STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: LONG-TERM CONTRACTING FOR RENEWABLE ENERGY RECOVERY FACTOR	:	DOCKET NO. 4412

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 ("LTCRER") which was approved by the Public Utilities Commission ("Commission") on March 29, 2012, at an Open Meeting finding that these tariffs are necessary due to the unique language in R.I. Gen. Laws §§ 39-26.1-7(d) and 39-26.1-9(8) which required National Grid to negotiate with specific developers and authorize the full recovery by National Grid of certain costs in addition those incurred under the PPAs. The Commission noted that "[o]ther negotiations under the Long Term Contracting Statute (R.I. Gen. Laws § 39-26.1 et seq.) 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 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

[1] R.I. Gen. Laws § 39-26.1 et seq.
[2] Order No. 20723 (issued May 3, 2012) 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 R.I.P.U.C. 2127, LTCRER and R.I.P.U.C. 2125 LTCRER Reconciliation Provision in order to incorporate certain modifications addressed in the Division of Public Utilities and Carriers' ("Division") Comments and the Company's Reply Comments. The modified tariffs were approved by the Commission on October 25, 2012.[4]

II. Current Filing

On May 15, 2013, National Grid filed with the Commission its Semi-Annual LTCRER factor for the period July 2013 through December 2013. In its filing, National Grid indicated that it was proposing to depart from certain provisions of the tariff in order to credit customers with an over-collection that is estimated to accrue by June 30, 2013 as a result of LFG Genco facility's delayed commercial operation date. According to National Grid, the Company initially expected to incur costs related to this Long Term Contract starting in early 2013, but has not incurred any. While the tariff anticipates semi-annual rate changes to allow the Company to recover the above-market costs of the Long-Term Contracts and Distributed Generation Standard Contracts ("DG Contracts") with an annual reconciliation for effect April 1st, National Grid proposed crediting the over-collection to customers as part of the calculation of the LTCRER factor for the period commencing July 1, 2013.[5]

The approved LTCRER factor for the period January 1, 2013 through June 30, 2013 was calculated to recover approximately $473,326 in above-market costs for the period, expected to

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[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 log-term contracts entered into under the Long Term Contract Standard.
[4] *Order No.* (issued).
[5] Filing Letter 5/15/13 at 1-2.

be incurred from a single Long Term Contract (LFG Genco).[6] According to National Grid's current filing, that previously approved LTCRER factor is currently estimated to result in $445,316 in revenues to National Grid by June 30, 2013. However, there were no costs associated with the Long Term Contract for which the current LTCRER factor was set, resulting in an over-collection for the period January 1, 2013 through June 30, 2013 of approximately $445,316. The net above market costs for the period July 1, 2013 through December 31, 2013 are estimated to be $288,615. The difference is ($156,701) which, when divided by forecasted deliveries for the upcoming six-month period, results in a credit factor of (0.003) cents per kWh.[7]

On June 12, 2013, the Division filed with the Commission a Memorandum from David Stearns, Rate Analyst V, and Stephen Scialabba, Chief Accountant, summarizing the filing and recommending approval of the credit factor for effect on July 1, 2013. The Memorandum noted that the effect on a typical residential customer using 500 kWh per month is $0.08 or 0.1%.[8]

At an Open Meeting held on June 28, 2013, the Commission reviewed the filing and approved the proposed LTCRER credit factor for effect on usage on and after July 1, 2013. The Commission found that including the anticipated over-collection for the period January 1, 2013 through June 30, 2013 in the LTCRER factor for the upcoming six month period is reasonable and in the best interest of ratepayers. While the tariff anticipates a single annual reconciliation of expenses and revenues, there is no reason for the Company to build a large credit balance which could benefit ratepayers now. The Commission cautions that the credit factor is not the result of ratepayers benefitting from below-market costs related to the Long Term Contracts and DG Contracts, but is the result of a delay of the commercial operation date of a fairly large facility.

[6] Docket 4371 (In re: The Narragansett Electric Company d/b/a National Grid Long Term Contracting for Renewable Energy Recovery Factor) at RR-3, Attachment 1.
[7] Filing Letter 5/15/13 at 1-2, Attachment 1, page 1.
[8] Memorandum of David R. Stearns and Stephen Scialabba 6/12/13 at 1-2.

The LTCRER factor for the period January 1, 2013 through June 30, 2013 was set based on anticipated sales that would result in above-market costs. However, because the LFG Genco facility did not sell any power to National Grid under the Long Term Contract during the period National Grid simply did not incur those costs.

Accordingly, it is hereby,

(21085) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's LTCRER credit factor of (0.003) cents per kWh is hereby approved for effect on usage on and after July 1, 2013.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2013 PURSUANT TO AN OPEN MEETING DECISION ON JUNE 28, 2013. WRITTEN ORDER ISSUED JUNE 28, 2013.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Mary E. Bray, Commissioner

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.