

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
D/B/A NATIONAL GRID LONG-TERM CONTRACTING : DOCKET NO. 4371
FOR RENEWABLE ENERGY RECOVERY FACTOR :

REPORT AND ORDER

I. Background

In 2010, with certain amendments in 2012, the General Assembly passed, with the Governor's signature, the Long Term Contracting Statute.¹ Specifically, R.I. Gen. Laws § 39-26.1-5(f) states:

The 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 § 39-26.1-4.²

This provision of the Long Term Contracting Statute only applies to the contract costs for those PPAs that have begun commercial operation.

On July 2, 2012, The Narragansett Electric Company d/b/a National Grid ("National Grid") filed with the Public Utilities Commission ("Commission") a Tariff Advice to Amend the LTCRER (R.I.P.U.C. No. 2081) "to recover (i) the above market cost of the long-term contracts and [Distributed Generation] ("DG") Standard Contracts...that the Company has entered into pursuant to the [Long Term Contracting] Standard, the Regulations, and the DG Standard Contracts Act, respectively, as authorized by R.I.G.L. § 39-26.1-5(f); (ii) the 2.75% contract remuneration authorized pursuant to R.I.G.L. § 39-26.1-4; and (iii) certain administrative and

¹ R.I. Gen. Laws § 39-26.1 et seq.

² R.I. Gen. Laws § 39-26.1-5(f).

other costs...pursuant to the [Long Term Contracting] Standard and subsection (7) of the DG Standard Contracts Act.”³

On October 25, 2012, after review of National Grid’s filing and the Division’s recommendations, the Commission approved a revised Long Term Contracting for Renewable Energy Recovery (“LTCRER”) tariff (R.I.P.U.C. No. 2125) and LTCRER Reconciliation Provision (R.I.P.U.C. No. 2127) filed on October 5, 2012, finding them to be consistent with the Long Term Contracting Statute and the DG Standard Contract Act. In light of the magnitude of above-market costs that are anticipated under the various contract requirements for renewable energy over the next several years, it is reasonable for the Company to seek recovery of estimated above-market costs over each six-month period with an annual reconciliation to provide protection against large over- or under-recoveries. Furthermore, the Commission found that the Division’s interpretation of R.I. Gen. Laws § 39-26.1-4 was correct regarding the recovery of financial remuneration in that it should not be based on estimates of future payments.⁴

On November 16, 2012, National Grid filed with the Commission its proposed LTCRER Factor for the period January 2013 through June 2013 to implement a uniform per kWh charge on all distribution customers’ bills to recover projected costs for the six-month period. The proposed factor is designed to recover costs expected to be incurred as a result of a Power Purchase Agreement (“PPA”) entered into between National Grid and LFG Genco in May 2010 for the purchase of renewable energy from generation fueled by landfill gas from the Central

³ Filing Letter 7/2/12 at 1-2, citing Section 39-26.2-9 for the proposition that standard contracts entered into under the DG Standard Contracts Act are treated for all purposes as long-term contracts entered into under the Long Term Contract Standard. This is the second LTCRER Tariff Advice. The first was filed in Docket No. 4308 at a time when none of the projects covered by the Long Term Contracting Statute had achieved commercial operation. Therefore, National Grid had not filed any tariff language addressing recovery of such costs.

⁴ *Order No. 20905* (issued December 20, 2012).

Landfill in the Town of Johnston.⁵ Following a discovery period, and the filing of a position from Richard Hahn, consultant to the Division of Public Utilities and Carriers (“Division”), the Company agreed to a revised factor to properly reflect the estimated output of the RI Genco facility and to properly account for capacity revenues within the factor.⁶ Additionally, in response to Record Requests made by the Commission at a hearing conducted on December 10, 2012, at the Commission’s Offices, 89 Jefferson Boulevard, Warwick, RI, the Company filed another revised factor to properly reflect the pricing in the PPA between National Grid and RI Genco.⁷

In its response to the Record Requests, National Grid proposed a uniform factor of \$0.00019 per kWh on all distribution customers’ bills effective on usage on and after January 1, 2013. However, because of the expiration of the current factor reflected on customers’ bills effective from April 1, 2012 through March 31, 2013, the Company will be filing to reduce the \$0.00019 to \$0.00012 per kWh effective for usage on and after April 1, 2013. Therefore, the per kWh factor approved by the Commission in this review will be in effect for a three-month period. The proposed factor is designed to recover National Grid’s projected costs based on a contract price of \$122.80 per MW.⁸

On December 19, 2012, the Division submitted a Memorandum from Stephen Scialabba, Chief Accountant, stating that he had reviewed National Grid’s most recent revision, concurred with the calculation, and further, agreed with the basis for that calculation. Therefore, according

⁵ National Grid Exhibit 1.

⁶ National Grid Exhibits 2-3.

⁷ Appearances were entered by Jennifer Brooks Hutchinson, Esq. for National Grid, Jon Hagopian, Esq. Senior Legal Counsel and Karen Lyons, Esq., Special Assistant Attorney General, for the Division, and Cynthia G. Wilson-Frias, Senior Legal Counsel, for the Commission. National Grid presented Jeanne A. Lloyd, Margaret Janzen, and Corinne Abrams, National Grid Employees, in support of its filing. The Division presented Mr. Richard Hahn, LaCapra Associates, in support of its recommended adjustments.

⁸ National Grid Responses to Commission RR-1, RR-3.

to Mr. Scialabba, “[t]he most appropriate LTCRER Factor for effect on January 1, 2013 would therefore be \$0.00019 per kWh as shown in Attachment 1, in Record Request 2, filed 12/14/12.”⁹

At an Open Meeting held on December 20, 2012, the Commission considered the evidence in the Record, reviewed the calculations and the Division’s Memorandum of December 19, 2012 and approved National Grid’s proposed LTCRER Factor of \$0.00019 per kWh for effect on usage on and after January 1, 2013. The LTCRER Factor shall be recovered through the Renewable Distribution Charge on customers’ bills. The effect on a typical residential customer using 500 kWh per month will be \$0.095 per month.

Accordingly, it is hereby,

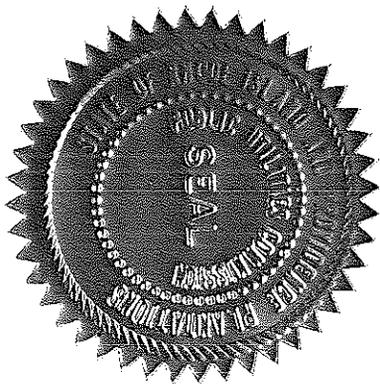
(20918) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid’s LTCRER Factor, filed on October 16, 2012, is hereby denied.
2. The Narragansett Electric Company d/b/a National Grid’s LTCRER Factor shall be \$0.00019 per kWh for effect on usage on and after January 1, 2013.
3. The Narragansett Electric Company d/b/a National Grid shall recover the LTCRER Factor through the Renewable Distribution Charge.
4. The Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions contained in this Order.

⁹ Memorandum from Stephen Scialabba (12/19/2012).

EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2013 PURSUANT
TO AN OPEN MEETING DECISION ON DECEMBER 20, 2012. WRITTEN ORDER
ISSUED JANUARY 7, 2013.

PUBLIC UTILITIES COMMISSION



Elia Germani
Elia Germani, Chairman

Mary E. Bray
Mary E. Bray, Commissioner

Paul J. Roberti
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.**