

Memorandum

To: L. Massaro

Commission Clerk

From: Alberico Mancini

Division of Public Utilities & Carriers

Date: 9/16/2015, Revised

Re: Narragansett Electric – Standard Offer Rate Filing:

Docket 4490

On August 24, 2015 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission Proposed Standard Offer Service Rates for the Industrial Group for the Months of October 2015 through December 2015 and the Results of Competitive Procurement for the Months of January 2016 through September 2016 for the Residential Group, for the Months of January 2016 through March 2017 for the Commercial Group, and for the Months of October 2015 through December 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 October 2015 through December 2015.

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

Pursuant to the Commission’s decision at its July 1, 2015 Open Meeting, the Company was ordered to modify the retail rate periods for the Residential and Commercial Groups from January through June, and July through December to October through March, and April through September, effective October 1, 2016. The Commission also ordered the Company to file Standard Offer Service rates for the Residential and Commercial Groups for the period January 2016 through September 2016 in order to transition to these new rate periods and provide 75 days-notice of impending rate changes.

With this most recent solicitation for another 30% of the load requirements, 60% of the requirements for the commercial group for January through June 2016 have now been procured. For the January through June 2016 period, the Company will procure another 30% 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.

In addition, 45% of the Commercial Group requirements for the period July through September 2016 and 15% of the Commercial Group requirements for the period October 2016 through March 2017 have been procured in the August 2015 solicitation in order to transition into the modified October through March rate period. For the July through September 2016 period, the Company will procure another 45%

in the fourth quarter of 2015. These procurements in addition to the January through June 2016 procurements will total 90% of the January through September 2016 modified rate period, and 10% of the January through September 2016 purchases will be made in the spot market.

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

With this most recent solicitation, 75% of the Residential Group's load requirements have been purchased (15% in 11/14, 20% in 2/15, 20% in 5/15 and 20% in 8/15) for the January through June 2016 period and 55% has been purchased (15% in 11/14, 20% in 2/15 and 20% in 8/15) for the July through September 2016 period. For the January through September 2016 period, the Company will procure another 15% in the fourth quarter of 2015 and an additional 20% for the July through September 2016 period. Those procurements will total 90%, and 10% of January through September 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 Industrial Group for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary reflecting the proposed rates for the period October 2015 through December 2015.
- A typical bill analysis for the SOS Industrial Customer Group;
- A copy of SOS Request for Proposals ("RFPs") to solicit SOS supply issued on July 17, 2015 for the period October 2015 through December 2015 for the Industrial Group, January 2016 through March 2017 for the Commercial Group, and January 2016 through September 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 October 2015 through December 2015 for the Industrial Group, January 2016 through March 2017 for the Commercial Group, and January 2016 through September 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 October through December 2015, including the current per-kWh Standard Offer Adjustment Factor of \$(0.00059), the Administrative Cost Factor of \$0.00174, and the Renewable Energy Charge of \$0.00294 are:

- October 2015: \$0.05950/kWh.
- November 2015: \$0.07528/kWh.
- December 2015: \$0.10542/kWh.

The three month average of the proposed October 2015 through December 2015 Industrial Group SOS rate is \$0.08007/kWh, which results in a 24% increase compared with the July 2015 through September 2015 average Industrial Standard Offer rate of \$0.06448/kWh but compared to the previous year's October through December 2014 Industrial Group SOS average rate of \$0.09310/kWh, the proposed rate results in a 14% decrease from the same three month period in the previous year.

In calendar year 2015, the Rhode Island load covered by the filed RFP is subject to an 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 2015 Standard Offer Procurement Plan, Docket 4490 as modified by the Commission at open meeting July 31, 2015 in Docket number 4556.

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