



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of  
Public Utilities and Carriers  
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August 8, 2017

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

**In Re: National Grid – 2017 Standard Offer Service (SOS) and 2017  
Renewable Energy Standard (RES) Procurement Plans- Docket No. 4605**

Dear Luly,

Please find the State of Rhode Island Division of Public Utilities and Carriers, (the “Division”) Memorandum for filing and consideration by the State of Rhode Island Public Utilities Commission in the above captioned docket.

I appreciate your anticipated cooperation in this matter.

Very truly yours,

Jon G. Hagopian  
Senior Legal Counsel

# Memorandum

To: Luly Massaro  
Commission Clerk

From: Alberico Mancini and Stephen Scialabba  
Division of Public Utilities & Carriers

Date: 8/8/2017

Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4605

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On July 18, 2017, The 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 2017 through March 2018, and for the Industrial Group for the Months of October 2017 through December 2017 and the Results of Competitive Procurement for the Months of October 2017 through March 2019 for the Residential Group, for the Months of October 2017 through March 2019 for the Commercial Group, and for the Months of October 2017 through December 2017 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 National Grid’s filing are:

- A calculation of the Standard Offer Service (“SOS”) retail rates for the Residential, Commercial, and Industrial Group for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, reflecting the proposed rates for the period October 2017 through March 2018.
- 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 9, 2017 for the period October 2017 through December 2017 for the Industrial Group, October 2017 through March 2019 for the Commercial Group, and October 2017 through March 2019 for the Residential Group;
- A redacted summary of the procurement process, and;

- Redacted versions of the confidential Master Power Agreement Transaction Confirmations for October 2017 through December 2017 for the Industrial Group, October 2017 through March 2019 for the Commercial Group, and October 2017 through March 2019 for the Residential Group.

Un-redacted versions of the Procurement Summary and Master Power Agreement Transaction Confirmations have been supplied to the Commission and Division under separate cover.

After review, the Division is of the opinion that the filing for Residential, Commercial, and Industrial Standard Offer rates is correctly calculated and is in compliance with the PUC-approved standard offer procurement plan as directed in Order number 22677 issued in the Standard Offer Procurement Plan, Docket 4605, written order dated February 22, 2017.

### **Standard Offer Service Procurement Plan Summary**

The power supply procurements undertaken by National Grid in the Docket reporting period comply with the Standard Offer Procurement Plan approved by the Commission.

Industrial Group: 100% of the load for **October 2017 through December 2017**.

Commercial Group: Procurements encompassing **October 2017 through March 2019**.

With this most recent solicitation for another 20% of the load requirements for the **October 2017 through March 2018** period, 90% of the load requirements for the Commercial Group for the October 2017 through March 2018 period have now been procured (15% in 1/16, 20% in 7/16, 15% in 1/17, 20% in 4/17 and 20% in 7/17). For the October 2017 through March 2018 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 2018 through September 2018** period have been procured in the July 2017 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2018 through September 2018 period (15% in 1/17, 20% in 4/17 and 20% in 7/17). For the April 2018 through September 2018 period, the Company will procure another 20% in the fourth quarter of 2017 and 15% in the first quarter of 2018. Those procurements will total 90% for the April 2018 through September 2018 period and 10% will be made in the spot market.

Also, 20% of the Commercial Group's load requirements for the **October 2018 through March 2019** period have been procured in the July 2017 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2018 through March 2019 period (15% in 1/17 and 20% in 7/17). For the October 2018 through March 2019 period, the Company will procure another 15% in the first quarter of 2018, 20% in the second quarter of 2018 and 20% in the third quarter of 2018.

Those procurements will total 90% for the October 2018 through March 2019 period and 10% will be made in the spot market.

Residential Group: Procurements encompassing **October 2017 through March 2019.**

With this most recent solicitation for another 20% of the load requirements for the **October 2017 through March 2018** period, 90% of the load requirements for the Residential Group for the October 2017 through March 2018 period have now been procured (15% in 1/16, 20% in 7/16, 15% in 1/17, 20% in 4/17 and 20% in 7/17). For the October 2017 through March 2018 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 2018 through September 2018** period have been procured in the July 2017 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2018 through September 2018 period (15% in 1/17, 20% in 4/17 and 20% in 7/17). For the April 2018 through September 2018 period, the Company will procure another 20% in the fourth quarter of 2017 and 15% in the first quarter of 2018. Those procurements will total 90% for the April 2018 through September 2018 period and 10% will be made in the spot market.

Also, 20% of the Residential Group's load requirements for the **October 2018 through March 2019** period have been procured in the July 2017 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2018 through March 2019 period (15% in 1/17 and 20% in 7/17). For the October 2018 through March 2019 period, the Company will procure another 15% in the first quarter of 2018, 20% in the second quarter of 2018 and 20% in the third quarter of 2018. Those procurements will total 90% for the October 2018 through March 2019 period and 10% will be made in the spot market.

**Standard Offer Service Proposed Rates and Trends**

Industrial Group Rates

The SOS rates proposed for the **Industrial Customer Group** for the October 2017 through December 2017 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00507), the Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 are:

- October 2017: \$0.05264/kWh.
- November 2017: \$0.06046/kWh.
- December 2017: \$0.08011/kWh.

The three month average of the proposed October 2017 through December 2017 Industrial Group SOS rate is \$0.06440, which results in a 2% increase compared with the July 2017 through September 2017 average Industrial Standard Offer rate of \$0.06293/kWh. Although the proposed average rate of \$0.06440/kWh results in a 29% increase from the same three month period average of \$0.04996 in the previous year, the proposed rate is 6% lower than the average Industrial SOS rate of \$0.06871/kWh calculated for the October through December period for the 5 years of 2012-2016.

#### Residential Rates

The SOS rate proposed for the **Residential Customer Group** for the October 2017 through March 2018 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00465), the Administrative Cost Factor of \$0.00148, and the Renewable Energy Charge of \$0.00040 is **\$0.09515/kWh**. This is an increase of \$0.03287/kWh or 53%, compared with the current SOS rate of \$0.06228/kWh. Compared to the previous year's October 2016 through March 2017 Residential Group SOS average rate of \$0.08179/kWh, the proposed rate of \$0.09515/kWh is 16% higher than the same six month period in the previous year. Compared to the previous 5-year January through March average rate of \$0.08652/kWh for the 2012 through 2016 winter periods, the proposed rate of \$0.09515 is 10% higher.

#### Commercial Rates

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for the October 2017 through March 2018 period, including the current per-kWh SOS Adjustment Factor of (\$0.00304), Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 is **\$0.09350/kWh**. This is an increase of \$0.03194/kWh, or 52% compared with the current fixed price option charge of \$0.06156/kWh. Compared to the previous year's October 2016 through March 2017 Commercial Group SOS average rate of \$0.08396/kWh, the proposed rate of \$0.09350/kWh is 11% higher than the same six month period in the previous year. Compared to the previous 5-year January through March average rate of \$0.08802/kWh for the 2012 through 2016 winter periods, the proposed rate of \$0.09350 is 6% higher.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of (\$0.00304), Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 are as follows:

October - \$0.06969; November - \$0.07802; December - \$0.09201; January - \$0.11527; February - \$0.11585; March - \$0.08827.

### **Standard Offer Service New England Comparison**

The increases included in National Grid’s “Proposed Rates” reflect market dynamics that affect customers across all New England. First, as the Commission is aware, the New England electricity market is stressed during the winter months as a result of natural gas heating requirements and increased reliance on natural gas as an electric generating fuel. This market dynamic drives rate dynamics from the summer period to the winter period.<sup>1</sup>

Second, in its current filing proposal, National Grid explains that the winning bid prices include a component for estimated capacity costs within the ISO-New England market. National Grid correctly cites that capacity market clearing prices for new and existing resources have been increasing in recent auctions. National Grid presents a chart of capacity clearing prices and payment rates for New Resources and Existing Resources for Forward Capacity Auctions (FCA) 7-9. The chart is reproduced below:<sup>2</sup>

Capacity Commitment Period	\$/kW-month	
	New Resources	Existing Resource
6/1/16-5/31/17 (FCA 7)	3.150	2.744
6/1/17-5/31/18 (FCA 8)	15.000	7.025
6/1/18-5/31/19 (FCA 9)	17.728	11.08

Table 1 below compares Rhode Island’s current SOS rates with the neighboring states’ rates, as well as the National Grid SO rates for the prior two winter periods to the neighboring states’ rates for similar periods. Winter rates for 2016/2017 did see a decrease throughout New England from the 2015/2016 winter period, but the winter of 2017/2018 is significantly higher than the 2017 winter rates. The driver of the increase from last winter to this winter are the capacity prices which, as shown above, increased significantly for the FCA 8 period over the FCA 7 period.

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<sup>1</sup> See ISO-NE website for more detailed discussion of the adequacy of natural gas transmission, gas use for winter heating, and retirements of non-gas generators. See <https://www.iso-ne.com/about/regional-electricity-outlook>

<sup>2</sup> This information is contained in the Confidential submission of National Grid, but the information presented in this memo is publicly available from ISO-NE.

Further, as shown above, FCA 9 prices which will impact the winter of 2018-2019, have increased over the FCA 8 prices.

Currently, Rhode Island's 6.2¢ per kWh rate is the lowest utility-provided default rate of electric companies compared to Rhode Island's neighboring states as shown in Table 1 below. National Grid's proposed 9.5¢ per kWh rate would be slightly higher than the 2017 winter average of 9.4¢/kwh of the CT and MA utilities, and substantially less than the 2016 winter average of 11.1¢ for these utilities. National Grid in Rhode Island has been the first company, among those listed in table 1, to propose SOS rates for the upcoming winter period and therefore, it is not possible to compare SOS rates with the other utilities for the 2017-2018 winter period. It is a reasonable assumption that default rates will increase throughout the other New England companies as they all are procuring supply from the same New England market.

**Table 1 Comparison of Neighboring States Residential SOS/Default Rates (rounded to nearest mill).**

<b>State Utility</b>	<b>Current Rate</b>	<b>2016 - 2017 Winter Rate</b>	<b>2015 - 2016 Winter Rate</b>
<b>Connecticut</b> Eversource United Illumin.	8.0¢ (Jul 17 - Dec 17) 7.6¢ (Jul 17 -Dec 17)	7.9¢ (Jan.17 - June 17) 9.3¢ (Jan.17 - June 17)	9.5¢ (Jan 16 - June 16) 10.7¢ (Jan 16 - June 16)
<b>Massachusetts</b> National Grid NSTAR Western Mass Unitil	9.4¢ (May17- Oct. 17) 10.8¢ (July17- Dec 17) 8.7¢ (July17-Dec.17) 9.9¢ (June17-Nov.17)	9.8¢ (Nov 16 - April 17) 10.3¢ (Jan 17 - June 17) 9.1¢ (Jan 17 - June 17) 9.7¢ (Dec 16 - May 17)	13.0¢ (Nov 15 - Apr 16) 10.8¢ (Jan 16 - June 16) 10.4¢ (Jan 16 - June 16) 12.2¢ (Dec 15 - May 16)
<b>Rhode Island</b> National Grid	6.2¢ (Apr 17 - Sept 17)	8.2¢ (Oct 16 - Mar 17)	8.9¢ (Oct 15 - Mar 16)

### **Standard Offer Service Rate Bill Impact**

National Grid has included a detailed typical bill analysis for all classes as part of their SOS rate filing (attachment 3). A brief summary of the A-16 residential rate class is shown in Table 2 below.

**Table 2 – Residential A-16 Rate Class**

<b>Monthly kWh</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>Total Increase</b>	<b>% Increase</b>
300	\$55.95	\$66.23	\$10.28	18.4%
500	\$89.06	\$106.19	\$17.13	19.2%
1200	\$204.96	\$246.04	\$41.08	20.0%

As presented in Table 2, a typical A-16 residential customer using 500 kWh per month would see a \$17.13 increase in their monthly bill which results in a 19.2% overall bill increase. Compared to the previous year's October 2016 through March 2017 period, an A-16 residential customer using 500 kWh per month would see a \$13.78, or approximately a 15% increase, from the same six month period in the previous year.

### **Standard Offer Service and Rhode Island Ratepayers**

While the proposed rate increase largely reflects region-wide market dynamics,, there are still a number of strategies available to Rhode Island ratepayers of all customer classes to mitigate the potential rate impacts from changes to standard offer service.

First, current standard offer customers can choose to buy their energy supply from a number of competitive electric suppliers, many of whom participate on the Division's website which lists the suppliers' current supply offers. The website address is <https://www.ri.gov/app/dpuc/empowerri> and it is also linked to the RIPUC's main webpage. Open Access reports filed by National Grid indicate that approximately 13% of the Residential load, 50% of the Commercial load and 90% of the Industrial load in Rhode Island are served by competitive suppliers, not National Grid. In total, approximately 50% of the total load in Rhode Island is served by competitive suppliers. Customers served by competitive suppliers are unaffected by the proposed SOS rate filing, though all customers will likely be impacted by the same regional wholesale market conditions at some point in the near future.



Second, standard offer customers also have the option to enter a budget billing program with National Grid to smooth out the volatility in their electric bills over the course of the year, and pay a set dollar amount each month.

Finally, all customers can take advantage of Rhode Island's nation-leading energy efficiency programs to reduce the amount of electricity they consume. Investment in energy efficiency represents one of the most cost-effective strategies to reduce customer bills.

### Conclusion

After review, the Division is of the opinion that the filing is in compliance with the PUC-approved standard offer procurement plan as directed in Order number 22677 issued in the Standard Offer Procurement Plan, Docket 4605, written order dated February 22, 2017.