

Memorandum

To: L. Massaro
Commission Clerk

From: Alberico Mancini
Division of Public Utilities & Carriers

Date: 8/29/2016

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

On July 12, 2016 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission Proposed Standard Offer Service Rates for the Residential Group and the Commercial Group for the Months of October 2016 through March 2017, and for the Industrial Group for the Months of October 2016 through December 2016 and the Results of Competitive Procurement for the Months of October 2016 through March 2018 for the Residential Group, for the Months of October 2016 through March 2018 for the Commercial Group, and for the Months of October 2016 through December 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 October 2016 through December 2016.

Commercial Group: 20% of the load for October 2016 through March 2018.

With this most recent solicitation for another 20% of the load requirements for the October 2016 through March 2017 period, 90% of the load 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, 20% in 4/16 and 20% in 7/16). For the October 2016 through March 2017 period, the Company will purchase the remaining 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 and 20% of the Commercial Group’s load requirements for the October 2017 through March 2018 have been procured in the July 2016 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2017 through September 2017 period (15% in 1/16, 20% in 4/16 and 20% in 7/16) and 35% of the load requirements for the October 2017 through March 2018 period (15% in 1/16 and 20% in 7/16). For the April 2017 through September 2017 period, the Company will procure another 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 March 2018.

With this most recent solicitation for another 20% of the load requirements for the October 2016 through March 2017 period, 90% of the requirements for the Residential Group for the October 2016 through March 2017 period have now been procured (15% in 11/14, 20% in 2/15, 15% in 10/15, 20% in 4/16 and 20% in 7/16). For the October 2016 through March 2017 period, the Company will purchase the remaining 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 and 20% of the Residential Group's load requirements for the October 2017 through March 2018 have been procured in the July 2016 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2017 through September 2017 period (15% in 1/16, 20% in 4/16 and 20% in 7/16) and 35% of the load requirements for the October 2017 through March 2018 period (15% in 1/16 and 20% in 7/16). For the April 2017 through September 2017 period, the Company will procure another 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 purchased in the spot market.

Included in the filing as well are:

- A calculation of the Standard Offer Service ("SOS") retail rates for the Residential, Commercial, and Industrial Groups for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, Reflecting the proposed rates for the period October 2016 through March 2017.
- A typical bill analysis for the SOS Residential, Commercial, and Industrial Customer Groups.
- A copy of SOS Request for Proposals ("RFPs") to solicit SOS supply issued on June 3, 2016 for the period October 2016 through December 2016 for the Industrial Group, October 2016 through March 2018 for the Commercial Group, and October 2016 through March 2018 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 2016 through December 2016 for the Industrial Group, October 2016 through March 2018 for the Commercial Group, and October 2016 through March 2018 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 October 2016 through December 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:

- October 2016: \$0.03947/kWh.
- November 2016: \$0.04626/kWh.
- December 2016: \$0.06416/kWh.

The three month average of the proposed October 2016 through December 2016 Industrial Group SOS rate is \$0.04996, which results in a 9% increase compared with the July 2016 through September 2016 average Industrial Standard Offer rate of \$0.04589/kWh. Compared to the previous year's October 2015 through December 2015 Industrial Group SOS average rate of \$0.08007/kWh, the proposed rate results in a 38% decrease from the same three month period in the previous year.

Residential and Commercial Groups' Rates

The Standard Offer rate proposed for the **Residential Customer Group** for the October 2016 through March 2017 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00318), the Administrative Cost Factor of \$0.00291, and the Renewable Energy Charge of \$0.00288 is \$0.08179/kWh. This is a decrease of \$0.0050/kWh or 6%, compared with the current Standard Offer Charge of \$0.08679/kWh.

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for October 2016 through March 2017 period, including the current per-kWh SOS Adjustment Factor of \$0.00206, Administrative Cost Factor of \$0.00278, and the Renewable Energy Charge of \$0.00288 is \$0.08396/kWh. This is an increase of \$0.00032/kWh, or less than 1% compared with the current fixed price option charge of \$0.08364/kWh.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of \$0.00206, Administrative Cost Factor of \$0.00278, and the Renewable Energy Charge of \$0.00288 are as follows:

October - \$0.05998; November - \$0.06703; December - \$0.08287; January - \$0.10722; February - \$0.10483; March - \$0.08010.

In calendar year 2016, the Rhode Island load covered by the filed RFP is subject to a 10% Renewable Energy Standard (“RES”) requirement. National Grid compared the cost of obtaining the Renewable Energy Certificates (“RECs”) associated with the load requirements from the bidders to the available market cost of obtaining REC’s. Because the bidder for two of the bid blocks included a price for the RES adder below National Grid’s estimate of the market cost for Renewable Energy Certificates (RECs), National Grid included the RES adder in the final purchase prices for those two bid blocks. The Company will attempt to procure the remaining 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