

December 4, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4393 - Standard Offer Service Rates
Period of January – June 2015 for Residential and Commercial
Period of January – March 2015 for Industrial
Supplemental Response to COMM 3-1**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's¹ supplemental response to COMM 3-1 in the above-referenced docket. There were no changes to Attachment COMM 3-1. Therefore, the Company is not resubmitting the confidential version of Attachment COMM 3-1 filed on December 2, 2014.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4393 Service List
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Copies of this filing were hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities Carriers.

Joanne M. Scanlon

December 4, 2014
Date

**Docket No. 4393 - National Grid – 2014 SOS and RES Procurement Plans
Service List updated 12/3/14**

Name/Address	E-mail Distribution	Phone
Raquel Webster, Esq. National Grid 280 Melrose St. Providence, RI 02907	Raquel.webster@nationalgrid.com	401-784-7667
	Celia.obrien@nationalgrid.com	
	Jennifer.hutchinson@nationalgrid.com	
	Brooke.Skulley@nationalgrid.com	
	Joanne.scanlon@nationalgrid.com margaret.janzen@nationalgrid.com	
Leo Wold, Esq. (for Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov	401-222-2424
	Steve.scialabba@dpuc.ri.gov	
	Kevin.lynch@dpuc.ri.gov	
	John.spirito@dpuc.ri.gov	
	dmacrae@riag.ri.gov jmunoz@riag.ri.gov	
Richard Hahn LaCapra Associates One Washington Mall, 9 th floor Boston, MA 02108	rhahn@lacapra.com	617-778-2467
Mary Neal LaCapra Associates	mneal@lacapra.com	
Michael McElroy (for Daniel McKee) Schacht & McElroy P.O. Box 6721 Providence, RI 02940-6721	Michael@McElroyLawOffice.com	401-351-4100
Christy Hetherington, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Chetherington@riag.ri.gov	
File an original & 10 copies w/:	Luly.massaro@puc.ri.gov	401-780-2017
	Alan.nault@puc.ri.gov	

Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Amy.Dalessandro@puc.ri.gov	
	Todd.bianco@puc.ri.gov	
Office of Energy Resources Nicholas Ucci Christoper Kearns	Nicholas.ucci@energy.ri.gov	
	Christopher.Kearns@energy.ri.gov	

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period of January – March 2015 For Industrial
Supplemental Responses to the Commission’s Third Set of Data Requests
Issued on November 20, 2014

COMM 3-1-Supplemental

Request:

For Residential Standard Offer Service, please provide the expected SOS rate and associated bill impacts assuming the following:

- a. A six month rate – July 2015 through December 2015 (assuming approval of the currently proposed 6 month rate for the period January to June 2015.
- b. A twelve month rate – January through December 2015.

Response:

- a. Assuming that the Commission approves the Company’s proposed six-month rate for January 2015 through June 2015, the estimated six-month base¹ Residential SOS rate for July 2015 through December 2015 is \$0.08108 per kWh, as shown in Attachment COMM 3-1. This estimated base Residential SOS rate is based upon the weighted average monthly prices of the Residential SOS supply contracts that the Company has already executed with suppliers for that period, representing 70% of the total Residential SOS load requirement. The estimated monthly bill impact in July 2015 for a 500 kWh residential customer as compared to a bill based upon currently effective delivery service charges, the RES charge, and the proposed base Residential SOS rate of \$0.11899 per kWh is a decrease of \$19.74, or approximately 18.1%.
- b. A 12-month base Residential SOS rate for the period January 2015 through December 2015 based upon the prices contained in the executed Residential SOS contracts for the period is \$0.09922 per kWh, as shown in Attachment COMM 3-1. (As noted above, not all, of the Company’s Residential SOS load obligation is under contract). The monthly bill impact in January 2015 for a 500 kWh residential customer as compared to a bill based upon currently effective rates is an increase of \$12.34, or approximately 14.3%.

Since the Company has not contracted for all of its Residential SOS load obligation, should the Commission require the implementation of a 12-month base Residential SOS rate, the Company requests that the Commission approve the filing for a mid-year adjustment to that rate should the remaining contracts contain prices that are materially different than those used to calculate a 12-month rate. This would allow for an

¹ The base SOS rate reflects only the prices of the underlying SOS contracts and excludes the SOS Adjustment Factor and the SOS Administrative Cost Factor.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period of January – March 2015 For Industrial
Supplemental Responses to the Commission’s Third Set of Data Requests
Issued on November 20, 2014

COMM 3-1-Supplemental, page 2

adjustment to the rate should the weighted average of contract prices be significantly more or less than those used to design a 12-month rate. There is 30% remaining to be procured for the period July 1, 2015 through December 31, 2015, which would have two more price points for the calculation of SOS rates for that period. Therefore, a mid-year adjustment would be important to mitigate a significant deferral of cost recovery. In evaluating whether such a mid-year adjustment is appropriate, the Company recommends a threshold of 5% of the current estimate of residential SOS costs, which is shown in Attachment COMM 3-1, column (e) as approximately \$290 million. Upon contracting for the remaining residential SOS load, if the balance of the estimated residential SOS deferral at December 31, 2015 exceeds the updated estimate of residential SOS costs by 5% or more, the Company would file to propose a revised base Residential SOS rate at the same time it files to propose SOS rates for the Commercial and Industrial groups. The revised base Residential SOS rate would be designed to recover the remaining estimated residential SOS costs such that the estimated deferral at the end of December 2015 is as close to zero as possible. The Company selected a threshold of 5% and the manner of its application because this evaluation is consistent with that reflected in its Gas Cost Recovery (GCR) tariff provision for mid-year changes to the GCR factors should there be significant changes subsequent to the Commission’s approval of the annual GCR factors.

The Company would like to clarify that the calculation of the Standard Offer Billing Adjustment, is applicable to residential customers who leave SOS to receive their electricity supply from a non-regulated power producer. Regardless of the ultimate design of the base Residential SOS rate (two six-month rates or one 12-month rate), the Company would continue to use the monthly Residential SOS prices to calculate applicable Standard Offer Billing Adjustments in the event that residential customers leave SOS. By doing so, these customers pay their share of SOS costs and remaining Residential SOS customers are not burdened with the obligation to pay the migrating customers’ winter costs that were deferred to the summer.

The Company would like to point out that lowering winter rates and increasing summer rates may significantly affect the wholesale and retail markets. Customer migration may increase as customers switch to Standard Offer in the winter and then switch back to non-regulated power producers in the summer. This increase in migration may have a detrimental impact on future Standard Offer solicitations because wholesale suppliers may avoid participating in SOS Requests for Proposals or may add increased risk

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Service Rates
Period of January – June 2015 For Residential and Commercial
And Period of January – March 2015 For Industrial
Supplemental Responses to the Commission’s Third Set of Data Requests
Issued on November 20, 2014

COMM 3-1-Supplemental, page 3

premiums to their contract prices. Thus, higher contract prices would further increase future rates for Standard Offer Service.

The Company also notes that its approved SOS Procurement Plan takes into consideration market issues as well as the alignment of costs with recovery. The Procurement Plan provides for six different price points as components of the SOS rate, thereby mitigating market volatility. Although the approved SOS Procurement Plan appropriately maintains the relationship between retail SOS rates and the underlying contract costs over the six-month pricing period, the Company is concerned about the impact that the proposed Residential SOS rate will have on customers. To help alleviate this impact, the Company proposes that it will further promote the use of the Budget Billing program, which allows each customer to smooth out their energy costs across the year, with their individualized true-up reflecting their own usage. This will effect a smoothing of energy costs for participating customers, while avoiding a potential detrimental market impact on future Standard Offer rates.

Finally, the Company emphasizes that the Budget Billing program is the most effective solution to mitigate bill impacts to Standard Offer customers. This is because Budget Billing considers the components of both rate and volumetric usage, as well as both commodity and delivery portions of the bill. In contrast, modifying the structure of Standard Offer rates to twelvemonths does not help alleviate customers’ bill impacts resulting from increased usage during the cold winter months, and introduces the risk of negatively impacting prices in the future.

REDACTED DOCUMENT

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4393
2014 Standard Offer Rates
Period of January – June 2015 For Residential and Commercial
And Period January – March 2015 For Industrial
Attachment COMM 3-1
Page 1 of 1