 30, 2009, the Office of Consumer Advocate (OCA) filed a letter with the Commission stating that it would participate in the proceeding on behalf of residential customers pursuant to RSA 363:28. The Commission issued an Order on January 15, 2010, suspending

National Grid's tariff establishing a renewable service option and scheduling a prehearing conference for January 28, 2010.

On February 1, 2010, Staff filed a report on the technical session that followed the prehearing conference and a proposed procedural schedule. On March 12, 2010, on behalf of the parties, Staff requested that the Commission approve a change to the procedural schedule to allow parties to file a partial Settlement Agreement by March 31, 2010. On March 18, 2010, the Commission granted the change to the procedural schedule. Staff filed a partial Settlement Agreement on March 31, 2010. The hearing was held as scheduled on April 7, 2010.

II. POSITIONS OF THE PARTIES

A. Granite State Electric Company d/b/a National Grid

In its filing, National Grid stated that, pursuant to its proposal, the Company would offer GreenUp as a renewable default service rate option to its residential and small business default service customers. National Grid said that it offers GreenUp to its customers in Massachusetts and has experience in running the program. National Grid described the GreenUp program as an optional tariff-based offering for residential and small commercial and industrial default service customers. The Company did not exclude any subset of residential customers, such as low-income customers receiving assistance from a state or federal fuel or electric assistance program, from eligibility to elect GreenUp. National Grid stated that GreenUp would not be made available to outdoor lighting (OL) or medium and large commercial and industrial (C&I) customers taking service from the Company.

The Company explained that, under the GreenUp program, National Grid will refer eligible customers who are interested in paying for a renewable default service option to participating GreenUp suppliers. These suppliers will have contracts with the Company to

provide the GreenUp service and, for an agreed-upon price above the existing default service rates offered by the Company, will purchase renewable energy certificates (RECs) on behalf of participating customers. According to National Grid, RECs purchased by GreenUp suppliers will be tracked and validated in accordance with the New England Power Pool (NEPOOL) Generation Information System (GIS) administered by the Independent System Operator-New England (ISO-NE). National Grid said that, consistent with the statute, GreenUp suppliers will only sell RECs from renewable generation that is eligible to be certified under RSA 362-F, New Hampshire's Electric Renewable Portfolio Standard law.

The Company testified that, in the event that there are insufficient RECs available for GreenUp suppliers to meet their obligation to participating customers, the Company would require such suppliers to make payments to the N.H. Renewable Energy Fund created by RSA 362-F:10. Such payments would be equal to the remaining quantity of RECs needed to satisfy a GreenUp supplier's obligation to participating customers multiplied by the applicable alternative compliance payment for Class I (new renewable) RECs.

National Grid testified that it will notify its eligible default service customers about the GreenUp program through bill inserts on a periodic basis. The bill inserts will describe the GreenUp program, identify participating GreenUp suppliers and the products being offered, and provide each customer with a reply card that will allow the customer to select a supplier and enroll in the program. Under the Company's proposal, customers will not be required to make a minimum commitment to the GreenUp program but can sign up for or withdraw from the program on a billing cycle basis.

The Company stated that the initial budget for outreach and education is \$35,800. National Grid proposes to recover the administrative costs associated with GreenUp through a

uniform per kilowatt hour (kWh) factor to be included with the distribution kWh charge for billing purposes. As described by the Company, the factor will be established annually based on a forecast of GreenUp Service administrative costs, and will include a full reconciliation and adjustment for any over- or under-recoveries occurring under the prior year's adjustment. The Company explained that administrative costs associated with the GreenUp program will be paid by all customers as allowed by RSA 374-F:3, V(f)(2).

B. Settlement Agreement

National Grid, OCA and Staff entered into a partial settlement agreement that modified the Company's filing. The partial settlement agreement left unresolved the issue regarding National Grid's proposal to exclude OL and medium and large C&I customers who take default service from National Grid from electing to participate in the GreenUp program. Hearing Transcript of April 7, 2010 (Tr. 4/7/2010) at 11.

The settling parties agreed that residential and small commercial customers taking default service from the Company, customers taking default service under Domestic Service D, Domestic-Optional Peak Load Pricing D-10, and General Service G-3, and; Limited Total Electric Living T customers will be eligible to participate in GreenUp program. The settlement agreement excludes residential customers receiving service on Rates D, D-10 and T that are receiving discounts pursuant to the Energy Assistance Program from the program. *Id.* at 12.

The settling parties also agreed that, for the first year of the GreenUp program, the Company shall be entitled to recover its incremental administrative, marketing and promotional costs associated with the GreenUp program. For the first twelve months of the program, these costs shall consist of costs to change the Company's billing system to allow billing for GreenUp services in New Hampshire, administrative costs currently estimated at \$11,550 and no more

than \$35,800 in customer outreach and education costs. *Id.* at 16. In subsequent years, these costs are expected to consist solely of administrative costs. *Id.* at 40. The settling parties agreed that these costs should be recovered from all of the Company's customers through a uniform per kWh factor, which would be included in the Company's annual retail rate reconciliation filing, consistent with RSA 374-F:3, V(f)(2). *Id.* at 17.

As part of the GreenUp program, the partial settlement agreement states that the Company shall file a report with the Commission Staff and the OCA with information on the pricing of GreenUp services once the prices have been established by GreenUp suppliers, as well as any marketing materials associated with the GreenUp program. After GreenUp has been in effect for twelve months, the Company shall, sixty days thereafter, file a report with the Commission detailing program participation by customer class and disclosing whether any REC's purchased by GreenUp suppliers were ineligible under RSA 362-F:6, III and providing all incremental administrative, marketing and promotional costs associated with the GreenUp program. *Id.* at 20. Following receipt of the report, the partial settlement agreement provides that the Company, Staff and the OCA shall confer regarding whether any changes to GreenUp are needed. *Id.* at 21. Regarding the Company's decision to exclude its OL and large C&I default service customers from GreenUp, National Grid pointed out that the language in RSA 374-F:3, V(f) (2) doesn't compel a utility to offer a renewable service option to all of its customers. It referred to the recent decision by the Commission that approved the Public Service Company of New Hampshire (PSNH) Renewable Service Program, Order No. 25,080 (March 5, 2010), where the Commission allowed PSNH to exclude from its program its customers who take electric service from a competitive supplier. *Id.* at 51.

The Company also pointed out that RSA 374-F: 3, V (f) (2) provides that a utility shall provide its renewable service rate option “as approved by the commission.” National Grid argued that this section gave the Commission discretion to approve a renewable default service rate option so long as the Commission determined it otherwise met the requirement of the law. According to the Company, it excluded OL and medium and large C&I customers because such customers have the ability to access competitive suppliers that offer these types of renewable options. *Id.* at 52-52.

Neither the OCA nor Staff stated a position on this issue. Staff pointed out that there is not enough information about the extent to which large C&I customers have access to the competitive market for RECs, but said that the operation of PSNH’s renewable service option program, which allows the large commercial and industrial default service customers to take the option, may provide more information regarding this issue. *Id.* at 57.

III. COMMISSION ANALYSIS

Pursuant to the New Hampshire Code of Admin. Rules Puc 203.20, the Commission shall approve a Settlement Agreement provided that it finds the agreement is just and reasonable and in the public interest. In this instance, we are presented with a partial settlement agreement that modifies National Grid's initial filing to comply with the RSA 374-F:3, V(f) requirement that electric utility companies offer a renewable default service option to their customers. For the reasons stated below, we approve the partial settlement agreement.

In this case, the partial settlement agreement modifies the initial filing by requiring the Company to exclude residential customers receiving service on Rates D, D-10 and T that are receiving discounts pursuant to the Energy Assistance Program. The Energy Assistance Program has a limited amount of money to aid customers with their basic energy needs. Supporting

renewable energy service programs with Energy Assistance dollars would reduce the number of customers that could receive help with their electric bills. We find that the exclusion of customers who are participating in the Energy Assistance Program is justified.

The partial settlement agreement also requires National Grid to make certain reports to the Staff and the OCA after one year of offering GreenUp. The reporting provision will allow Staff and the OCA to evaluate the program both in terms of participation and cost, and to make appropriate recommendations regarding the future operation of the program. We find the reporting requirement to be reasonable as this is a new optional tariff offering with uncertain cost and demand.

The one issue not resolved by the partial settlement agreement is whether National Grid, or any electric utility, is allowed to limit its GreenUp offering to certain group of customers who take default service. We agree with the Company's assertion that the statute allows us discretion in implementing the renewable services statute, RSA 374-F:3, V(f). "Green" offerings are already in the market for medium and large customers, and there has been no apparent call for this service from those rate classes. To extend the program to all classes would result in additional costs due to programming and outreach. We cannot justify imposing those costs on ratepayers for a program that may have no customers and, therefore, we will exclude the OL and medium and large C&I customers from eligibility for GreenUp service.

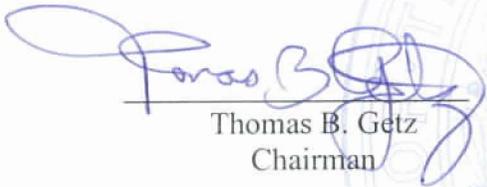
We also emphasize the importance of the reporting and evaluation requirements after one year of program implementation, which will provide us the opportunity to review the performance and participation in the renewable default service programs offered by National Grid, PSNH and Unitil Energy Services, Inc.

Based upon the foregoing, it is hereby

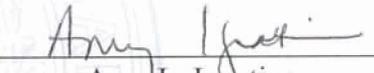
ORDERED, that the filing of Granite State Electric Company d/b/a National Grid to implement a proposed renewable default energy service rate pursuant to RSA 374-F:3, V(f) as modified by the partial settlement agreement and the terms of this order is hereby APPROVED; and it is

FURTHER ORDERED, that National Grid file a tariff conforming to this Order within 30 days hereof.

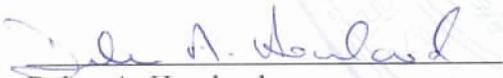
By order of the Public Utilities Commission of New Hampshire this seventh day of May, 2010.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy L. Ignatius
Commissioner

Attested by:


Debra A. Howland
Executive Director