

May 21, 2015

**VIA HAND DELIVERY AND ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket 4556 - 2016 Standard Offer Service Procurement Plan  
2016 Renewable Energy Standard Procurement Plan  
Responses to PUC Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's<sup>1</sup> responses to the third set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced matter.

Thank you for your attention to this transmittal. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4556 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



\_\_\_\_\_  
Joanne M. Scanlon

May 8, 2015  
Date

**Docket No. 4556 - National Grid – 2016 Standard Offer Service (SOS) and Renewable Energy Standard (RES) Procurement Plans  
Service List updated 4/29/15**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
Jennifer Brooks Hutchinson, Esq. National Grid. 280 Melrose St. Providence, RI 02907	<a href="mailto:Jennifer.hutchinson@nationalgrid.com">Jennifer.hutchinson@nationalgrid.com</a> ;	401-784-7667
	<a href="mailto:Celia.obrien@nationalgrid.com">Celia.obrien@nationalgrid.com</a> ;	
	<a href="mailto:James.Ruebenacker@nationalgrid.com">James.Ruebenacker@nationalgrid.com</a> ;	
	<a href="mailto:Joanne.scanlon@nationalgrid.com">Joanne.scanlon@nationalgrid.com</a> ;	
	<a href="mailto:margaret.janzen@nationalgrid.com">margaret.janzen@nationalgrid.com</a> ;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Lwold@riag.ri.gov">Lwold@riag.ri.gov</a> ;	401-274-4400
	<a href="mailto:Steve.scialabba@dpuc.ri.gov">Steve.scialabba@dpuc.ri.gov</a> ;	
	<a href="mailto:Al.mancini@dpuc.ri.gov">Al.mancini@dpuc.ri.gov</a> ;	
	<a href="mailto:Joseph.shilling@dpuc.ri.gov">Joseph.shilling@dpuc.ri.gov</a> ;	
	<a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a> ;	
	<a href="mailto:jmunoz@riag.ri.gov">jmunoz@riag.ri.gov</a> ;	
Richard Hahn LaCapra Associates One Washington Mall, 9 <sup>th</sup> floor Boston, MA 02108	<a href="mailto:rhahn@lacapra.com">rhahn@lacapra.com</a> ;	617-778-2467
	<a href="mailto:mneal@lacapra.com">mneal@lacapra.com</a> ;	
Michael McElroy Schacht & McElroy P.O. Box 6721 Providence, RI 02940-6721	<a href="mailto:Michael@McElroyLawOffice.com">Michael@McElroyLawOffice.com</a> ;	401-351-4100
Christy Hetherington, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	<a href="mailto:CHetherington@riag.ri.gov">CHetherington@riag.ri.gov</a> ;	401-274-4400 Ext. 2425
Robert J. Munnely, Jr., Esq. Davis Malm D'Agostine, P.C. One Boston Place – 37 <sup>th</sup> Floor Boston, MA 02108	<a href="mailto:Rmunnely@davismalm.com">Rmunnely@davismalm.com</a> ;	617-367-2500
	<a href="mailto:Rmunnely@murthalaw.com">Rmunnely@murthalaw.com</a> ;	

Michael F. Horan, Esq. Law Office of Michael F. Horan	<a href="mailto:office@horanlawoffice.com">office@horanlawoffice.com</a> ;	401-725-7368
<b>File an original &amp; 9 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ;	401-780-2017
	<a href="mailto:Alan.nault@puc.ri.gov">Alan.nault@puc.ri.gov</a> ;	
	<a href="mailto:Todd.bianco@puc.ri.gov">Todd.bianco@puc.ri.gov</a> ;	
	<a href="mailto:Amy.Dalessandro@puc.ri.gov">Amy.Dalessandro@puc.ri.gov</a> ;	
Office of Energy Resources Nicholas Ucci Christopher Kearns	<a href="mailto:Nicholas.ucci@energy.ri.gov">Nicholas.ucci@energy.ri.gov</a> ;	
	<a href="mailto:Christopher.Kearns@energy.ri.gov">Christopher.Kearns@energy.ri.gov</a> ;	
	<a href="mailto:Danny.Musher@energy.ri.gov">Danny.Musher@energy.ri.gov</a> ;	

COMM 3-1

Request:

The Company states on Schedule 7 at 2 that it plans to issue 2 or more REC RFPs in 2016 presumably because the number of RECs acquired from LTCs is not expected to meet the 2016 RES requirement. What is the estimated number of RECs the Company expects to acquire from small scale solar projects in 2016?

Response:

The Company intends to issue two or more REC RFPs in 2016 to satisfy its obligations under the Renewable Energy Standard (RES) for required percentages from Existing and New renewable energy resources.

New RECs generated from the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy (Long-Term Renewable Contracts) are not expected to fully satisfy the New renewable energy resources requirement in 2016<sup>1</sup>. The Company intends to issue these RFPs to obtain the balance of the required New RECs as well as to procure the Existing RECs needed to satisfy the RES. In 2018 the Company anticipates that the New RECs obtained from the Long-Term Renewable Contracts will exceed the RES obligation, at which time it will be necessary to sell the excess New RECs in the market.

That said, this data request specifies the number of RECs that the Company expects to acquire from "small scale solar projects", which the Company assumes is associated with the recently approved Renewable Energy Growth Program, promulgated under Chapter 26.6 of Title 39 of the Rhode Island General Laws. § 39-26.6-12(c) requires that "at least three megawatts (3 MW) of nameplate capacity shall be carved out exclusively for small scale solar projects in each of the first four (4) program years." Three MW of small scale solar equates to approximately 3,679 New RECs per year.<sup>2</sup> In 2016, the Company expects to acquire approximately 5,519 RECs, comprised of 3,679 RECs from projects completed in 2015 as well as 1,840 RECs from projects operating for half of 2016.

The Company notes that RECs resulting from the Renewable Energy Growth Program cannot be used to comply with the RES and must be sold in the market, per the statute.<sup>3</sup>

---

<sup>1</sup> Estimated requirement is 416,647 RECs. Schedule 7 of the 2016 RES Plan

<sup>2</sup> 3 (MW) x 8760 (hours per year) x 14% (capacity factor) = 3679.2 MWh, or 3679 RECs.

<sup>3</sup> § 39-26.6-21(3)

COMM 3-2

Request:

In the Company's view, are there any legal impediments or other reasons that would or should preclude the inclusion of RES rates in SOS rates so that retail customers can more easily compare National Grid's SOS rates to competitive supplier rates?

Response:

The historical precedent for showing the Renewable Energy Standard (RES) charge as a separate line item on customer bills is based on the Public Utilities Commission's (PUC) Report and Order, dated October 17, 2007 (Order No. 19108) in Docket No. 3765. In that docket, the Company filed to request implementation of the RES charge in compliance with the then-newly enacted Renewable Energy Standard, R.I.G.L. § 39-26-1 et seq., which required the Company to obtain a percentage of its energy supply from renewable resources commencing January 1, 2007, and to include the RES charge on all Standard Offer Service (SOS) deliveries effective as of the same date. The Division of Public Utilities and Carriers (Division) filed certain recommendations regarding the Company's RES filing, one of which was that the RES charge be listed as a separate charge on customers' bills and that the bill contain a footnote explaining the RES charge. The Division indicated that this type of bill presentation would "provide customers with increased information and clarity regarding the monthly bill."<sup>1</sup> The Company indicated in its response that while it had initially planned to include the RES charge with the SOS charge on customer bills, it did not object to presenting the charge as a separate line item. The PUC ultimately ordered the Company to show the RES charge as a separate line item on customer bills.<sup>2</sup>

Except for the PUC's prior ruling in Docket No. 3765, there are no other legal impediments or other reasons from the Company's perspective that would or should preclude the inclusion of RES rates in SOS rates if the PUC determines that such an approach is appropriate.

---

<sup>1</sup> Report and Order, Docket No. 3765, at 3 (October 17, 2007) (citing Division Exhibit 1 (Memo from David R. Stearns and Stephen Scialabba, at pp. 1-2)).

<sup>2</sup> See Report and Order, para. 3, at 20.

COMM 3-3

Request:

In the event the billing adjustment remains in effect, would the Company be willing to include a 'rate to compare' on customer bills to facilitate comparison of SOS rates to competitive supplier rates?

Response:

Without knowing which competitive supplier a customer would choose, or what that supplier's future rates would be, it is not possible for the Company to show on a Standard Offer Service (SOS) customer's bill an accurate "rate to compare". The only way to display such a "rate to compare" would be to develop a fictitious competitive supplier with a given set of future rates. Under that scenario, the Company would have a significant concern about setting false expectations for customers (positive or negative). Actual competitive supply prices could be very different than what the SOS customer would see on their bill in this "rate to compare", creating false savings expectations or causing the customer to not consider a competitive supplier. The Company would not want to be seen as encouraging or discouraging switching of suppliers, and therefore, does not recommend such an approach.

However, in terms of providing relevant information to a SOS customer contemplating switching to a competitive supplier, it may be possible to display what the SOS billing adjustment would be on each bill if the customer was to switch from SOS to competitive supply. Currently, the Company stores on each account for each bill issued to a SOS customer on the fixed price option the monthly difference in the charge resulting from the difference between the fixed price and each month's variable price during a pricing period. The Company could investigate whether this stored amount could be displayed on the monthly bill of SOS customers who would be subject to the SOS billing adjustment when leaving SOS.

COMM 3-4

Request:

The Company states on page 50 of Margaret Janzen that it uses a structured portfolio of FRS contracts. Mr. Hahn states on page 14 of his memorandum that Pascoag uses a structured portfolio, which he seems to equate with a managed portfolio. For discussion purposes, what is the correct terminology which accurately depicts the procurement methods used by National Grid and Pascoag?

Response:

The Company utilizes a Full Requirements Service structured portfolio to provide Standard Offer Service. The Pascoag Utility District utilizes a managed portfolio.

The term 'structured' may be used for either procurement approach to describe the specific framework by which the portfolio is constructed or organized (i.e., the specific underlying transactions).

COMM 3-5

Request:

Regarding FRS contracts longer than 24 months, Ms. Janzen states on page 51, "Suppliers will...include additional risk premiums to protect them from these uncertainties in load and prices." Supplier surveys aside, doesn't this same reasoning support the proposition that flat bids will (not may) be higher than shaped bids since suppliers will include additional risk premiums in flat bids in order to protect them from price uncertainties?

Response:

There are various types of risks that suppliers may choose to monetize as premiums and include in their bids. The additional risk premiums associated with load and prices for contracts longer than 24 months may relate to protection from forecasting errors. Risks from load forecasting errors are likely to increase over time for a variety of reasons. Actual load that deviates from forecasted load will expose suppliers to future market prices. Conversely, load forecasting errors are likely to be less frequent and smaller over a shorter time frame.

During the Company's informal discussions with suppliers about flat bid pricing, the suppliers cited issues such as a mismatch of revenues and costs as well as additional financial costs that could result in additional premiums. The suppliers' concerns did not pertain to the load and price risks applicable to contracts longer than 24 months. Therefore a supplier may (or may not) choose to include additional premiums for these financial costs.

However, it is possible that the elimination of the Standard Offer Service Billing Adjustment may lead to higher than expected migration, resulting in an increase in migration risk premiums due to forecasting errors that impact load and price.

COMM 3-6

Request:

Would the Company be opposed to eliminating the billing adjustment, maintaining shaped bids and charging customers an average, blended SOS retail rate reflecting the varying monthly contract prices awarded in a given rate period, and recovering any lost revenue in the annual reconciliation filing? Why/why not?

- a) If not opposed to this scenario, then explain whether the Company should recover any reconciliation balances from SOS customers only or from all distribution customers?
- b) Include in your response the estimated annual lost revenue resulting from this scenario and associated bill impacts for all customer groups.

Response:

- a) As described in the Rebuttal Testimony of Margaret M. Janzen filed on May 8, 2015, the Company supports the immediate elimination of the Standard Offer Service (SOS) Billing Adjustment, the continuation of shaped bids that are blended into fixed SOS rates, and the reconciliation of under- or over- recovery of SOS costs associated with the elimination of the SOS Billing Adjustment from all delivery service customers through its Standard Offer Service Cost Adjustment Provision.

Since SOS Billing Adjustment charges and credits are associated with customers leaving SOS for the competitive market, the Company believes that it is appropriate to reflect the revenue impact from the elimination of the SOS Billing Adjustment in the bills of all customers, rather than just SOS customers.

- b) The total amount of the revenue impact associated with the elimination of SOS Billing Adjustment is difficult to forecast as the adjustments, which vary from year to year, are dependent on the SOS rates in effect in a particular pricing period as well as customer switching behavior in that year. Please see Attachment COMM 3-6 (b) for calculation of illustrative factors designed to be applicable to all delivery service customers and the bill impacts associated with the illustrative factors. The Company has provided illustrative factors and estimated bill impacts for annual revenue impacts in \$500,000 increments, from \$500,000 to \$2 million. However, prior to 2015, actual annual SOS Billing

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4556  
2016 Standard Offer Service Procurement Plan  
2016 Renewable Energy Standard Procurement Plan  
Responses to the Commission's Third Set of Data Requests  
Issued on April 30, 2015

---

COMM 3-6, page 2

Adjustments have typically been relatively small<sup>1</sup> such that no billable factor would result from a calculation.

---

<sup>1</sup> The SOS Billing Adjustment for the years 2012, 2013, and 2014 were \$27,255, \$43,470, and \$548,148, respectively. The amounts for 2012 and 2013 would not be large enough to result in a factor.

**Illustrative Calculation of per kWh Factor for Recovery of Revenue Associated with Elimination of SOS Billing Adjustment**

(1) Illustrative Lost Revenue associated with elimination of SOS Billing Adjustment	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000
(2) Forecasted kWh deliveries	7,709,114,605	7,709,114,605	7,709,114,605	7,709,114,605
(3) Illustrative Per kWh Factor	\$0.00006	\$0.00012	\$0.00019	\$0.00025

- (1) Illustrative
- (2) Per Company Forecast
- (3) (Line (1) ÷ Line (2)), truncated after 5 decimal places

**Illustrative Bill Impacts associated with Elimination of SOS Billing Adjustment**

Rate Class	Monthly Usage	\$0.5m		\$1.0m		\$1.5m		\$2.0m	
A16 - Residential	500 kWh	\$0.03	0.03%	\$0.06	0.06%	\$0.09	0.10%	\$0.13	0.13%
A60 - Low Income	500 kWh	\$0.03	0.04%	\$0.06	0.07%	\$0.09	0.12%	\$0.13	0.15%
C06 - Small C&I	1,000 kWh	\$0.06	0.03%	\$0.12	0.06%	\$0.19	0.10%	\$0.25	0.13%
G02 - General C&I	150 kW and 30,000 kWh	\$1.80	0.03%	\$3.60	0.06%	\$5.70	0.10%	\$7.50	0.13%
	60 kW and 30,000 kWh	\$1.80	0.04%	\$3.60	0.07%	\$5.70	0.12%	\$7.50	0.16%
G32 - Lg Demand	2,500 kW and 500,000 kWh	\$30.00	0.05%	\$60.00	0.10%	\$95.00	0.16%	\$125.00	0.21%
	1,000 kW and 500,000 kWh	\$30.00	0.06%	\$60.00	0.12%	\$95.00	0.19%	\$125.00	0.25%
G62 - Opt Lg Demand	15,000 kW and 3,000 MWh	\$180.00	0.05%	\$360.00	0.10%	\$570.00	0.16%	\$750.00	0.21%
	6,000 kW and 3,000 MWh	\$180.00	0.06%	\$360.00	0.12%	\$570.00	0.19%	\$750.00	0.25%

COMM 3-7

Request:

Referring to page 56 of Margaret Janzen, explain why it is important to include as recent market prices as possible in the SOS rates, especially for the Industrial Group.

Response:

In the 2011 Standard Offer Service (SOS) Procurement Plan (Docket No. 4149), the Company proposed shorter and more market-sensitive contracts for the Industrial Group, as compared to the Residential and Commercial Groups. This proposal for the Industrial Group has been repeated in all subsequent procurement plans.

As explained in Ms. Janzen's testimony on page 8, the Company recognizes that there are differences among various types of customers, and that it is important to tailor the SOS supply portfolio for a given type of customer to the appropriate balance of price stability, given the customer's ability and willingness to respond to price signals. Industrial customers have higher levels of migration and are generally the most willing and/or able to access the competitive retail supply market to meet their needs, so they do not need to rely upon SOS to provide them price stability to the same degree as commercial and residential customers. Therefore, the SOS supply portfolio for industrial customers should comprise a greater portion of shorter-term supply products, and the Company has proposed that the supply portfolio for industrial customers involves the highest portion of shorter-term FRS products (hence the lowest level of price stability and the strongest market price signals) and monthly SOS rates. This monthly change in rates sends a strong price signal to customers, helps encourage energy efficiency measures, and is an important component of the retail choice framework.

Also, procuring contracts closer to the start of the rate period is more efficient, as there are relatively less risks at that point. For example, for a rate period starting in January 2016, a contract procured in November 2015 would contain a relatively lower risk premium than a contract procured in August 2015. This helps with an efficient pricing of SOS for industrial customers, which generally reflect higher migration levels (and risks) than other customers.

Market price signals, though more muted for residential and commercial customers, may also encourage those customers to use energy efficiently, while preserving retail competition in Rhode Island. The Company thinks its laddered and layered procurement for the Residential and Commercial Groups provides the appropriate balance of price stability and market price signals.

COMM 3-8

Request:

Referring to page 61-62 of Margaret Janzen, provide examples of offsetting transactions winning bidders might enter in order to hedge their obligation.

Response:

A winning bidder may enter several financial transactions to hedge its obligation. For example, if a supplier won a bid block for January through June, it could execute a "7 x 24" power swap for a fixed MW level for the six-month period. This transaction would lock in the price of a specific MW amount for 24 hours/day, 7 days/week during the period.

Additionally for example, a supplier may also execute a peak power swap for a fixed MW for the six month period. This transaction would hedge a specific MW amount for each peak hour during the period. Peak hours are defined as the 16 daytime peak hours during Monday-Friday, as opposed to off-peak (defined as overnight, weekend, and holiday hours), when load is typically much lower.

The supplier may also execute additional financial transactions for specific months with higher anticipated loads (for example, January or February) to more closely match the expected obligation of the winning contract.

Lastly, if a winning bidder owns generation that is not otherwise under contract, the load obligation could be offset with the output of that generation unit.