

STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S PROPOSED 2010 : DOCKET NO. 4041
STANDARD OFFER SUPPLY :
PROCUREMENT PLAN AND 2010 :
RENEWABLE ENERGY SUPPLY :
PROCUREMENT PLAN
(ACCELERATED PROCUREMENT PLAN) :

POSITION STATEMENT OF THE RHODE ISLAND OFFICE OF ENERGY
RESOURCES

The Rhode Island Office of Energy Resources ("OER"), after reviewing the filings and discovery responses made by National Grid and others in this matter, hereinafter sets forth its position on the accelerated procurement plan ("APP") proposed by National Grid in this proceeding.

In general, hedging is a useful strategy to lock-in energy prices seen as favorable in light of long term price projections and to minimize "rate shock" from significant swings in energy prices. Particularly in light of recent history, it seems desirable to try to shield ratepayers from rate shock through the use of hedging and other mechanisms, just as other companies dependent upon commodities such as sugar (Coke) or aviation fuel (Southwest Airlines) have done for years.

Of course, hedging, like all fixed price advance purchases, carries the risk that the hedge price paid by the ratepayer may be above or below the actual market price at the time of consumption. In its response to the Division's Data Request 1-7 asking whether National Grid had analyzed the risks of this transaction to ratepayers or National Grid, National Grid responded that, other than observing that "...prices are at their lowest point since 2003. The Company cannot, however, predict where the market is headed..." and that all risks "will be borne by the ratepayer." Obviously, the decision to enter into a hedge should be made only after the same level of risk analysis as any other energy procurement decision. Thus, such hedging by National Grid should be held to the same standards of prudent conduct as attend other energy acquisitions by National Grid. OER expects that National Grid will be able to provide such assurances at the upcoming hearing.

Also, intergenerational equity, or avoiding cost shifts from one generation of ratepayers to another, should be avoided wherever possible. It appears that hedging could also help to avoid such cost shifting. Thus, ratepayers would better know the cost of the energy they consume at the time they make those consumption decisions. To avoid

such cost shifting, the extent to which today's ratepayers pay for or benefit from past rates that did not match the cost of providing such past service should be minimized in selecting the hedge cost or benefit recovery mechanism.

Accordingly, subject to the preceding comments, OER supports the approval of the APP proposed by National Grid.

Respectfully submitted,
Rhode Island Office of Energy Resources
By Its Attorney,

//s// John R. McDermott //s//
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CERTIFICATE OF SERVICE

I hereby certify that on the 23rd day of April, 2009, I emailed a copy of this document to all persons providing email addresses and sent a paper copy by regular mail to any remaining persons, all as designated in the official service list compiled by the Commission Clerk in this proceeding.

//s// John R. McDermott //s//
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