

Memorandum

To: L. Massaro
Commission Clerk

From: Alberico Mancini
Stephen Scialabba
Division of Public Utilities & Carriers

Date: 6/11/2015.

Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4490

On May 21, 2015 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission Proposed Standard Offer Service Rates for the Commercial Group for the Months of July 2015 through December 2015, and for the Industrial Group for the months of July 2015 through September 2015 and the Results of Competitive Procurement for the Months of January 2016 through June 2016 for the Residential Group, for the Months of July 2015 through June 2016 for the Commercial Group, and for the Months of July 2015 through September 2015 for the Industrial Group. A Request for Confidential Treatment for detailed bid results was submitted. The Confidential materials were submitted to the Division for our review.

Included in the filing are the Results of Competitive Procurement for the following groups and time periods:

Industrial Group: 100% of the load for July 2015 through September 2015.

Commercial Group: 30% of the load for July 2015 through June 2016.

With this most recent solicitation for another 30% of the load requirements, 90% of the requirements for the commercial group for July-December 2015 have now been procured (NGrid will also purchase 10% of the load in the spot market per the approved plan).

Also, 30% of the Commercial Group requirements for January 2016 through June 2016 have been procured in the May 2015 solicitation.

Residential Group: 20% of the load for January 2016 through June 2016.

With this most recent solicitation, 55% of the Residential Group’s load requirements have been purchased. (15% in 11/14, 20% in 2/15, and 20% in 5/15). For the January through June 2016 period, NGrid will procure another 20% in the third quarter of 2015, and another 15% in the fourth quarter of 2015. Those procurements will total 90%, and 10% of January through June 2016 purchases will be made in the spot market.

Included in the filing as well are:

- A calculation of the Standard Offer Service (“SOS”) retail rates for the Commercial Group and the Industrial Group for each month of the service period;
- A calculation of the estimated base reconciliation for the Residential rate class for 2015. A calculation of the estimated base reconciliation for the Commercial rate class for January 2015 through June 2015, and a proposed cost deferral adjustment to proposed rates for July 2015 through December 2015.
- A RIPUC Tariff No. 2096 Rate Summary reflecting the proposed rates for the period July 2015 through December 2015.
- A typical bill analysis for the SOS Commercial Customer Group and the Industrial Customer Group;
- A copy of SOS Request for Proposals (“RFPs”) to solicit SOS supply issued on April 10, 2015 for the period July 2015 through September 2015 for the Industrial Group, July 2015 through June 2016 for the Commercial Group, and January 2016 through June 2016 for the Residential Group;
- A redacted summary of the procurement process, and;
- Redacted versions of the executed confidential Amendment to the Master Power Agreement and Transaction Confirmations for July 2015 through September 2015 for the Industrial Group, July 2015 through June 2016 for the Commercial Group, and January 2016 through June 2016 for the Residential Group.

Un-redacted versions of the Procurement Summary, an amendment to a Master Power Agreement, and Transaction Confirmations have been supplied under separate cover.

Industrial Group Rates

The Standard Offer rates proposed for the **Industrial Customer Group** for July through September 2015, including the current per-kWh Standard Offer Adjustment Factor of \$(0.00059) and the Administrative Cost Factor of \$0.00174, and excluding the Renewable Energy Charge of \$0.00294 are:

- July 2015: \$0.06832/kWh.
- August 2015: \$0.06125/kWh.

- September 2015: \$0.05504/kWh.
- The three month average of the proposed July 2015 through September Industrial Group SOS rate is \$0.06154, compared with the April 2015 through June 2015 average Industrial Standard Offer rate of \$0.05661/kWh;

Residential and Commercial Groups' Rates

In its Order establishing a 12-month rate for the calendar year 2015, the PUC directed the Company to conduct a mid-year review and file a revised Residential SOS rate along with the proposed SOS rates for the Commercial and Industrial Groups for July 1 “if the projected 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 estimated a total over recovery of \$6,200,280, which included a \$568,698 under recovery for 2013 and \$76,799 in estimated interest. The ending balance including estimated interest as a percent of total actual and estimated SOS expense is 2.34%. The Company determined that it would not request a change to the current **Residential Customer Group** as the estimated balance is below 5% of the costs for calendar year 2015.

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for July through December 2015, including the current per-kWh SOS Adjustment Factor of \$0.00282, Administrative Cost Factor of \$0.00159 and a 10% Deferral Adjustment, and excluding the Renewable Energy Charge of \$0.00294 is \$0.08691/kWh. This is a decrease of \$0.02877/kWh, or 24.8% compared with the current fixed price option charge of \$0.11568/kWh.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of \$0.00282, Administrative Cost Factor of \$0.00159 and a 10% Deferral Adjustment, and excluding the Renewable Energy Charge of \$0.00294 are as follows:

July - \$0.07972; August - \$0.07582; September - \$0.06936; October - \$0.07092; November - \$0.09254 December - \$0.13830.

The Company has calculated a 10% deferral from the estimated SOS costs for the period January 1, 2015 through June 30, 2015 and included them in the period July 1, 2015 through December 31, 2015 as was ordered by the PUC in Docket # 4393. The Company estimated the 10% deferral at \$3,507,164 including \$21,582 in interest which resulted in a \$0.00627 adjustment per kWh.

In calendar year 2015, the Rhode Island load covered by the filed RFP is subject to a 8.5% Renewable Energy Standard (“RES”) requirement. Because the bidders either did not submit RES prices with the bids, or the bids that were submitted were higher than National Grid’s estimate of the market cost for Renewable Energy Certificates (RECs), National Grid did not include RES adders in the final purchase prices. The Company will attempt to procure the requirements through separate solicitations.

After review, the Division believes the filing is in compliance with order number 21826 issued in the Standard Offer Procurement Plan submitted by the Company and approved by the Commission at open meeting June 30, 2014 in Docket number 4490.

Cc: Thomas Ahern,
Administrator, Division of Public Utilities and Carriers