

# Memorandum

**To: L. Massaro**  
**Commission Clerk**

**From: Alberico Mancini**  
**Division of Public Utilities & Carriers**

**Date: 2/15/2017**

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

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On January 18, 2017 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 April 2017 through September 2017, and for the Industrial Group for the Months of April 2017 through June 2017 and the Results of Competitive Procurement for the Months of April 2017 through March 2019 for the Residential Group, for the Months of April 2017 through March 2019 for the Commercial Group, and for the Months of April 2017 through June 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 the filing are the Results of Competitive Procurement for the following groups and time periods:

**Industrial Group**: 100% of the load for April 2017 through June 2017.

**Commercial Group**: 15% of the load for April 2017 through March 2019.

With this most recent solicitation for another 15% of the load requirements for the April 2017 through September 2017 period, 90% of the load requirements for the Commercial Group for the April 2017 through September 2017 period have now been procured (15% in 1/16, 20% in 4/16, 20% in 7/16, 20% in 10/16 and 15% in 1/17). For the April 2017 through September 2017 period, the Company will purchase the remaining 10% of the load in the spot market per the approved plan.

Also, 15% of the Commercial Group’s load requirements for the October 2017 through March 2018 period, 15% of the Commercial Group’s load requirements for the April 2018 through September 2018 period, and 15% of the Commercial Group’s load requirements for the October 2018 through March 2019 period have been procured in the January 2017 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2017 through March 2018 period (15% in 1/16, 20% in 7/16 and 15% in 1/17). For the October 2017 through March 2018 period, the Company will procure another 20% in the second quarter of 2017 and 20% in the third quarter of 2017. Those procurements will total 90% for the October 2017 through March 2018 period and 10% will be made in the spot market.

**Residential Group:** 15% of the load for April 2017 through March 2019.

With this most recent solicitation for another 15% of the load requirements for the April 2017 through September 2017 period, 90% of the requirements for the Residential Group for the April 2017 through September 2017 period have now been procured (15% in 1/16, 20% in 4/16, 20% in 7/16, 20% in 10/16 and 15% in 1/17). For the April 2017 through September 2017 period, the Company will purchase the remaining 10% of the load in the spot market per the approved plan.

Also, 15% of the Residential Group's load requirements for the October 2017 through March 2018 period, 15% of the Residential Group's load requirements for the April 2018 through September 2018 period, and 15% of the Residential Group's load requirements for the October 2018 through March 2019 period have been procured in the January 2017 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2017 through March 2018 period (15% in 1/16, 20% in 7/16 and 15% in 1/17). For the October 2017 through March 2018 period, the Company will procure another 20% in the second quarter of 2017 and 20% in the third quarter of 2017. Those procurements will total 90% for the October 2017 through March 2018 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 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 April 2017 through September 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 December 9, 2016 for the period April 2017 through June 2017 for the Industrial Group, April 2017 through March 2019 for the Commercial Group, and April 2017 through March 2019 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 April 2017 through June 2017 for the Industrial Group, April 2017 through March 2019 for the Commercial Group, and April 2017 through March 2019 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 April 2017 through June 2017 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:

- April 2017: \$0.04792/kWh.
- May 2017: \$0.04314/kWh.
- June 2017: \$0.05492/kWh.

The three month average of the proposed April 2017 through June 2017 Industrial Group SOS rate is \$0.04866, which results in a 35% decrease compared with the January 2017 through March 2017 average Industrial Standard Offer rate of \$0.07499/kWh. Compared to the previous year's April 2016 through June 2016 Industrial Group SOS average rate of \$0.04719/kWh, the proposed rate results in a 3% increase 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 April 2017 through September 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 \$0.06766/kWh. This is a decrease of \$0.01413/kWh or 17%, compared with the current Standard Offer Charge of \$0.08179/kWh. The Division would note that it expects the seasonal nature of the electric market to continue the trend of price reductions in the April-Sept. period and relative price increases in the October-March period.

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for the April 2017 through September 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 \$0.07070/kWh. This is a decrease of \$0.01326/kWh, or 16% compared with the current fixed price option charge of \$0.08396/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:

April - \$0.06012; May - \$0.05426; June - \$0.07554; July - \$0.07824; August - \$0.07769; September - \$0.07375.

In calendar year 2017, the Rhode Island load covered by the filed RFP is subject to an 11.5% Renewable Energy Standard (“RES”) requirement per R.I. Gen. Laws 39-26.1-5(d). The Company’s New Renewable Energy Certificates (RECs) obtained through Long-Term Renewable Contracts are expected to be used to fulfill all of the Company’s RES obligations in 2017. As a result, the Company will no longer attempt to procure RECs through its SOS RFP’s.

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 June 27, 2016 in Docket number 4605.

**NOTE: AS OF THE DATE OF THIS MEMO, THE STANDARD OFFER ADJUSTMENT AND ADMINISTRATIVE COST FACTORS, AS WELL AS THE RENEWABLE ENERGY STANDARD FACTOR, SCHEDULED TO CHANGE APRIL 1, 2017, HAVE NOT BEEN FILED. WHEN APPROVED, THESE YET TO BE FILED FACTORS WILL SLIGHTLY CHANGE THE BILLED STANDARD OFFER RATES EFECTIVE APRIL 1, NOTED IN THIS MEMO.**

Cc: Stephen Scialabba, Chief Accountant