

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: TARIFF ADVICE FILING FOR APPROVAL :
OF LONG-TERM CONTRACTING FOR RENEWABLE :
ENERGY RECOVERY PROVISION AND TO AMEND : DOCKET NO. 4308
R.I.P.U.C. NO. 2036, TRANSMISSION SERVICE :
COST PROVISION AND APPLICATION FOR APPROVAL :
OF LONG-TERM CONTRACTING FOR RENEWABLE :
ENERGY RECOVERY FACTOR :

REPORT AND ORDER

In 2010 (with certain amendments in 2011), two laws were enacted requiring The Narragansett Electric Company d/b/a National Grid (“National Grid”) to negotiate with two specific renewable energy developers with the goal of entering into long term renewable energy power purchase agreements, one with Deepwater Wind Block Island, LLC (“Deepwater”) and the other with Rhode Island LFG Genco, LLC (“RI Genco”). The Deepwater project was to include a transmission line to be constructed between Block Island and the mainland of Rhode Island. In accordance with the law, the Deepwater PPA was reviewed by the Public Utilities Commission (“Commission”) in Docket Nos. 4111 and 4185 while the RI Genco PPA was reviewed by the Division of Public Utilities and Carriers (“Division”) in Docket D-10-36.

R.I. Gen. Laws § 39-26.1-7(d) related to the Deepwater PPA states, in relevant part, “...all costs incurred in the negotiation, administration, enforcement, transmission engineering associated with the design of the cable, and implementation of the project and agreement shall be recovered annually by the electric distribution company in electric distribution rates....” R.I. Gen. Laws § 39-26.1-9(8) related to the RI Genco PPA states, in relevant part, “all costs incurred in, or savings resulting from, the administration and implementation of the agreement shall be recovered annually by the electric distribution company and its customers in electric distribution rates....”

On December 29, 2011, National Grid filed with the Commission two proposed Tariffs, one amending the Transmission Service Cost Adjustment Provision (“TSCAP”) and the other, adding a new Long-Term Contracting For Renewable Energy Recovery (“LTCRER”) Factor. The TSCAP was designed as a placeholder tariff without an associated rate to allow for the recovery of costs related to the design, engineering and construction of the undersea transmission cable between Block Island and the mainland in the future. Because these costs are “likely to be capitalized and included in the determination of the annual revenue requirement...the Company is deferring recovery of these costs until such time as the Company has received approval from FERC to begin billing the costs of the Deepwater transmission cable through transmission service rates.”¹ In the event the cable is not built or the Company does not own it, National Grid stated that it will make a new filing to amend the other tariff at issue in this case to recover these costs. The Company indicated that it has incurred approximately \$121,000 in engineering and design costs which will be deferred.²

The LTCRER was proposed to allow for the recovery of all other administrative expenses, specifically, outside legal costs that the Company incurred/will incur in the negotiation, administration, enforcement and implementation of the RI Genco and Deepwater projects and related PPAs. The costs incurred to date, according to National Grid, total \$581,777 resulting in a per kWh factor of \$0.00007 to be passed through to all customers through distribution rates. If approved, the impact on a typical residential customer using 500 kWh per month would be 4.0 cents per month.³

National Grid responded to several data requests propounded by the Commission and Division explaining their rationale for assigning various costs to each proposed tariff.

¹ NGrid Exhibit 1, Filing Letter.

² *Id.*

³ *Id.* at Attachment 4.

Additionally, National Grid provided the Commission and Division with documentation to support the various costs allocated to each proposed tariff.⁴

On March 13, 2012, the Division submitted a Memorandum from Stephen Scialabba, Chief Accountant, and David R. Stearns, Rate Analyst V, describing the filing and opining that the filing is in accordance with the provisions contained in R.I. Gen. Laws §§ 39-26.1. The Division recommended approval by the Commission of the proposed Tariffs R.I.P.U.C. 2081 and R.I.P.U.C. 2080 and the proposed LTCRER factor of \$0.00007, effective for usage on and after April 1, 2012.⁵

A public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on March 27, 2012. The following appearances were entered:

FOR NATIONAL GRID:	Jennifer Brooks Hutchinson, Esq.
FOR DIVISION:	Jon Hagopian, Esq. Special Assistant Attorney General
FOR COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel

National Grid presented Jeanne Lloyd, Manager of Pricing for New England Electric Rates, William Richer, Director of Revenue Requirements for Rhode Island, and Daniel Glenning, Director of Project Management for National Grid in support of its filing. Addressing the LTCRER, Ms. Lloyd explained that it is designed to collect the administrative, outside legal and consultant expenses related to the negotiation, administration, enforcement and implementation of the Town of New Shoreham and Town of Johnston projects.⁶ With regard to the TSCAP, Ms. Lloyd clarified that if National Grid owns the transmission line between Block

⁴ Division Exhibits 2 and 3 (NGrid's Responses to Division's First and Second Set of Data Requests); Commission Exhibits 2-4 (NGrid's Responses to Commissions First, Second and Third Set of Data Requests).

⁵ Division Exhibit 1.

⁶ Tr. 3/27/12 at 13-15.

Island and the mainland, it would seek authority through a FERC tariff to recover the costs associated with that line and would bill them through the new TSCAP language. Similarly, in the event the project is abandoned and there is no transmission line built, Ms. Lloyd believed that either the new TSCAP language or the LTCRER would allow recovery of the costs incurred up to the point of abandonment.⁷ With regard to other long-term renewable contracts pursuant to the Long Term Contracting Statute, Ms. Lloyd noted that there is no provision for the recovery of administrative costs related to those contracts.⁸

Reviewing the language of R.I.P.U.C. Tariff 2036, relating to the existing transmission service cost adjustment provision, Ms. Lloyd agreed that the current language would most likely be sufficient to recover costs associated with the transmission line between Block Island and the mainland. She maintained, however, that inclusion of the new proposed language would provide additional clarity and transparency regarding the types of costs included in the charge. Referencing data requests from the Commission, Ms. Lloyd clarified that contrary to the response provided, there would not necessarily be a proposed change in the TSCAP language being proposed by the Company in this docket before the charge is implemented.⁹

Next, Mr. Glenning updated the Commission regarding the status of the transmission cable purchase agreement and negotiations with Deepwater Wind. He indicated that there was a meeting scheduled for later in the week to exchange drafts of the agreement. He stated that the parties had set a timeline to come to closure by the summer of 2012 in order to meet time frames for making a FERC filing and in order to meet a deadline in the Amended PPA between National Grid and Deepwater which required a cable purchase agreement to be entered into and approved

⁷ *Id.* at 17-19.

⁸ *Id.* at 21.

⁹ *Id.* at 28-32.

by July 2013.¹⁰ Ms. Hutchinson indicated that the latest information the Company has regarding a commercial operation date for the Deepwater Wind Project is the fourth quarter 2014. In a response to a record request, the Company indicated that Deepwater had not yet sought an extension of the Amended PPA beyond the December 31, 2012 date set forth in the Amended PPA.¹¹

On March 29, 2012, at an Open Meeting, the Commission approved Tariff R.I.P.U.C. No. 2081, the LTCRER and its associated rate of \$0.00007 per kWh along with R.I.P.U.C. No. 2080, amending the TSCAP as a placeholder to make it clear that the costs associated with the transmission cable between Block Island and the mainland would be recoverable in the event The Narragansett Electric Company owns the cable. While Ms. Lloyd testified that the amendment may not be necessary and certainly is not necessary at this time where no rate is attached, she believed that the proposed language provides customers with more transparency in rates. The Commission notes that these tariffs are necessary due to the unique language in R.I. Gen. Laws §§ 39-26.1-7(d) and 39-26.1-9(8) which required National Grid to negotiate with specific developers and authorize the full recovery by National Grid of certain costs in addition those incurred under the PPAs. The Commission finds that the tariffs comply with the language of these statutes. Other negotiations under the Long Term Contracting Statute (R.I. Gen. Laws § 39-26.1 et seq.) and other renewable contracting requirements are not specifically recoverable outside of the context of National Grid's general administrative operating expenses allowed in general rate cases.

What is not currently before this Commission are the costs associated with any other PPA under the Long Term Contracting Statute, specifically, R.I. Gen. Laws § 39-26.1-5(f): The

¹⁰ *Id.* at 22-23.

¹¹ *Id.* at 47-48; Response to Record Request.

electric distribution company shall file tariffs with the commission for commission review and approval that net the cost of payments made to projects under the long-term contracts against the proceeds obtained from the sale of energy, capacity, RECs or other attributes. The difference shall be credited or charged to all distribution customers through a uniform fully reconciling annual factor in distribution rates, subject to review and approval of the commission. The reconciliation shall be designed so that customers are credited with any net savings resulting from the long-term contracts and the electric distribution company recovers all costs incurred under such contracts, as well as, recovery of the financial remuneration and incentives specified in § 39-26.1-4. Therefore, this provision only applies to the contract costs for those PPAs that have begun commercial operation. National Grid has indicated it will be filing this proposed tariff in early 2012.

Accordingly, it is hereby,

(20723) ORDERED:

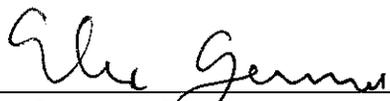
1. The Narragansett Electric Company d/b/a National Grid's Tariff R.I.P.U.C. No. 2081, Long-Term Contracting For Renewable Energy Recovery Provision, filed on December 29, 2011, is hereby approved.
2. The Narragansett Electric Company d/b/a National Grid's Tariff R.I.P.U.C. No. 2080, Transmission Service Cost Adjustment Provision, filed on December 29, 2011, is hereby approved.
3. The Narragansett Electric Company d/b/a National Grid's proposed Long-Term Contracting For Renewable Energy Recovery Factor of \$0.00007 per kWh is hereby approved for usage on and after April 1, 2012.

4. The Narragansett Electric Company d/b/a National Grid shall include the Long-Term Contracting For Renewable Energy Recovery Factor in the Renewable Distribution Charge on and after July 1, 2012.
5. The Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2012 PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2012. WRITTEN ORDER ISSUED MAY 3, 2012.

PUBLIC UTILITIES COMMISSION




Elia Germani, Chairman


Mary E. Bray, Commissioner


Paul J. Roberti, Commissioner

NOTICE OF RIGHT OF APPEAL PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.