

Memorandum

To: Luly Massaro

Commission Clerk

From: Alberico Mancini

Division of Public Utilities & Carriers

Date: 12/8/2015

Re: Narragansett Electric – Long Term Contracting for Renewable Energy Recovery Factor, Docket 4587

On November 12, 2015 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, 2016 (“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 recovery factor of \$0.00118 per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00113. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00231. The proposed recovery factor is a rate increase of \$0.00001 compared with the current billed charge of \$0.00230. The effect on a typical 500 kWh monthly residential bill is an increase of less than a \$.01 per month.¹

The Company’s estimate of payments to operating Renewable and DG units over the six month period is \$20,152,815. Estimated revenues from sale of REC’s, energy, and capacity is \$15,860,466, leaving a net above- market cost of \$4,292,349.

The Division reviewed the LTCRER factor filing and also had asked Daymark Energy Advisors to opine on the REC proxy value and market energy proxy included in the filing. In Daymark’s opinion the REC value estimate of \$48.53 used in the calculation is reasonable and in line with their estimates. Further, National Grid’s Market Energy proxy of \$55.08 was based on the NYMEX futures prices for the forecast period. That forecast was prepared for the 10/8/15 standard offer filing. According to Daymark, using a more current forecast would yield lower market energy prices for the forecast period, but NGrid’s forecast was reasonable when made. Since the factor is fully reconciling, the Division sees no compelling reason to modify the proposed factor just to use a more current forecast. 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 recovery factor of \$0.00231 per kWh, effective January 1, 2016.

¹ The Company’s cover letter represents that the impact of the proposed LTC Recovery Factor is an increase of \$0.06 per month for a 500 kwh customer. This appear to be incorrect as an increase in the billed factor of \$0.00001 x 500kwh = \$0.005.