

Memorandum

To: Luly Massaro
Commission Clerk

From: Stephen Scialabba
Division of Public Utilities & Carriers

Date: 12/18/2014

**Re: Narragansett Electric – Long Term Contracting for Renewable Energy Recovery
Factor, Docket 4535**

On November 17, 2014 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission its Long-Term Contracting for Renewable Energy Recovery (“LTCRER”) factor filing for the period January 1 through June 30, 2015 (“Pricing period”).

The LTCRER provision, R.I.P.U.C. No. 2127, was approved by the Commission in Docket 4338, and allows for the recovery of payments made to projects under long-term contracts and distributed generation (“DG”) standard contracts executed pursuant to R.I.G.L. 39-26-1 and R.I.G.L. 39-26-2, respectively.

The Company’s calculation, intended to recover estimated renewable contract costs associated with National Grid’s power purchase agreements (“PPA”) less the proceeds from the sale of energy, capacity, Renewable Energy Certificates, or other attributes, results in a credit factor of \$(0.00056) per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00032. Combining the proposed forward-looking LTCRER credit factor and the currently approved Reconciliation Factor results in a proposed combined credit factor of \$(0.00024). The proposed credit factor is a rate decrease of \$0.00063 compared with the current billed charge of \$0.00039. The effect on a typical 500 kWh monthly residential bill is a decrease of \$0.32 per month.

The Company’s estimate of payments to operating Renewable and DG units over the six month period is \$19,246,904. Estimated revenues from sale of REC’s, energy, and capacity is \$21,354,832, leaving a net below-market cost of \$2,107,928.

The Division reviewed the LTCRER factor filing and had asked LaCapra Associates to opine on the REC proxy value included in the filing. In LaCapra’s opinion the REC value estimate of \$45.25 used in the calculation is reasonable and in line with their estimates. Further, according to National Grid, the Market Energy proxy of \$98.27 was based on the NYMEX futures prices for the forecast period. The Division believes the filing is in accordance with the Commission’s order in docket 4338, the docket in which the Commission approved the LTCRER Provision.

The Division therefore recommends approval of the proposed total LTCRER credit factor of \$(0.00024) per kWh, effective January 1, 2015.