

Memorandum

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PUBLIC UTILITIES COMMISSION

To: L. Massaro

Commission Clerk

From: S. Scialabba

Chief Accountant, Division of Public Utilities & Carriers

D. R. Stearns

Rate Analyst, Division of Public Utilities & Carriers

Date: 3/22/2011

Re: Narragansett February 2011 Electric Retail Rate Filing: Docket 4226

On February 23, 2011 the Narragansett Electric Company d/b/a National Grid ("Narragansett", or "Company") submitted to the Commission an Electric Retail Rate Filing ("Filing").

The proposed rates, based on reconciliations as of December 31, 2010 and certain forecast amounts, would be in effect for twelve months, from April 1, 2011 through March 31, 2012.

In Docket 4041, the Company agreed to revise its reconciliation filing schedule so that the effective date of the reconciliation rate changes will coincide with the SOS rate changes effective April 1 of each year. This is the first reconciliation filing in accordance with that docket. It was submitted by the Company in February, using actual balances as of December 31, with the rates effective beginning April 1.

NOTE: The Company has also submitted Standard Offer Service rates in a separate docket (Docket 4149) that would also become effective as of April 1, 2011. Those proposed rates, based upon new supply contracts which have been procured and executed in accordance with an approved procurement plan, and which will substantially reduce the bills of Standard Offer customers, are presented in Attachment A.

Also included is Attachment B, which details, by customer class, the proposed rate changes outlined on pages 1 through 3 of this memorandum.

The following rates are being proposed in this docket, for the twelve months beginning April 1, 2011:

- **Residential Group:**
- Net Standard Offer Adjustment Charge: \$0.00066 per kWh comprised of:
 - Standard Offer adjustment factor of (\$0.00041) / kWh;
 - Standard offer service administrative cost factor of \$0.00138 / kWh and;
 - Renewable Energy Standard Charge of (\$.00031) / kWh.
- Net Transition Charge: (\$0.00031) per kWh comprised of:
 - Transition Charge of (\$0.00005) / kWh, and;
 - Transition Adjustment Charge of (\$0.00026) / kWh.
- Net Transmission Charge: \$0.01623 per kWh comprised of:
 - Base Transmission Charge of \$0.01593;
 - Transmission Adjustment Factor of \$0.00015 / kWh, and;
 - Transmission Uncollectible Factor of \$0.00015 / kWh.
- Distribution kWh Surcharge related to Net Metering: \$0.00001 per kWh.
 - The net effect of the rate adjustments above would result in a decrease of \$2.13 in the monthly bill of a residential customer using 500 kWh.

- **Commercial Group:**
- Net Standard Offer Adjustment Charge: \$0.00124 per kWh comprised of:
 - Standard Offer adjustment factor of \$0.00027 / kWh;
 - Standard offer service administrative cost factor of \$0.00128 / kWh and;
 - Renewable Energy Standard Charge of \$(0.00031) / kWh.
- Net Transition Charge: (\$0.00031) per kWh comprised of:
 - Transition Charge of (\$0.00005) / kWh, and;
 - Transition Adjustment Charge of (\$0.00026) / kWh.
- Net Transmission Charge: \$0.01755 per kWh comprised of:
 - Base Transmission Charge of \$0.01724;
 - Transmission Adjustment Factor of \$0.00015 / kWh;
 - Transmission Uncollectible Factor of \$0.00016 / kWh, and;

- Distribution kWh Surcharge Related to Net Metering: \$0.00001 per kWh.

- **Industrial Group:**

- Standard Offer Adjustment Charge: \$0.00159 per kWh comprised of:
 - Standard Offer adjustment factor of \$0.00075 / kWh;
 - Standard offer service administrative cost factor of \$0.00115 / kWh and;
 - Renewable Energy Standard Charge of (\$0.00031) / kWh.
- Net Transition Charge: (\$0.00031) per kWh comprised of:
 - Transition Charge of (\$0.00005) / kWh, and;
 - Transition Adjustment Charge of (\$0.00026) / kWh.
- Net Transmission Charge: \$0.00678 per kWh comprised of:
 - Base Transmission Charge of \$0.00650;
 - Transmission Adjustment Factor of \$0.00015 / kWh;
 - Transmission Uncollectible Factor of \$0.00013 / kWh;
- Transmission Demand Charge: \$2.84 per kW., and;
- Distribution kWh Surcharge Related to Net Metering: \$0.00001 per kWh.

Regarding the Distribution Portion of Renewable Generation Credits, Schedule JAL-16 provides details associated with the new proposed distribution surcharge and other costs associated with net metering. The proposed factor of \$0.00001 is intended to collect \$79,000 in distribution costs, which represents one component of the payments to individual customers under National Grid's tariff Qualifying Facilities Power Purchase Rate, Section III B., Net Metering Exemption for Certain Qualifying Facilities. Customers who qualify for this rate will be paid for their "excess" kWh generation at a statutorily set rate that includes the standard offer rate, the distribution kWh charge, the transmission kWh charge, and the transition charge.

Schedule JAL-16, page 2, details the total costs associated with the aforementioned net metering exemption. Column (i) lists a total of \$335,542 of 2010 costs associated with net metering. (\$31,095 of this is listed as the "distribution charge". The balance of the \$79,000 to be collected in the new proposed surcharge .. \$48,000 .. had been accumulated prior to 1/1/10 and previously deferred for recovery.) The non-distribution costs listed of \$304,447 (\$335,542-\$31,095) will not be explicitly

recovered through any new surcharge, but will be additive to other parts of the customers' bills, such as standard offer and transmission.¹

In the filing, Company witness James L. Loschiavo supplies pre-filed testimony presenting a summary of transmission services provided to Narragansett, and charges for those services. He also discusses the \$13.3 million increase in 2011 forecast transmission costs in this filing compared with that in the 2010 forecast (\$120.7 million vs. \$107.5 million).

Company witness Jeanne A. Lloyd, in her pre-filed testimony, explains the development of the proposed Base Transmission Charges designed to collect the 2011 forecast costs and the Transmission Service Adjustment Factor of \$0.00015 per kWh designed to collect the \$1.2 million under recovery of 2010 transmission costs.

After review of the filing and discussions with Company representatives, the Division believes the various factors are calculated correctly and recommends approval of the proposed rate adjustments, with an effective date of April 1, 2011, billed for usage on and after April 1.

Cc: Thomas Ahern,
Administrator, Division of Public Utilities and Carriers

¹ This is partially offset by \$186,219 in Grid's energy sales to the ISO related to "net metered" customers, as shown on JAL-2, page 3. This is effectively credited to the Large Customer Group standard offer reconciliation balance, as the total SO expenses shown on JAL-2 page 1 have been reduced by these energy sales revenues.

NARRAGANSETT ELECTRIC COMPANY
 PROPOSED STANDARD OFFER RATES
 WITH A PROPOSED EFFECTIVE PERIOD OF APRIL 1 - DECEMBER 31, 2011
 COMPARED WITH CURRENT STANDARD OFFER RATES
 BASE RATES EXCLUDING ADJUSTMENTS
 DOCKET 4149

RATE CLASS(ES)	PROPOSED SOS RATE \$ PER KWH	CURRENT SOS RATE \$ PER KWH	INCREASE (DECREASE) \$ PER KWH
A-16, A-60	\$ 0.06836	\$ 0.09115	\$ (0.02279)
C-06, S-06, S-10, S-14	1/ \$ 0.06875	\$ 0.09115	\$ (0.02240)
G-02	1/ \$ 0.06875	\$ 0.06607	\$ 0.00268
B-32, B62, G32, G62, X-01:			\$ -
Apr-11	\$ 0.06211	Jan-11 \$ 0.06978	\$ (0.00767)
May-11	\$ 0.06218	Feb-11 \$ 0.06843	\$ (0.00625)
Jun-11	\$ 0.06091	Mar-11 \$ 0.06001	\$ 0.00090
Three-Month Average:	<u>\$ 0.06173</u>	<u>\$ 0.06607</u>	<u>\$ (0.00434)</u>

1/ Fixed Price Option

NOTE: Standard Offer Rates Above are Base Rates, and do not include SOS Charge, SOS Adjustment Factor, SOS Administrative Cost Factor, or RES Charge.

NARRAGANSETT ELECTRIC COMPANY
 COMPARISON OF PROPOSED AND CURRENT RATES
 DOCKET 4226 MARCH 2011
 RESIDENTIAL CUSTOMERS

*CURRENTLY COMPRISED OF RATES A-16, A-60, C-06, S-10 AND S-14
 BEGINNING APRIL 1, 2011, COMPRISED OF RATES A-16 AND A-60
 RATE A-16 DATA USED FOR THIS COMPARISON*

	<u>Proposed</u>	<u>Current</u>	<u>Difference</u>
S/O Adj Factor	\$ (0.00041)	\$ 0.00134	\$ (0.00175)
S/O Admin Cost	\$ 0.00138	\$ 0.00117	\$ 0.00021
RES Charge	\$ (0.00031)	\$ 0.00123	\$ (0.00154)
Net Standard Offer Adj. Charge	<u>\$ 0.00066</u>	<u>\$ 0.00374</u>	<u>\$ (0.00308)</u>
Transition Charge	\$ (0.00005)	\$ 0.00085	\$ (0.00090)
Transition Adj Chg	<u>\$ (0.00026)</u>	<u>\$ (0.00017)</u>	<u>\$ (0.00009)</u>
Net Transition Charge	<u>\$ (0.00031)</u>	<u>\$ 0.00068</u>	<u>\$ (0.00099)</u>
Base Transm Charge	\$ 0.01593	\$ 0.01554	\$ 0.00039
Transm Adj Fctr	\$ 0.00015	\$ 0.00001	\$ 0.00014
Transm Uncoll Fctr	<u>\$ 0.00015</u>	<u>\$ 0.00014</u>	<u>\$ 0.00001</u>
Net Transmission Charge	<u>\$ 0.01623</u>	<u>\$ 0.01569</u>	<u>\$ 0.00054</u>
Renew Gen Cr (Net Mtring)	\$ 0.00001	\$ -	\$ 0.00001

NARRAGANSETT ELECTRIC COMPANY
 COMPARISON OF PROPOSED AND CURRENT RATES
 DOCKET 4226 MARCH 2011
 COMMERCIAL CUSTOMERS

*THESE RATES CURRENTLY INCLUDED IN THE "SMALL CUST," OR "LARGE C&I" RATE CLASS
 BEGINNING APRIL 1, 2011, COMPRISED OF RATES G-02, C-06, S-06, S-10 AND S-14
 RATE C-06 DATA USED FOR THIS COMPARISON*

	<u>Proposed</u>	<u>Current</u>	<u>Difference</u>
S/O Adj Factor	\$ 0.00027	\$ 0.00134	\$ (0.00107)
S/O Admin Cost	\$ 0.00128	\$ 0.00117	\$ 0.00011
RES Charge	\$ (0.00031)	\$ 0.00123	\$ (0.00154)
Net Standard Offer Adj. Charge arge	<u>\$ 0.00124</u>	<u>\$ 0.00374</u>	<u>\$ (0.00250)</u>
Transition Charge	\$ (0.00005)	\$ 0.00085	\$ (0.00090)
Transition Adj Chg	<u>\$ (0.00026)</u>	<u>\$ (0.00017)</u>	<u>\$ (0.00009)</u>
Net Transition Charge	<u>\$ (0.00031)</u>	<u>\$ 0.00068</u>	<u>\$ (0.00099)</u>
Base Transm Charge	\$ 0.01724	\$ 0.01564	\$ 0.00160
Transm Adj Fctr	\$ 0.00015	\$ 0.00001	\$ 0.00014
Transm Uncoll Fctr	<u>\$ 0.00016</u>	<u>\$ 0.00014</u>	<u>\$ 0.00002</u>
Net Transmission Charge	<u>\$ 0.01755</u>	<u>\$ 0.01579</u>	<u>\$ 0.00176</u>
Renew Gen Cr (Net Mtring)	\$ 0.00001	\$ -	\$ 0.00001

NARRAGANSETT ELECTRIC COMPANY
 COMPARISON OF PROPOSED AND CURRENT RATES
 DOCKET 4226 MARCH 2011
 INDUSTRIAL CUSTOMERS

*CURRENTLY "LARGE C&I CLASS", CONSISTING OF RATES G-02, B-32, B-62, G-32 AND G-62
 BEGINNING APRIL 1, 2011, COMPRISED OF RATES B-32, B-62, G-32, G-62 AND X-01
 RATE G-32 DATA USED FOR THIS COMPARISON*

	<u>Proposed</u>	<u>Current</u>	<u>Difference</u>
S/O Adj Factor	\$ 0.00075	\$ 0.00144	\$ (0.00069)
S/O Admin Cost	\$ 0.00115	\$ 0.00102	\$ 0.00013
RES Charge	<u>\$ (0.00031)</u>	<u>\$ 0.00123</u>	<u>\$ (0.00154)</u>
Net Standard Offer Adj. Charge	<u>\$ 0.00159</u>	<u>\$ 0.00369</u>	<u>\$ (0.00210)</u>
Transition Charge	\$ (0.00005)	\$ 0.00085	\$ (0.00090)
Transition Adj Chg	<u>\$ (0.00026)</u>	<u>\$ (0.00017)</u>	<u>\$ (0.00009)</u>
Net Transition Charge	<u>\$ (0.00031)</u>	<u>\$ 0.00068</u>	<u>\$ (0.00099)</u>
Base Transm Charge	\$ 0.00650	\$ 0.00563	\$ 0.00087
Transm Adj Fctr	\$ 0.00015	\$ 0.00001	\$ 0.00014
Transm Uncoll Fctr	<u>\$ 0.00013</u>	<u>\$ 0.00011</u>	<u>\$ 0.00002</u>
Net Transmission Charge	<u>\$ 0.00678</u>	<u>\$ 0.00575</u>	<u>\$ 0.00103</u>
Transmission Demand Charge	\$ 2.84	\$ 2.28	\$ 0.56
Renew Gen Cr (Net Mtring)	\$ 0.00001	\$ -	\$ 0.00001