

## Massaro, Luly (PUC)

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**From:** Scialabba, Steve (DPUC)  
**Sent:** Wednesday, December 14, 2016 10:48 AM  
**To:** cgilbert@daymarkea.com; Jennifer.hutchinson@nationalgrid.com; Celia.obrien@nationalgrid.com; Joanne.scanlon@nationalgrid.com; Corinne.Didomenico@nationalgrid.com; Margaret.Janzen@nationalgrid.com; Hagopian, Jon (DPUC); Scialabba, Steve (DPUC); Mancini, Al (DPUC); Contente, Al (DPUC); rhahn@daymarkea.com; Massaro, Luly (PUC); WilsonFrias, Cynthia (PUC); Nault, Alan (PUC); George, Linda (PUC); Bianco, Todd (PUC); Kearns, Christopher (DOA); Ucci, Nicholas (DOA); Grant, Carol (DOA); Schrag, Jonathan (DPUC); McCleary, Macky (DPUC)  
**Subject:** Docket 4673 National Grid Long-Term Contracting for Renewable Energy Recovery Factor  
**Attachments:** 4673 Division Memo 12-14-2016.pdf

Luly,

Attached is the Division's memorandum in response to National Grid's filing for a revised LTCRER factor of 0.746¢ per kWh for effect January 1, 2017. This factor recovers the above market costs of long-term renewable contracts entered into pursuant to 39-26.1 and distributed generation contracts executed pursuant to 39-26.2, net of revenues received for the sale of energy, REC's, and capacity. For the reasons discussed in the memo, the Division is recommending a lower billed factor than proposed by National Grid in its November 14, 2016 filing. The Division's proposed factor is 0.667¢ per kWh.

The Company communicated to the Division that it has accepted the Division's proposed factor and will file a revised Attachment 1 (to NGrid's 11/14 filing) reflecting the revised factor.

Stephen Scialabba  
RI Division of Public Utilities and Carriers  
401-780-2140  
[steve.scialabba@dpuc.ri.gov](mailto:steve.scialabba@dpuc.ri.gov)



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**TO: RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**FROM: DICK HAHN AND CARRIE GILBERT, DAYMARK ENERGY ADVISORS, ON BEHALF OF THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**DATE: DECEMBER 14, 2016**

**SUBJECT: RI PUC DOCKET 4673 – LTCRE FACTOR – JANUARY TO JUNE 2017**

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We have reviewed the filing, calculations, and underlying assumptions, associated with National Grid's filing in this docket. While we agree with much of the filing, we found a few areas where we believe that alternative assumptions would be more appropriate. We describe these areas and the impact on the proposed factor in the remainder of this memo.

The alternative assumptions that we recommend result in a lower LTCRE rate factor. There is not much time between the filing of this memo and the scheduled effective date of the new rate factor, especially considering the Holiday season. Since this rate factor is fully reconciling, there are two options for the Commission: (1) use the alternative rate factor that we propose, or (2) use the rate factor proposed by NGRID but require NGRID to address the issues that we raise regarding capacity factors in subsequent filings.

#### Market Energy Prices

NGRID used NYMEX peak and off-peak futures prices for the ISO-NE energy hub as of 11-7-2016. We agree with the selection of the product to be used, and were able to verify the values used by NGRID. However, futures prices have risen quite a bit since 11/7, as shown in the following table. Market futures prices will always change. But we recommend using the more recent market outlook, as it reflects market conditions that are nearer to the effective date of the new rate factor.

<u>Energy Market Prices (\$/MWh)</u>						
<i>November 7, 2016 per NGRID Filing</i>						
	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>Jun-17</u>
Peak	\$ 72.00	\$ 70.75	\$ 43.85	\$ 32.55	\$ 30.00	\$ 32.00
Off Peak	\$ 56.10	\$ 55.35	\$ 34.65	\$ 24.10	\$ 20.53	\$ 20.40
<i>December 6, 2016 per Daymark Energy Advisors</i>						
	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>Jun-17</u>
Peak	\$ 87.00	\$ 88.50	\$ 58.25	\$ 39.50	\$ 33.58	\$ 35.85
Off Peak	\$ 68.50	\$ 69.00	\$ 46.00	\$ 29.25	\$ 23.65	\$ 23.58

Table 1

### Output Estimates

To estimate the output for RI LFG, Wind Energy Development, and Black Bear Hydro, NGRID relied upon capacity factor estimates that existed at the time the contracts with these resources were signed, according to the response to DIV-4. However, these projects now have several years of actual output, which was provided in response to DIV 1-2. We recommend using the actual output for the first six months of prior years to estimate the output for the first six months of 2017. The capacity factor for Deepwater Wind was provided by the project developer, also according to the response to DIV-4. However, we were able to locate a wind study <sup>1</sup> specifically for the Deepwater Wind facility which did show an expected capacity factor of 47%. We accept this estimate of capacity factor because it is supported by an actual wind study. Once actual deliveries from this project occur, this assumption can be revisited. The Company's response to DIV 1-12 continues to support a commercial operation date of 1/1/2017. Based upon this response, we will apply the 47% estimated capacity factor for the entire six-month rate period. The following table provides a summary of the alternative capacity factors that we propose.

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<sup>1</sup> <http://dwwind.com/wp-content/uploads/2014/08/BIWF-Energy-Production.pdf>

OUTPUT ASSUMPTIONS FOR KEY PROJECTS						
resource	MW	Per NGRID Filing		Alternative		
		CF	MWH	CF	MWH	
RI LFG Genco Asset No. 40054	32.100	85%	119,508.3	76%	107,146.0	
Wind Energy Dev. NK Green LLC Asset No. 42394	1.500	24%	1,576.8	22%	1,463.0	
Black Bear Orono B Hydro Asset No. 38083	3.958	90%	15,602.4	81%	14,060.0	
			136,687.5		122,669.0	
notes:						
The alternative CFs for these projects are based upon actual output since the COD, per the response to DIV-2						

Table 2

### Rate Impact of Alternative Assumptions

By using the above alternative assumptions for capacity factors and market energy prices in place of those used by NGRID, an alternative rate factor can be determined. The following table shows the impact of using these alternative assumptions.

Long-Term Contracting for Renewable Energy Recovery					
Factor Calculation					
For the Period January 2017 through June 2017					
	Alternative	as Filed	difference		
(1) Above Market Cost for the period January 2017 through June 2017	\$19,449,756	\$22,232,093	(\$2,782,337)	-12.5%	
(2) Forecasted kWh Deliveries - January 2017 through June 2017	3,562,840,141	3,562,840,141			
(3) Recovery Factor for Estimated Above Market Cost	\$0.00545	\$0.00623			
(4) Adjustment for Uncollectibles	1.25%	1.25%			
(5) Proposed LTC Recovery Factor for the period January 2017 through June 2017	\$0.00551	\$0.00630			
(6) Currently Effective LTC Recovery Reconciliation Factor	<u>\$0.00116</u>	<u>\$0.00116</u>			
(7) Total Proposed LTC Recovery Factor	\$0.00667	\$0.00746	(\$0.00079)	-10.6%	
(8) Current LTC Recovery Factor	<u>\$0.00337</u>	<u>\$0.00337</u>			
(9) Increase in LTC Recovery Factor	\$0.00330	\$0.00409			

Table 3

### Capacity Credits

According to the response to DIV 1-8, NGRID has the contractual ability to capture financially the capacity value of the projects for which recovery is being sought. NGRID has included the value of 26 MW of capacity from the RI LFG project, but not others. It is unclear from the filing and the responses to data requests to date what effort has been made to capture the capacity value from other projects. The response to DIV 1-8 states that the Company must first consult with the Division of Public Utilities and Carriers before attempting to obtain capacity from these smaller projects. It also appears that there may be more capacity available from the RI LFG project. There is no time to act on this issue before 1/1/2017, which is when a new rate factor is scheduled to go into effect. We do recommend that NGRID engage the Division and other interested parties to discuss and assess what can be done to capture more capacity values in future filings, starting with the filing for July to December 2017.