

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY:
d/b/a NATIONAL GRID’S STANDARD OFFER : DOCKET NO. 4605
SERVICE RATES FOR THE RESIDENTIAL GROUP, :
COMMERCIAL GROUP, AND INDUSTRIAL GROUP :
PURSUANT TO THE 2017 STANDARD OFFER :
PROCUREMENT PLAN :

ORDER

I. Introduction

The Narragansett Electric Company d/b/a National Grid (National Grid or Company) currently procures Standard Offer Service (SOS) supply on behalf of its customers pursuant to the 2017 SOS Procurement Plan approved by the Public Utilities Commission (PUC) at an open meeting on June 27, 2016.¹ The procurement plan authorizes National Grid to conduct solicitations throughout the year for Standard Offer Service in varying contract lengths.² Based on these solicitations, the Company files SOS rates for the Residential Group and Commercial Group twice per year and SOS rates for the Industrial Group quarterly.³ The Company’s proposed rates are designed to recover the cost of these procurements pursuant to R.I. Gen. Laws §39-1-27.8. The Company derives no profit from the collection of standard offer service rates.⁴

¹ PUC Order No. 22677 (Docket No. 4605) (Feb. 22, 2017); http://www.ripuc.org/eventsactions/docket/4605-NGrid-Ord22677_2-22-17.pdf. The PUC ordered National Grid to follow the approved 2016 SOS Procurement for the 2017 procurement period of January 1, 2017 through December 31, 2017 with one minor amendment.

² The term standard offer service refers to electric service provided to distribution customers who have elected to receive service from National Grid instead of a competitive supplier.

³ The proposed SOS rates include the current per kWh SOS Adjustment Factor, SOS Administrative Cost Factor, and Renewable Energy Charge.

⁴ R.I. Gen. Laws §39-1-27.3

II. National Grid’s Proposed Standard Offer Service Rates for the Residential Group and Commercial Group for the period October 2017 through March 2018 and the Industrial Group for the period October 2017 through December 2017

On July 18, 2017, National Grid proposed a Residential SOS rate of \$0.09515/kWh for the period October 2017 through March 2018.⁵ This represents an increase of \$0.03287/kWh,⁶ or 53%, from the current Residential SOS rate of \$0.06228kWh.⁷ Compared to last year’s October 2016 to March 2017 SOS Residential rate of \$0.08179, the proposed rate of \$0.09515/kWh is 16% higher than the same six-month period in the previous year.⁸

The Company proposed a fixed Commercial SOS rate of \$0.09350/kWh for the same period.⁹ This proposed rate is an increase of \$0.03194/kWh,¹⁰ or 52%, from the current fixed Commercial SOS rate of \$0.06156/kWh.¹¹ The Company proposed the following variable Commercial SOS rates:¹²

October 2017:	\$0.06969/kWh
November 2017:	\$0.07802/kWh
December 2017:	\$0.09201/kWh
January 2018:	\$0.11527/kWh
February 2018:	\$0.11585/kWh
March 2018:	\$0.08827/kWh

The Company proposed the following Industrial SOS rates for the period October through December 2017:¹³

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

⁵ National Grid’s SOS Filing, Attach. 1 at 2 (July 18, 2017); [http://www.ripuc.org/eventsactions/docket/4605-NGrid-SOS-Rates\(7-18-17\).pdf](http://www.ripuc.org/eventsactions/docket/4605-NGrid-SOS-Rates(7-18-17).pdf).

⁶ *Id.*

⁷ Mem. of Division at 4 (Aug. 9, 2017); [http://www.ripuc.org/eventsactions/docket/4605-DPU-Memo\(8-9-17\).pdf](http://www.ripuc.org/eventsactions/docket/4605-DPU-Memo(8-9-17).pdf).

⁸ *Id.*

⁹ National Grid’s SOS Filing, Attach. 1 at 4.

¹⁰ *Id.*

¹¹ Mem. of Division at 3.

¹² National Grid’s SOS Filing, Attach. 1 at 4.

¹³ *Id.*, Attach.1 at 5.

The three-month average of the proposed Industrial rates for the period October 2017 through December 2017 is \$0.06440/kWh. This represents a 29% increase from the three-month average rate of \$0.04996/kWh for the period October 2016 through December 2016.¹⁴

III. Position of the Parties

On August 9, 2017, the Division of Public Utilities and Carriers (Division) filed a memorandum concluding that the Company's filing for Residential, Commercial, and Industrial customers was correctly calculated and was in compliance with the PUC-approved standard offer procurement plan.¹⁵ The Division noted that National Grid's proposed rate increases reflected market dynamics that affect ratepayers across the region. First, the New England electricity market is stressed during the winter months due to natural gas heating requirements and increased reliance on natural gas to fuel electric generation. Second, the capacity costs within the ISO-New England market have increased.¹⁶

IV. Public Comment

Thirty individuals and entities provided public comment in the form of written and live testimony.¹⁷ The overwhelming majority of the comments opposed the rate increase. The Commission appreciated the concerns voiced by the public in this proceeding. While it had not been specifically scheduled in advance, the Commission allowed everyone of the concerned citizens, elected officials, and advocates who appeared to protest the requested rate increase to speak at the start of the hearing.¹⁸ Individuals expressed concern over the potential impact of the

¹⁴ Mem. of Division at 4.

¹⁵ *See supra* note 1.

¹⁶ *Id.* Lieutenant Governor Daniel J. McKee intervened in this docket and submitted written comments. *See* Letter of Daniel J. McKee (August 7, 2017); [http://www.ripuc.org/eventsactions/docket/4605-McKee-PositionStatement\(8-7-17\).pdf](http://www.ripuc.org/eventsactions/docket/4605-McKee-PositionStatement(8-7-17).pdf).

¹⁷ Written comments are available on the PUC website at <http://www.ripuc.org/eventsactions/docket/4605page.html>; *see also* Hr'g Tr. at 5-110.

¹⁸ "A protest is intended solely to alert the Commission and the parties to a proceeding of the fact and nature of the protestant's objection to an application, petition, or any other proposed Commission action and does not become

pending rate increase on the elderly, disabled, and low income populations. Several spoke of their personal struggles resulting from an inability to afford their electric bills. Others asserted that an affordable energy supply is essential to the success of Rhode Island's businesses and economy.

V. Hearing

At the August 22, 2017 hearing, National Grid offered the testimony of Stephen McCauley, Director of Wholesale Electric Supply and U.S. Commodity Hedging; Adam Crary, Senior Pricing Analyst, New England Gas Regulation and Pricing Department, National Grid U.S.A Service Company; and Laura Rodormer, Lead Analyst, Rhode Island's Program for Strategy, Policy, and Pricing.¹⁹ Mr. McCauley testified regarding the procurement of standard offer service for customers who do not elect competitive supply. The Company procures energy from wholesale suppliers through a competitive bidding process in accordance with the PUC-approved Procurement Plan.²⁰ Mr. McCauley described how the Company conducted laddered procurements for various rate blocks covering six to twenty-four months for residential and commercial customers.²¹ For industrial supply customers, the Company procures electricity on a quarterly basis for just the upcoming three-month period.²² Mr. McCauley noted that National Grid has no control over wholesale electricity prices.²³ And he clearly explained that National Grid earns no profit on the purchase of this electricity. The costs of the procurement contracts are passed directly by the Company to its customers.²⁴

evidence in the proceeding. The filing of a protest does not make the protestant a party to the proceeding.” § 1.14(b) of the PUC's Rules of Practice and procedure.

¹⁹ Hr'g Tr. at 121-122 (Aug. 22, 2017).

²⁰ Hr'g Tr. at 125-126.

²¹ Hr'g Tr. at 125-124.

²² *Id.*

²³ Hr'g Tr. at 128.

²⁴ Hr'g Tr. at 130.

Mr. McCauley identified several market trends that he said are driving the rate increase in this docket. First, Mr. McCauley explained that National Grid sets its rates in two six-month periods per year, the October through March winter period and the April through September summer period.²⁵ Mr. McCauley stated that there is a general price increase from the summer to winter pricing periods.²⁶ Second, Mr. McCauley noted that customers have experienced very low prices for the last two years.²⁷ Finally, Mr. McCauley stated that the greatest driver of the rate increase is increased capacity costs.²⁸

According to Mr. McCauley, prior to June of 2017 capacity costs were stable for about seven years and reflected excess capacity in the region. Mr. McCauley explained that ISO-New England manages the Forward Capacity Market, ensuring that the New England power grid will have sufficient resources to meet future electricity demand.²⁹ Capacity prices paid to generators are determined in an annual Forward Capacity Auction and the payments secure capacity commitments from generators for three years in the future. The capacity auction held in February 2014, for the June 2017 through May 2018 capacity commitment period, had a shortfall of resources due to the announced retirement of about 3,200 megawatts of generation.³⁰ This resulted in higher capacity prices. Mr. McCauley testified that the proposed winter SOS rates include the higher capacity prices from the 2014 auction.³¹ In later testimony, Mr. McCauley stated that, for the next couple of years, total energy costs would continue to rise due to the increased price of capacity.³²

²⁵ *Id.* at 130.

²⁶ *Id.* at 126. For industrial customers, National Grid sets rates on a quarterly basis in accordance with the Procurement Plan.

²⁷ Hr'g Tr. at 131.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.* at 132-133.

³¹ *Id.*

³² *Id.* at 157.

Mr. McCauley offered that customers could possibly mitigate the impacts of the rate increase in several ways. First, a customer could switch to a competitive energy supplier that offered lower rates.³³ Mr. McCauley highlighted the Division website, where customers can compare the Company's SOS rates to rates offered by competitive suppliers.³⁴ Second, Mr. McCauley offered that customers could enroll in budget billing which evens out the SOS rate over an entire twelve-month period.³⁵ Finally, participating in low-cost and no-cost energy efficiency programs can reduce customers' bills through decreased energy consumption.³⁶

Mr. Crary testified regarding bill impacts. Mr. Crary emphasized that the proposed rate increase involves only the electricity supply portion of the customer's bill. While the electricity supply portion might be rising by 53%, the customers' bills are not increasing by that amount.³⁷ Comparing a residential customer's actual bill to that for same period last year (October 2016 through March 2017), yields a 16% increase.³⁸ Mr. Crary also stated that comparing all residential, commercial and industrial rates effective October 1, 2016 to all proposed rates effective October 1, 2017 results in a 14% increase.³⁹ According to Mr. Crary, the bill impact of the proposed SOS rate for the average residential customer using 500kilowatt hours per month is a 19.2% increase.⁴⁰

Ms. Rodormer testified regarding low- and no-cost energy efficiency options available to customers. For the residential low-income community, Ms. Rodormer stated, all costs associated with the home energy assessment program are free, including the home energy assessment, LED

³³ *Id.* at 134.

³⁴ *Id.* at 133-134. See EmpowerRI which is maintained by the Division: <https://www.ri.gov/app/dpuc/empowerri>.

³⁵ Hr'g Tr. at 134.

³⁶ *Id.*

³⁷ *Id.* at 136-137. A customer's bill is primarily divided into delivery charges and electric supply charges. The rate increase impacts only the supply portion of the bill. *Id.* The Commission examined budget billing in Docket No. 4393.

³⁸ Hr'g Tr. at 137.

³⁹ *Id.* at 139.

⁴⁰ *Id.* at 137.

lighting, power strips, weatherization, and, if needed, heating system replacement.⁴¹ The Company also offers incentives for appliances.⁴² Ms. Rodormer encouraged customers to explore the Company's energy efficiency website for more information.⁴³

The Division offered the testimony of Alberico Mancini, Public Utility Rate Analyst, and Steven Scialabba, Chief Accountant. Mr. Mancini stated that he reviewed the proposed SOS rates, the calculations for each rate, and the procurement process and found all to be in compliance with the PUC approved procurement plan. Mr. Scialabba testified that the current pre-increase residential SOS rate of \$0.062 is the lowest rate since 2004.⁴⁴ Mr. Scialabba agreed with National Grid's testimony that rates will increase next year due to increased capacity costs.⁴⁵

VI. Decision

The Commission noted its appreciation and close consideration of all public comment offered in this docket regarding the energy burden experienced by many in Rhode Island, finding the comments well reasoned and very moving in many respects. The Commission acknowledged the hardship that increasing electricity rates may create for some. While testimony identified tools to help Rhode Islanders manage their energy bills, including budget billing, energy efficiency, and switching to competitive supply, the Commission conceded that these measures may be insufficient to assist Rhode Island's most vulnerable customers.

On August 22, 2017, based on the evidence and the recommendation of the Division, the PUC voted unanimously to approve the Company's proposed SOS rates for the Residential Group and Commercial Group for the period October 2017 through March 2017 and the Industrial Group

⁴¹ *Id.* at 144-145. The home energy assessment is free to all residential customers.

⁴² *Id.* at 145.

⁴³ *Id.* Ms. Rodormer referred customers to the following link: https://www.nationalgridus.com/energy-saving-programs?utm_source=campaign&utm_medium=radio-print-billboards&utm_campaign=energyeffsave.

⁴⁴ Hr'g Tr. at 216.

⁴⁵ *Id.* at 208.

for the period October 2017 through December 2017. The PUC noted that the Rhode Island General Assembly has established a clear mandate authorizing National Grid to recover its costs incurred in providing standard offer service. That mandate, codified in R.I. Gen. Laws §39-1-27.8, states that

[o]nce a procurement plan is approved by the commission, the electric distribution company shall be authorized to acquire standard offer service supply consistent with the approved procurement plan and recover its costs incurred from providing standard offer service pursuant to the approved procurement plan.

The Commission found that National Grid acquired SOS supply in accordance with the 2017 SOS Procurement Plan, approved by the Commission on June 27, 2016.⁴⁶ The evidence showed that the Company conducted request for proposals throughout the year soliciting laddered procurements for rate blocks between six to twenty-four months for residential and commercial customers. Industrial supply was acquired quarterly for the upcoming three-month period. Additionally, the Division opined that the filing for Residential, Commercial, and Industrial SOS rates was correctly calculated and was in compliance with the Commission-approved procurement plan. Based on the Division's recommendation, the Commission found that the SOS rates were properly calculated. The PUC stressed that its decision to approve the Company's filing does not include any profit on the part National Grid.

The PUC acknowledged the wide variety of recommendations during public comment and witness testimony of strategies and tactics for lowering the cost of energy generally and for making bills more manageable through rate design. While those issues were not issues for decision in this docket, the Commission likely will have an opportunity to consider these and many other related matters when National Grid files its rate case later this fall. Indeed, as the Commission noted, it has previously directed National Grid to revisit its approach to low and moderate income

⁴⁶ See *supra* note 1.

customers.⁴⁷ Advocates for the interests of low and moderate income customers, in particular, can play an important role in the upcoming rate case, by representing the interests of some of the most vulnerable members of our community.

Several public comments recommended that the PUC reject outright National Grid's request for a rate increase or spread the rate increase out over time. The PUC rejected both recommendations, finding them likely to be ultimately deleterious to ratepayers. If the Commission were to reject the rate increase, National Grid would surely appeal to the Supreme Court and eventually prevail because the Company is entitled under Rhode Island law to recover its costs for the energy it provides to its customers. Ratepayers would then have to pay the rates awarded by the court on top of their current rates. Thus, the Commission found, customers would face an even greater hardship than they will paying the proposed rate increase in the coming rate period. Regarding the recommendation of spreading out the increase over an extended period of time, the Commission noted it ordered National Grid to do just that in 2014. It did so based, in part, on forecasts that electricity prices would be stable or lower during the following summer rate period.⁴⁸ However, evidence in this docket shows that prices are likely to increase for the next year or two. The Commission found, accordingly, that spreading out the rate increase over an extended period of time, in the face of rising electricity rates, would not benefit ratepayers.

⁴⁷ See PUC Order No. 22851 (Docket No. 4600) (July 31, 2017) at 25-26, 29; http://www.ripuc.org/eventsactions/docket/4600-NGrid-Ord22851_7-31-17.pdf.

⁴⁸ PUC Order No. 21827 (Docket No. 4393) (Feb. 23, 2015); http://www.ripuc.org/eventsactions/docket/4393-NGrid-Ord21827_2-23-15.pdf.

Accordingly, it is hereby

(22956) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Service rates for the Residential Group and Commercial Group for the period October 2017 through March 2018 and the Industrial Group for the period October 2017 through December 2017 are approved as filed.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2017 PURSUANT TO OPEN MEETING DECISION HELD ON AUGUST 22, 2017. WRITTEN ORDER ISSUED NOVEMBER 17, 2017.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Marion S. Gold, Commissioner

Abigail Anthony, Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (7) days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

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