

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY d/b/a : DOCKET NO. 4412
NATIONAL GRID'S LONG-TERM CONTRACTING :
FOR RENEWABLE ENERGY RECOVERY FACTOR :

REPORT AND ORDER

I. Brief History

In 2010, with certain amendments in 2012, the General Assembly passed, with the Governor's signature, Long Term Contracting Statute.¹ On December 29, 2011, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed a new tariff, the Long-Term Contracting for Renewable Energy Recovery Provision (LTC Recovery Factor). The Tariff was approved by the Public Utilities Commission (PUC) on March 29, 2012, at an Open Meeting. The PUC found that, due to the unique language in R.I. Gen. Laws §§ 39-26.1-7(d) and 39-26.1-9(8) requiring National Grid to negotiate with specific developers and authorizing the full recovery by National Grid of certain costs in addition those incurred under the power purchase agreements, the new tariff is necessary. The PUC noted that “[o]ther negotiations under the Long Term Contracting Statute [] 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.”²

On July 2, 2012, National Grid filed with the PUC 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] 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. Gen. Laws § 39-26.1-5(f); “(ii) the 2.75% contract

¹ R.I. Gen. Laws § 39-26.1 et seq.

² Order No. 20723 (issued 5/3/12) at 5-6.

remuneration authorized pursuant to R.I.G.L. § 39-26.1-4; and (iii) certain administrative and other costs...pursuant to the [Long Term Contracting] Standard and subsection (7) of the DG Standard Contracts Act.”³ On October 5, 2012, National Grid filed revised tariffs in order to incorporate certain modifications addressed in comments filed by the Division of Public Utilities and Carriers’ (Division). The modified tariffs were approved by the PUC on October 25, 2012.⁴

II. Current Filing

On November 15, 2013, National Grid filed with the PUC its semi-annual LTC Recovery Factor for the period January 1, 2014 through June 30, 2014. On December 16, 2013, in response to a PUC Data Request, National Grid revised its filing to include a long-term contract mistakenly omitted from its November 15, 2013 filing.⁵ In its updated filing, National Grid estimated that the six-month contract cost for seven contracts, five distributed generation contracts, and two long term contracts would be \$17,327,371. While the distributed generation contract prices are expected to be above market for the same period, the long term contract prices are expected to be below market, for a net market value of \$18,146,981. The difference between the estimated contract costs and net market value is negative \$819,610. When divided by forecasted deliveries for the upcoming six-month period, this results in a factor of negative 0.021 cents per kWh, a reduction of 0.018 cents per kWh from the current rate. The effect on a typical residential customer using 500 kWh per month is a nine cent monthly decrease.⁶ On December

³ Filing Letter 7/2/12 at 1-2, citing § 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.

⁴ Order No. 20905 (issued 12/20/12). See R.I.P.U.C. 2127, Long Term Contracting For Renewable Energy Recovery provision and R.I.P.U.C. 2125 Long Term Contracting For Renewable Energy Recovery Reconciliation provision.

⁵ National Grid’s Response to Commission Data Request 1-1.

⁶ *Id.*

18, 2013, the Division filed with the PUC a memorandum summarizing the filing and recommending approval of the revised factor for effect on January 1, 2014.⁷

At an Open Meeting held on December 20, 2013, the PUC reviewed the filing and approved the proposed LTC Recovery Factor to apply to electricity consumed on and after January 1, 2014. The PUC cautions that the LTC Recovery Factor is highly dependent upon prevailing market prices. They are currently trending higher due to the winter temperatures and the effect of natural gas pipeline constraints. If market prices fall, the LTC Recovery Factor will most likely rise because the above-market prices of the majority of contracts under which National Grid is purchasing will not be offset by the market value National Grid receives from the sale of the same energy into the ISO-NE market. Nonetheless, the PUC is hopeful that the competitive process National Grid used in order to meet certain of the long term contracting requirements will, over the long term, result in benefits to customers.

⁷ Memorandum of David R. Stearns and Stephen Scialabba 11/18/13 at 1-2.

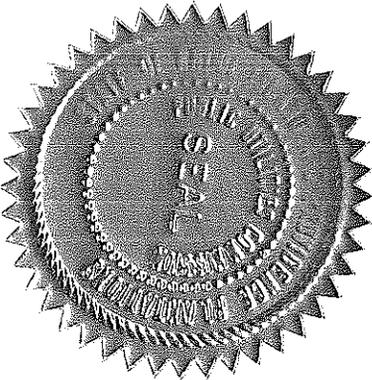
Accordingly, it is hereby,

(21339) ORDERED:

The Narragansett Electric Company d/b/a National Grid's LTC Recovery Factor of negative 0.021 cents per kWh is hereby approved. The new rate shall apply to electricity consumed on and after January 1, 2014.

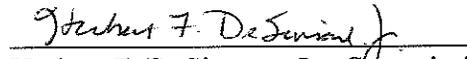
EFFECTIVE AT WARWICK, RHODE ISLAND ON JANUARY 1, 2014 PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 20, 2013. WRITTEN ORDER ISSUED FEBRUARY 6, 2014.

PUBLIC UTILITIES COMMISSION




Margaret E. Curran, Chairperson


Paul J. Roberti, Commissioner


Herbert F. DeSimone, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.