

October 5, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket No. 4338 – Tariff Advice Filing to Amend R.I.P.U.C. No. 2081, Long-Term Contracting for Renewable Energy Recovery Provision
Revised Tariff Filing**

Dear Ms. Massaro:

National Grid¹ is providing the enclosed revised tariffs, R.I.P.U.C. No. 2127, Long-Term Contracting for Renewable Energy Provision (“LTCRER”) and R.I.P.U.C. No. 2125 LTCRER Reconciliation Provision, both of which would supersede the Company’s existing LTCRER, R.I.P.U.C. No. 2081. The Company is providing redlined versions of the enclosed tariffs highlighting the changes from the original tariff submitted with the Company’s initial filing on July 2, 2012.

The enclosed revised tariffs reflect modifications to address the issues set forth in the Division of Public Utilities and Carriers (the “Division”) September 10, 2012 Memorandum and the Company’s subsequent Reply Comments filed on September 21, 2012. As set forth in the Company’s Reply Comments, the Company is enclosing separate tariff provisions for the semi-annual LTCRER charge and the reconciliation provision. As recommended by the Division, the Company intends to include the LTCRER reconciliation as part of the annual retail reconciliation submitted each February for rates effective April 1. Lastly, the enclosed LTCRER Reconciliation Provision provides for the Company’s actual cost of short-term debt to be used as the interest rate for determining additional collections or refunds as part of the reconciliation process. The Company and the Division are in agreement with the enclosed tariff revisions.

The Company would also like to reiterate its proposals (i) to establish a transfer price at delivery as discussed in the Company’s testimony and further shown in the illustrative table included in the Company’s Reply Comments; and (ii) to enhance the capacity cost calculation as proposed in the Company’s Reply Comments. Pursuant to discussions with the Division’s consultant, the Division and the Company are in agreement with the methodologies regarding the transfer price and the capacity cost calculation as referenced in the Company’s Reply Comments.

¹ The Narragansett Electric Company d/b/a National Grid hereinafter referred to as “National Grid” or “the Company.”

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Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4338 Service List
Leo Wold, Esq.
Steve Scialabba

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below. Copies of this filing were hand delivered to the RI Public Utilities Commission.



October 5, 2012

Docket No. 4338 National Grid – Tariff Advice Filing to Amend RIPUC No. 2081, Long-Term Contracting for Renewable Energy Recovery Provision Service List updated 9/21/12

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THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
RECOVERY PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect recovery of costs incurred in accordance with the provisions of Chapter 39-26.1, Long-Term Contracting Standard for Renewable Energy and Chapter 39-26.2, Distributed Generation Standard Contracts.

1) DEFINITIONS

Contract Remuneration shall mean the annual compensation as authorized by § 39-26.1-4, which shall be equal to two and three quarter percent (2.75%) of the actual annual payments made under the Long Term Contracts and Distributed Generation Standard Contracts for those projects that are commercially operating.

Contract Products shall mean the energy, capacity, Renewable Energy Certificates, or other attributes individually or any combination thereof, associated with the output from a Newly Developed Renewable Energy Resource, or a Distributed Generation Facility, which are purchased by the Company pursuant to a Long-term Contract or a Distributed Generation Standard Contract.

Distributed Generation Facility shall mean an electrical generation facility that is a newly developed renewable energy resource as defined in § 39-26.1-2, located in the Company's load zone with a nameplate capacity no greater than five megawatts (5 MW), using eligible renewable energy resources as defined by § 39-26-5, including biogas created as a result of anaerobic digestion, but, specifically excluding all other listed eligible biomass fuels, and connected to an electrical power system owned, controlled, or operated by the Company.

Distributed Generation Standard Contract shall mean a contract with a term of fifteen (15) years at a fixed rate for the purchase of all Contract Products generated by a Distribution Generation Facility, which is executed with the Company pursuant to R.I.G.L. 39-26.2.

Forecasted kWh shall mean the forecasted amount of electricity to be delivered to the Company's retail delivery service customers.

Long-term Contract shall mean a contract of not less than ten (10) years, for the purchase of Contract Products, which is executed with the Company pursuant to R.I.G.L. 39-26.1.

Newly Developed Renewable Energy Resource shall have the meaning set forth in §39-26.1-2(6).

Performance Guarantee Deposit shall mean a deposit as required pursuant to § 39-26.2-7(2)(ii) paid to the Company of fifteen dollars (\$15.00) for a small Distributed Generation Facility or twenty-five dollars (\$25.00) for a large Distributed Generation Facility for every Renewable Energy Certificate estimated to be generated per year under the Distributed Generation Standard Contract, but at least five hundred dollars (\$500) and not more than

THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
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seventy-five thousand dollar (\$75,000) paid at the time of contract execution.

Reimbursement Agreement shall mean a cost reimbursement agreement entered into between the Company and a lawyer designated by the Office of Energy Resources (“OER”) that is intended to compensate such lawyer for the time spent serving in the contract working group established pursuant to the provisions of § 39-26.2-7(1) at a reasonable hourly rate negotiated by OER.

Renewable Energy Certificate shall mean a New England Generation Information System renewable energy certificate as defined in § 39-26-2(15).

Town of New Shoreham Project shall mean a small-scale offshore wind demonstration project off the coast of Block Island, including an undersea transmission cable that interconnects Block Island to the mainland as provided for in § 39-26.1-7.

Town of Johnston Project shall mean a newly developed renewable energy resource fueled by landfill gas from the central landfill in the Town of Johnston as provided for in § 39-26.1-9.

2) APPLICABILITY

Costs recovered under this provision -are authorized for recovery pursuant to the following provisions of Rhode Island General Law:

- i) § 39-26.1-4: Financial remuneration and incentives;
- ii) § 39-26.1-5: Commission approval and regulations, subsection (f)
- iii) § 39-26.1-7: the Town of New Shoreham Project, subsection (d);
- iv) § 39-26.1-9: the Town of Johnston Project, subsection (8);
- v) § 39-26.2-6: Standard contract enrollment program, subsection (f);
- vi) § 39-26.2-7: Standard contract – Form and provisions, subsections (1)(vi), (2)(i), (2)(iv) and (3);

3) RATE

The Long-term Contracting for Renewable Energy Recovery (“LTCRER”) factor shall be established semi-annually based upon the costs expected to be incurred during the subsequent six-month period. ~~In addition, on an annual basis, the Company shall reconcile its revenue billed through the LTCRER factor, as~~ including an adjusted for uncollectible amounts at the

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Company's currently approved uncollectible allowance rate, ~~to the actual expenses incurred, including the approved uncollectible allowance, during the reconciliation period, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be refunded to, or collected from, all customers in the two subsequent period's LTCRER factor. The Company may file to adjust the LTCRER at any time should significant over or under recovery of costs occur.~~

The LTCRER factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the Forecasted kWhs during the six month period that the LTCRER factor will be in effect. For billing purposes, the LTCRER factor will be included with the Renewable Energy Distribution kWh charge on customers' bills.

The LTCRER factor will be calculated as follows:

$$\text{LTCRER Factor}_x = \frac{\{(AM_x + CR_x) \div FkWh_x\} + \{PPRA_x(i) \div FkWh_{x+(x+1)}\}}{(1 + UP)} \times$$

where

x = The six-month period during which the annual LTCRER will be in effect;

LTCRER Factor_x = The Long-term Contracting Renewable Energy Recovery Factor for the current six-month period;

AM_x = The estimated annual above-market cost associated with Long-term Contracts and Distributed Generation Standard Contracts, calculated as the sum of the estimated payments expected to be made during period x under each of the approved Contracts less the expected proceeds to be received during period x by the Company resulting from the sale of the Contract Products;

~~CR_x = The estimated Contract Remuneration associated with approved Long-term Contracts and Distributed Generation Standard Contracts, calculated as the estimated payments expected to be made under the contracts during period x multiplied by 2.75 percent;~~

THE NARRAGANSETT ELECTRIC COMPANY
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~~PPRA_x = The Past Period Reconciliation Amount to be collected through the LTCRER Factor during period x and x+1, defined as the ending balance of the difference between:~~

~~(a) the actual cost incurred during the Reconciliation Period, defined as most recent twelve month period ending June 30, which shall include the sum of:~~

~~1) actual payments made during the Reconciliation Period under the individual approved Long-term Contracts and Distributed Generation Standard Contracts less any proceeds received by the Company resulting from the sale of the Contract Products;~~

~~2) Contract Remuneration during the Reconciliation Period;~~

~~3) all costs incurred during the Reconciliation Period in the negotiation, administration, enforcement, and implementation of the projects and related agreements, and costs associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland that are not otherwise recovered through the Transmission Service Cost Adjustment Provision pursuant to Sections 2.iii and 2.iv;~~

~~4) the costs incurred during the Reconciliation Period by the Company under Reimbursement Agreements pursuant to Section 2.vi;~~

~~5) the costs incurred during the Reconciliation Period associated with required system upgrades that are not recovered directly from Distributed Generation Facilities pursuant to Section 2.vii;~~

~~6) forfeited Performance Guarantee Deposits during the Reconciliation Period pursuant to Section 2.viii which shall be an offset to expense; and~~

~~7) The costs incurred during the Reconciliation Period for consultants hired to assist the~~

THE NARRAGANSETT ELECTRIC COMPANY
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~~Commission in proceedings involving contract
disputes pursuant to Section 2.ix.~~

~~_____~~

~~_____ (b) the revenues billed through the LTCRER Factors as
approved by the Commission for the Reconciliation Period;~~

~~i _____ = _____ interest calculated as the sum of the beginning period and
ending period balance divided by 2, multiplied by the rate
paid on customer deposits;~~

FkWh_x = The Forecasted kWh for the six-month period following the
effective date of the LTCRER;

~~FkWh_{x+(x+1)} _____ = _____ The Forecasted kWh for the twelve month period following
the effective date of the LTCRER; and~~

UP = The uncollectible percentage approved by the Commission
in the Company's most recent rate case.

4) ADJUSTMENTS TO RATES

Adjustments to rates pursuant to the LTCRER Provision are subject to review and approval by the Commission. The Company shall file its revised LTCRER factor semi-annually at least forty-five (45) days prior to the effective date of the revised LTCRER factor. Modifications to the factors contained in this LTCRER Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

Effective Date: August 1, 2012 [DATE]

THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
RECOVERY RECONCILIATION PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect recovery of costs incurred in accordance with the provisions of Chapter 39-26.1, Long-Term Contracting Standard for Renewable Energy and Chapter 39-26.2, Distributed Generation Standard Contracts.

1) DEFINITIONS

Contract Remuneration shall mean the annual compensation as authorized by § 39-26.1-4, which shall be equal to two and three quarter percent (2.75%) of the actual annual payments made under the Long Term Contracts and Distributed Generation Standard Contracts for those projects that are commercially operating.

Contract Products shall mean the energy, capacity, Renewable Energy Certificates, or other attributes individually or any combination thereof, associated with the output from a Newly Developed Renewable Energy Resource, or a Distributed Generation Facility, which are purchased by the Company pursuant to a Long-term Contract or a Distributed Generation Standard Contract.

Distributed Generation Facility shall mean an electrical generation facility that is a newly developed renewable energy resource as defined in § 39-26.1-2, located in the Company's load zone with a nameplate capacity no greater than five megawatts (5 MW), using eligible renewable energy resources as defined by § 39-26-5, including biogas created as a result of anaerobic digestion, but, specifically excluding all other listed eligible biomass fuels, and connected to an electrical power system owned, controlled, or operated by the Company.

Distributed Generation Standard Contract shall mean a contract with a term of fifteen (15) years at a fixed rate for the purchase of all Contract Products generated by a Distribution Generation Facility, which is executed with the Company pursuant to R.I.G.L. 39-26.2.

Forecasted kWh shall mean the forecasted amount of electricity to be delivered to the Company's retail delivery service customers.

Long-term Contract shall mean a contract of not less than ten (10) years, for the purchase of Contract Products, which is executed with the Company pursuant to R.I.G.L. 39-26.1.

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seventy-five thousand dollar (\$75,000) paid at the time of contract execution.

Reconciliation Period shall mean the most recent twelve month period ending December 31.

Reimbursement Agreement shall mean a cost reimbursement agreement entered into between the Company and a lawyer designated by the Office of Energy Resources (“OER”) that is intended to compensate such lawyer for the time spent serving in the contract working group established pursuant to the provisions of § 39-26.2-7(1) at a reasonable hourly rate negotiated by OER.

Renewable Energy Certificate shall mean a New England Generation Information System renewable energy certificate as defined in § 39-26-2(15).

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- ii) § 39-26.1-5: Commission approval and regulations, subsection (f)
- iii) § 39-26.1-7: the Town of New Shoreham Project, subsection (d);
- iv) § 39-26.1-9: the Town of Johnston Project, subsection (8);
- v) § 39-26.2-6: Standard contract enrollment program, subsection (f);
- vi) § 39-26.2-7: Standard contract – Form and provisions, subsections (1)(vi), (2)(i), (2)(iv) and (3);

3) RATERECONCILIATION FACTOR

~~The Long term Contracting for Renewable Energy Recovery (“LTCRER”) factor shall be established semi-annually based upon the costs expected to be incurred during the subsequent~~

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~~six-month period. In addition, On~~ an annual basis, the Company shall reconcile ~~the~~its revenue billed through the Long-term Contracting for Renewable Recovery (“-LTCRER”) factor, as adjusted for uncollectible amounts at the Company’s currently approved uncollectible allowance rate, to the actual expenses incurred, including the approved uncollectible allowance, during the Reconciliation Pperiod, and the excess or deficiency, including interest at the Company’s short term interest rate ~~paid on customer deposits~~, shall be refunded to, or collected from, all customers in the two subsequent period’s LTCRER factor. The Company may file to adjust the LTCRER Adjustment Factor at any time should significant over or under recovery of costs occur.

The LTCRER Reconciliation factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the Forecasted kWhs during the ~~six-twelve~~ month period that the LTCRER Reconciliation factor will be in effect. For billing purposes, the LTCRER Reconciliation factor will be included with the Renewable Energy Distribution kWh charge on customers’ bills.

The LTCRER Reconciliation factor will be calculated as follows:

$$\text{LTCRER } \underline{\text{Reconciliation}} \text{ Factor}_x = \frac{\{[(AM_x + CR_x) \div FkWh_x] + [PPRA_x(i) \div FkWh_{[x+(x+1)}]]\} \times (1 + UP)}$$

_____ where

x = The ~~twelvesix~~-month period during which the annual LTCRER Reconciliation factor will be in effect;

LTCRER Reconciliation
Factor_x / LTCRER Factor_x = The Long-term Contracting Renewable Energy Recovery Reconciliation Factor for the current ~~twelvesix~~-month period;

AM_x = ~~The estimated annual above-market cost associated with Long-term Contracts and Distributed Generation Standard Contracts, calculated as the sum of the estimated payments expected to be made during period x under each of the approved Contracts less the expected proceeds to be received during period x by the Company resulting from the sale of the Contract Products;~~

CR_x = ~~The estimated Contract Remuneration associated with approved Long-term Contracts and Distributed Generation~~

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~~Standard Contracts, calculated as the estimated payments expected to be made under the contracts during period x multiplied by 2.75 percent;~~

PPRA_x

_____ = The Past Period Reconciliation Amount to be collected through the LTCRER Reconciliation Factor during period x ~~and x+1~~, defined as the ending balance of the difference between:

(a) the actual cost incurred during the Reconciliation Period, ~~defined as most recent twelve month period ending June 30~~, which shall include the sum of:

- 1) actual payments made during the Reconciliation Period under the individual approved Long-term Contracts and Distributed Generation Standard Contracts less any proceeds received by the Company resulting from the sale of the Contract Products;
- 2) Contract Remuneration during the Reconciliation Period;
- 3) all costs incurred during the Reconciliation Period in the negotiation, administration, enforcement, and implementation of the projects and related agreements, and costs associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland that are not otherwise recovered through the Transmission Service Cost Adjustment Provision pursuant to Sections 2.iii and 2.iv;
- 4) the costs incurred during the Reconciliation Period by the Company under Reimbursement Agreements pursuant to Section 2.vi;
- 5) the costs incurred during the Reconciliation Period associated with required system upgrades

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that are not recovered directly from Distributed Generation Facilities pursuant to Section 2.vii;

- 6) forfeited Performance Guarantee Deposits during the Reconciliation Period pursuant to Section 2.viii which shall be an offset to expense; and
- 7) The costs incurred during the Reconciliation Period for consultants hired to assist the Commission in proceedings involving contract disputes pursuant to Section 2.ix.

and

(b) the revenues billed through the LTCRER Factors as approved by the Commission for the Reconciliation Period;

$I_{(x)}$ _____ = interest calculated as the sum of the beginning period and ending period balance divided by 2, multiplied by the Company's short term interest rate during period x paid on customer deposits;

$FkWh_x$ _____ = ~~The Forecasted kWh for the six month period following the effective date of the LTCRER;~~

$FkWh_{(fx + (x+))}$ _____ = The Forecasted kWh for the twelve month period following the effective date of the LTCRER Reconciliation factor; and

UP _____ = The uncollectible percentage approved by the Commission in the Company's most recent rate case.

4) ADJUSTMENTS TO RATES

Adjustments to rates pursuant to the LTCRER Reconciliation Provision are subject to review and approval by the Commission. The Company shall file its revised LTCRER Reconciliation factor ~~semi~~ annually at least forty-five (45) days prior to the effective date of the revised LTCRER Reconciliation factor. Modifications to the factors contained in this LTCRER Reconciliation Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

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Effective Date: ~~August 1, 2012~~ [DATE]