

Memorandum

To: L. Massaro
Commission Clerk

From: Alberico Mancini
Division of Public Utilities & Carriers

Date: 5/18/2016, Revised.

Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4556

On April 13, 2016 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 July 2016 through September 2016 and the Results of Competitive Procurement for the Months of October 2016 through September 2017 for the Residential Group, for the Months of October 2016 through September 2017 for the Commercial Group, and for the Months of July 2016 through September 2016 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 2016 through September 2016.

Commercial Group: 20% of the load for October 2016 through September 2017.

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 20% of the load requirements for the October 2016 through March 2017 period, 70% of the requirements for the Commercial Group for the October 2016 through March 2017 period have now been procured (15% in 8/15, 20% in 10/15, 15% in 1/16 and 20% in 4/16). For the October 2016 through March 2017 period, the Company will procure another 20% in the third quarter of 2016 and also purchase 10% of the load in the spot market per the approved plan.

Also, 20% of the Commercial Group’s load requirements for the April 2017 through September 2017 period have been procured in the April 2016 solicitation. For the April 2017 through September 2017 period, the Company will procure another 20% in the third quarter of 2016, 20% in the fourth quarter of

2016 and 15% in the first quarter of 2017. Those procurements will total 90% for the April 2017 through September 2017 period and 10% will be made in the spot market.

Residential Group: 20% of the load for October 2016 through September 2017.

With this most recent solicitation for another 20% of the load requirements for the October 2016 through March 2017 period, 70% of the requirements for the Residential Group for the October 2016 through March 2017 period have now been procured. For the October 2016 through March 2017 period, the Company will procure another 20% in the third quarter of 2016 and also purchase 10% of the load in the spot market per the approved plan.

Also, 20% of the Residential Group's load requirements for the April 2017 through September 2017 period have been procured in the April 2016 solicitation. For the April 2017 through September 2017 period, the Company will procure another 20% in the third quarter of 2016, 20% in the fourth quarter of 2016 and 15% in the first quarter of 2017. Those procurements will total 90% for the April 2017 through September 2017 period and 10% 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 typical bill analysis for the SOS Industrial Customer Group.
- A copy of SOS Request for Proposals ("RFPs") to solicit SOS supply issued on March 4, 2016 for the period July 2016 through September 2016 for the Industrial Group, October 2016 through September 2017 for the Commercial Group, and October 2016 through September 2017 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 2016 through September 2016 for the Industrial Group, October 2016 through September 2017 for the Commercial Group, and October 2016 through September 2017 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 the July 2016 through September 2016 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.01014), the Administrative Cost Factor of \$0.00359, and the Renewable Energy Charge of \$0.00288 are:

- July 2016: \$0.05035/kWh.
- August 2016: \$0.04731/kWh.
- September 2016: \$0.04001/kWh.

The three month average of the proposed July 2016 through September 2016 Industrial Group SOS rate is \$0.04589, which results in a 3% decrease compared with the April 2016 through June 2016 average Industrial Standard Offer rate of \$0.04720/kWh. Compared to the previous year's July 2015 through September 2015 Industrial Group SOS average rate of \$0.06448/kWh, the proposed rate results in a 29% decrease from the same three month period in the previous year.

In calendar year 2016, the Rhode Island load covered by the filed RFP is subject to a 10% 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, Docket 4490 as modified by the Commission at open meeting July 1, 2015 in Docket number 4556.

Cc: Thomas Ahern, Administrator
Steven Scialabba, Chief Accountant