

May 15, 2013

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Long-Term Contracting for Renewable Energy Recovery Factor  
Docket No. \_\_\_\_\_**

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9 and R.I.P.U.C. Docket No. 4338, enclosed please find ten (10) copies of National Grid's<sup>1</sup> Long-Term Contracting for Renewable Energy Recovery ("LTCRER") factor filing for the period July 2013 through December 2013 ("Pricing Period"). The Company is proposing a credit factor of 0.003¢ per kWh, applicable to all customers, effective for consumption on and after July 1, 2013. The proposed LTCRER factor is intended to recover the estimated costs associated with the Company's executed long-term contracts for the Pricing Period. The impact of the proposed LTCRER factor on a typical residential customer using 500 kWhs per month is a decrease of \$0.08 per month or 0.1%.

Proposed LTCRER Factor

The Company's LTCRER Provision, R.I.P.U.C. No. 2127, approved by the Commission in Docket No. 4338, allows for the recovery of payments made to projects under long-term contracts executed pursuant to R.I.G.L. §39-26.1 and distributed generation ("DG") standard contracts executed pursuant to R.I.G.L. §39-26.2, less the proceeds obtained from the sale of energy, capacity, Renewable Energy Certificates ("RECs") or other attributes. Pursuant to R.I.G.L. §39-26.1-5(f), the LTCRER factor proposed in this filing reflects the recovery of the estimated above market costs associated with the Company's power purchase agreement ("PPA") with Rhode Island LFG Genco, LLC ("RI Genco"), and with one DG standard contract ("DG Contract") associated with a unit that became commercially operational in March 2013. As indicated in the Company's November 2012 LTCRER filing, the Company has executed PPAs for three other renewable energy projects, as well as several other DG Contracts. However, the Company has not included the estimated expense associated with these other projects since few of these projects will likely be commercially operating during the Pricing Period.

The Company has used the same methodology to calculate the proposed LTCRER factor for the Pricing Period that was used to calculate the current LTCRER factor, effective January 1, 2013, with one exception. The costs to be recovered through the LTCRER factor for the Pricing Period include a revenue credit of \$445,316, reflecting the estimated revenue to be billed to customers through the current LTCRER factor for the period January 1, 2013 through June 30, 2013.

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

In the Company's November 2012 LTCRER filing, the above market expense expected to be incurred during the period January 1, 2013 through June 30, 2013 was based on the expected generation of RI Genco, which at that time was scheduled to be operational by early 2013. As of the date of this filing, the unit is still in the testing phase of its operation. Therefore, the Company has not yet incurred any costs under the RI Genco PPA. Although the LTCRER Reconciliation Provision provides a mechanism by which any revenue billed in excess of actual expense incurred will be returned to customers as part of the Company's annual LTCRER reconciliation to be filed in February 2014, the Company is proposing to include an estimate of the over-collection in the calculation of the LTCRER proposed for July 1, 2013. By doing so, the Company is proposing to credit customers the economic benefit of the revenue billed in excess of costs incurred for the January through June 2013 period rather than wait until 2014.

Although the Company continues to anticipate that RI Genco will be commercially operational during the Pricing Period, the actual date of commercial operation is difficult to predict with any certainty and is outside the control of the Company. Nonetheless, the Company reasonably believes that RI Genco is close to achieving commercial operation and will do so by the start of the Pricing Period. Accordingly, the Company is again proposing to include the expected above market cost associated with this unit in the calculation of the proposed LTCRER.

Page 1 of Attachment 1 shows the calculation of the proposed LTCRER factor. The estimated above market costs of \$288,615 as shown on Line 1, less the estimated revenue to be billed during the period January 1, 2013 through June 30, 2013 as shown on Line 2, is divided by the forecasted kilowatt-hours for the Pricing Period. This results in a credit factor of 0.003¢ per kWh. The uncollectibles percentage of 1.25% is applied to the credit of 0.003¢ per kWh; however, since the calculated charge is truncated to five decimal places, the application of the uncollectible percentage does not result in a change to the proposed LTCRER factor.

#### Calculation of the Above Market Cost

The estimated above market cost that is expected to be incurred during the Pricing Period is shown on Page 2 of Attachment 1, Section 3. The above market cost is calculated as the total expected payments to be made under the two contracts for the six-month Pricing Period, less the market value associated with the sale of the energy, RECs, and capacity. The calculation of the total expected payments is shown in Section 1 of Page 2. The expected unit generation is estimated by applying the unit availability factor to the unit capacity, resulting in an expected six-month generation of 121.1 MWh for both units. The estimated generation multiplied by each contract's unit price results in expected total payments of approximately \$14.9 million.

The estimated market value of the energy, RECs, and capacity is shown in Section 2 of Page 2. The market energy proxy is the estimated average spot market price during the Pricing Period and is the same value (excluding the capacity component) that is used in the calculation of the proposed Standard Offer Service rates for the Commercial Group for the period July 1, 2013 through December 31, 2013. The REC proxy value is based upon the Company's most recent market estimate. The market value of the sale of the contract products for the Pricing Period is \$14,593,122, which, when subtracted from the total expected payments of \$14,881,737, results in an estimated above market cost of \$288,615, as shown in Section 3.

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Please note that the Company is not filing its Summary of Retail Delivery Rates, R.I.P.U.C. No. 2095, at this time. There are other proposed rate changes currently pending approval by the Commission for July 1, 2013. Once the Commission has rendered its decisions in all pending dockets, the Company will submit a revised Summary of Retail Delivery Rates reflecting all rate changes approved for July 1, 2013.

Thank you for your attention to this filing. Please feel free to contact me if you have any questions concerning this matter at (401) 784-7288.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is written in a cursive style with a horizontal line extending to the right.

Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.  
Steve Scialabba

**Long-Term Contracting for Renewable Energy Recovery  
Factor Calculation  
For the Period July 2013 through December 2013**

(1) Above Market Cost for the period July 2013 through December 2013	\$288,615
(2) less: Estimated revenue billed through LTCRER for the period Jan 1, 2013 through June 30	<u>\$445,316</u>
(3) Net Above Market Cost for the period July 2013 through December 2013	<u>(\$156,701)</u>
(4) Forecasted kWh Deliveries - July 2013 through December 2013	3,986,357,518
(5) Recovery Factor for Above Market Cost	(\$0.00003)
(6) Adjustment for Uncollectibles	<u>1.25%</u>
(7) LTCRER Factor for the period July 1, 2013 through December 30, 2013	(\$0.00003)
(8) Current LTCRER Factor	<u>\$0.00012</u>
(9) Increase/(Decrease) in LTCRER Factor	(\$0.00015)

Line Descriptions:

- (1) per page 2, column (m)
- (2) LTCRER for the period Jan 1, 2013 through June 30, 2013 based on estimated generation of RI GENCO which did not become operational during the period
- (3) Line (1) - Line (2)
- (4) per Company forecast
- (5) Line (3) ÷ Line (2), truncated after five decimal places
- (6) uncollectible percentage approved in R.I.P.U.C. Docket No. 4323
- (7) Line (5) x [1 + Line (6)], truncated to five decimal places
- (8) per tariff
- (9) Line (7) - Line (8)

**Long-Term Contracting for Renewable Energy Recovery  
Estimated Contract Cost and Market Value  
For the Period July 2013 through December 2013**

**Section 1: Estimated Six-Month Contract Cost**

Unit	Unit Capacity (MW) (a)	Unit Availability Factor (b)	Total Estimated Six- Month Output (MWh) (c)	Contract Price (\$ per MWh) (d)	Estimated Six- Month Contract Cost (e)
PPA-1	32.1	0.85	119,508.3	\$122.80	\$14,675,619
PPA-2	1.5	0.235	<u>1,544.0</u>	\$133.50	<u>\$206,117</u>
Total			121,052		\$14,881,737

**Section 2: Estimated Market Value**

Class	Estimated MWh Purchased Under Contracts (f)	Market Energy Proxy (g)	Energy Market Value (h)	REC Proxy (i)	REC Market Value (j)	Capacity (k)	Total Market Value (l)
PPA-1	119,508	\$51.605	\$6,167,254	\$64	\$7,648,531	\$598,848	\$14,414,633
PPA-2	1,544	\$51.605	<u>\$79,676</u>	\$64	<u>\$98,813</u>		<u>\$178,489</u>
Total			\$6,246,930		\$7,747,344		\$14,593,122

**Section 3: Estimated Above Market Cost**

	Estimated Above Market Cost (m)
PPA-1	\$260,986
PPA-2	<u>\$27,629</u>
Total Estimated Above Market Cost	\$288,615

Column Descriptions:

- |  |  |
|--|--|
| (a) commercially operable units  | (h) column (f) x column (g)                                    |
| (b) estimated  | (i) REC price estimate based on most recent market information |
| (c) column (a) x column (b) x (8,760 ÷ 2) hours  | (j) column (f) x column (i)                                    |
| (d) per PPA  | (k) Expected capacity revenue from ISO-NE                      |
| (e) column (c) x column (d)  | (l) column (h) + column (j) + column (k)                       |
| (f) per column (c)   | (m) column (e) - column (l)                                    |
| (g) Standard Offer Service Spot Market Estimate for Commercial Group, excluding capacity component |  |