

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID'S LONG-TERM CONTRACTING : DOCKET NO. 4673
FOR RENEWABLE ENERGY RECOVERY FACTOR :

REPORT AND ORDER

On May 15, 2017, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC or Commission) its semi-annual Long-Term Contracting for Renewable Energy Recovery Factor (Recovery Factor) for the period July 1, 2017 through December 31, 2017 (Pricing Period).¹ In its filing, National Grid estimated that the six-month contract cost for twenty-nine renewable energy contracts, which include twenty-six distributed generation contracts and three non-distributed generation contracts, would be \$33,542,246.² The market value for the energy, Renewable Energy Certificates (RECs), and capacity procured under the contracts is projected to total \$11,995,751.³ The difference between the estimated contract costs and net market value is expected to be \$21,546,495.⁴ Adding the Company's estimated administrative costs of \$18,772 results in a total above-market value of \$21,565,266.⁵

Dividing the above-market value by National Grid's forecasted kWh deliveries for the upcoming six-month period, and adjusting for uncollectibles, results in a proposed Recovery Factor of 0.561¢ per kWh.⁶ When this factor is added to the currently effective Reconciliation

¹ National Grid's Long-Term Contracting for Renewable Energy Recovery Factor (May 15, 2017) [hereinafter National Grid's May 15, 2017 Filing]; [http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER-July2017\(5-15-17\).pdf](http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER-July2017(5-15-17).pdf).

² *Id.*, Attach. 1 at 2.

³ *Id.*, Attach. 1 at 3.

⁴ *Id.*, Attach. 1 at 4.

⁵ *Id.*, Attach. 1 at 1.

⁶ *Id.*

Recovery Factor of 0.103¢ per kWh, the total proposed Recovery Factor is 0.664 cents per kWh.⁷ This is an increase of 0.010¢ per kWh from the currently effective factor.⁸ The impact on a residential customer using 500 kWh per month is an increase of \$0.06 per month.⁹

In Docket No. 4673, the PUC ordered the Company to engage with the Division, the PUC, and other interested parties to identify opportunities to capture the capacity value of contracts for which National Grid seeks recovery.¹⁰ In particular, the PUC asked the parties to determine if there were more than 26 MW of capacity from the Rhode Island LFG Genco project¹¹ and whether the Company could obtain capacity credits for the smaller projects.¹² The Company subsequently reported that it had met with Division representatives via conference call to discuss these opportunities and provided an update regarding capacity revenues associated with the contracts included in this filing.¹³

The Company represented that Rhode Island LFG Genco's capacity supply obligation for purposes of participating in the Forward Capacity Market would remain at 26 MW.¹⁴ It projected the estimated market value at \$1,095,900 million,¹⁵ an increase of \$556,530 from the previous six-month Pricing Period, January 2017 through June 2017.¹⁶ The Company also reported that

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 1.

¹⁰ PUC Order No. 22671, Docket No. 4673 (Feb. 20, 2017) at 4; [hereinafter PUC Order No. 22671] http://www.ripuc.org/eventsactions/docket/4673-NGrid-Ord22671_2-20-17.pdf.

¹¹ This renewable energy project is a combined cycle electricity generation plant fuel by landfill gas and located next to the State Central Landfill in Johnston, Rhode Island.

¹² PUC Order No. 22671 at 4.

¹³ National Grid's Filing at 2-3.

¹⁴ *Id.*

¹⁵ *Id.*, Attach. 1 at 3. The Company stated that the amount of capacity provided by the LFG Genco project may decrease in the future pursuant to a provision in the contract that allows the facility to reduce its capacity obligation based on projections of landfill gas supply and other factors that may impact the output of the facility. *Id.* at 3-4.

Because the change will occur in future capacity years, the Division did not address the issue in this filing.

Memorandum of Richard Hahn, Daymark Energy Advisors (June 15, 2017)

http://www.ripuc.org/eventsactions/docket/4587-DPU-Memo_12-8-15.pdf.

¹⁶ National Grid's Long-Term Contracting for Renewable Energy Recovery Factor (Nov. 14, 2016) at Attach. 1 at 3; [http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER\(11-14-16\).pdf](http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER(11-14-16).pdf).

capacity revenue for the Black Bear Orono B Hydro (Black Bear) project would commence in June 2017 and total \$133,194 for the Pricing Period.¹⁷ The Company further indicated that the Deepwater Wind capacity revenue would commence in January 2020 pursuant to the terms of the purchase power agreement. Finally, the Company stated that it anticipates, as part of the Company's approved program to bid capacity of customer-owned distributed generation facilities into the Forward Capacity Market, capacity revenue from the nineteen small projects starting in June 2018.¹⁸

On June 16, 2017, following an exchange of discovery with National Grid, the Division of Public Utilities and Carriers (Division) filed with the PUC a memorandum recommending approval of the Recovery Factor proposed by the Company.¹⁹ The Division based its recommendation on a review of the estimated output of each project, the contract prices paid by National Grid, and the market prices for energy and RECs.²⁰ The Division noted that while the Company requested a recovery factor almost equal to the factor that the Commission approved for effect during the previous six-month Pricing Period, there are several differences.²¹ The estimated market revenues from the sale of energy and RECs are lower when compared to the prior Pricing Period.²² However, the estimated capacity revenues and kilowatt hour sales are higher than in the prior Pricing Period. The Division explained that these changes offset each other, resulting in a proposed factor comparable to the previous factor.²³

¹⁷ National Grid's Filing at 3 and Attach. 1 at 3.

¹⁸ *Id.* at 3.

¹⁹ Memorandum of Richard Hahn, Daymark Energy Advisors (June 15, 2017) [hereinafter Memorandum of Hahn] http://www.ripuc.org/eventsactions/docket/4587-DPU-Memo_12-8-15.pdf.

²⁰ *Id.* 2-3.

²¹ *Id.* at 1. The difference between the recovery factor that the Company proposed and the recovery factor that the Commission approved for effect January 2017 is \$0.00010. National Grid's May 15, 2017 Filing, Attach. 1 at 1.

²² Memorandum of Hahn at 1-2.

²³ *Id.* at 2.

At an Open Meeting held on June 22, 2017, the PUC reviewed the filing and approved the revised proposed Recovery Factor to apply to electricity consumed on and after July 1, 2017. The Commission acknowledged the efforts of the Company to pursue opportunities to capture capacity revenue for the projects. The Commission remarked that it was critical National Grid continue to realize the full financial value available from all the assets of these projects, thus benefitting all ratepayers.

Accordingly, it is hereby

(22831) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed Long-Term Contract Recovery Factor of 0.664¢ per kWh is hereby approved. The new rate shall apply to electricity consumed on and after July 1, 2017.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2017, PURSUANT TO AN OPEN MEETING DECISION ON JUNE 22, 2017. WRITTEN ORDER ISSUED JUNE 30th 2017.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Herbert F. DeSimone, Jr., Commissioner



Marion S. Gold, 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 days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

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 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.