

MEMORANDUM

May 3, 2013

TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION

FROM: RICHARD HAHN, LA CAPRA ASSOCIATES, ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

SUBJECT: NATIONAL GRID 2014 STANDARD OFFER SUPPLY AND RENEWABLE ENERGY STANDARD PROCUREMENT PLANS, DOCKET NO. 4393

The Rhode Island Division of Public Utilities and Carriers ("Division") requested that La Capra Associates, Inc. review National Grid's ("NGrid" or "the Company") 2014 Standard Offer Supply ("SOS") and Renewable Energy Standard ("RES") Procurement Plans. This memorandum first provides the results of my review of the Company's SOS plan followed by the RES plan and concludes with our recommendations.

Standard Offer Supply Procurement Plan

My understanding is that the 2014 SOS Plan is virtually identical to, and simply an extension of, the 2013 SOS Plan approved in Docket 4315. NGrid proposes to continue the practice of procuring SOS for three distinct customer groups: industrial, commercial, and residential. As in the past, service for industrial customers will be procured through use of 100% load following, full requirements service ("FRS") procured quarterly. Service for residential and commercial customers will continue to be met through use of a mix of FRS (90%) and spot-market purchases (10%) based on schedules approved in prior dockets (4149, 4227, and 4315).¹ Given past Commission orders and precedent, I see no reason to deviate from the procurement schedules used in the current (2013) procurement plan.

In addition, the Company proposes to continue not to include the purchases of renewable energy and capacity from long-term contracts, net-metered generation, and qualifying facilities in its SOS procurement. Instead, the Company will continue to separately track revenues from the sale of energy and capacity from these sources in the ISO-NE invoice detail, which will allow the Company to credit capacity and energy revenues from this generation to all customers (rather than just SOS customers).² As before, I believe that this approach is consistent with the Rhode Island statute and is therefore appropriate.

Finally, I have reviewed the Company's proposed procurement process and schedule. NGrid explains that it is not proposing to change the FRS procedure from that approved in the 2013 SOS Plan.³ With one exception, NGrid has made only very minor changes to the Master Power Agreement ("MPA"),⁴ SOS RFP

¹ Direct Testimony of Margaret M. Janzen, Schedule 2.

² *Id.* p. 12:3-19.

³ *Id.* p. 15:7-9.

⁴ *Id.* Schedule 4

Summary template,⁵ and SOS RFP Notice template.⁶ The proposed documents feature changes to update the text for things such as retail rates for SOS will reflect an average of multiple procurements for the commercial and residential groups. The one somewhat significant revision is the insertion of the following sentence.

"It is the intent of Buyer and Seller that the Transaction shall meet the Commodity Futures Trading Commission's criteria for the forward contract exclusion, including that the Parties intend to physically settle the Transaction, and is therefore not subject to swap regulation."

It is our understanding that this language is intended to make it clear that it is the intention of the parties that these transactions are to be physically settled, and will qualify for the Forward Contract Exclusion under the Dodd-Frank Wall Street Reform and Consumer Protection Act. This language should help to ensure that these transactions are not subject to the new regulations and requirements of financial swaps required by the Act. I take no issue with the insertion of this language. I recommend that the proposed Standard Offer procurement plan be approved.

Renewable Energy Procurement Plan

The 2014 RES Plan is basically identical to the 2013 RES Plan that was approved in Docket 4315. NGRID proposes to continue using renewable energy certificates ("RECs") obtained through Long Term Contracts to satisfy its RES obligations. NGrid has proposed a quarterly process of valuing the RECs from the long-term contracts and transferring them to meet SOS RES obligations. I find this valuation process to be reasonable. In the event that the Long Term Contracts don't provide enough RECs to meet the obligations, the Company will procure RECs through standalone RES solicitations or through the SOS solicitations. If there are more RECs from the long-term contracting process than are needed for SOS supply, the Company states that it will bank the surplus to the extent possible. Any surplus RECs that cannot be banked will be sold. In terms of Existing RECs, I agree that there will continue to be oversupply, thus I do not anticipate any upward pressures that would necessitate a more aggressive procurement strategy than the Company has proposed.

Similar to the MPA, the Company has made minor changes to the purchase agreement used to procure RECs, known as the certificate purchase agreement, and other REC procurement documents. The above language stating that it is not the intention of these transactions to be deemed to be financial swaps and therefore not subject to swap regulation is also included here. The agreement and procurement documents should be approved.

Summary and Recommendations

Our review indicates that the SOS plan and the RES plan should be approved as filed.

⁵ *Id.* Schedule 5

⁶ *Id.* Schedule 6