State of Rhode Island
Division of Public
Utilities & Carriers

To: Luly Massaro, Commission Clerk

From: Division of Public Utilities & Carriers

Date: August 10, 2018

Re: Division's Rate Mitigation Proposal –
Regarding National Grid's Standard Offer Rate Increase in Docket 4692

On July 18, 2018, National Grid ("Company") filed its proposed six-month Standard Offer rates for the period from October 2018 through March 2019 for the Residential and Commercial Group customer classes and three-month variable rates for Industrial Group rate classes. The rate proposal results in a significant increase in the Standard Offer rates – as much as 43% for residential customers. Notably, residential rates rise from 8.486¢ to 12.129¢ per kWh and small commercial rates rise from 8.190¢ to 11.876¢ per kWh. Comparing last year's winter rate for 2017-18 to the Company's proposed residential winter rate for 2018-19, the rate rises from 9.515¢ to 12.129¢ per kWh, or 26%.

The Division has reviewed National Grid's filing, including the confidential and public schedules and procurement information supporting the calculation of the rates.[1] This memorandum identifies options available to the Commission to mitigate the impact of the rate increase to Rhode Island's residential and small commercial rate classes. The Division recommends that the Commission act to moderate the impact of regional cost drivers on Rhode Island's ratepayers by spreading the higher rates over a twelve-month period.

Background and Summary of Recommendation

While it is not unusual for supply rates to rise during the winter period due to the higher costs typically experienced in the wholesale markets during that period, the higher winter prices this year are being exacerbated by unprecedented higher capacity prices in the wholesale market being administered regionally by ISO New England. While the State of Rhode Island is taking steps to address the long-term costs of energy through state policies in other contexts, these regional cost drivers are beyond the control of the Rhode Island state regulatory authorities and National Grid.

The Company's filing proposes to change Standard Offer rates for all rate classes, but the Division is particularly concerned with the impacts on residential and small commercial customers. Open Access data indicates that approximately 89% of residential customers and

[1] Attachment 1 summarizes the Division's review.

79% of small commercial customers remain on Standard Offer service and, for a number of reasons, are not in a position to negotiate more favorable rates with third party suppliers to achieve annual savings when compared to the seasonal Standard Offer rates over a twelve-month period.

Consistent with the annual Standard Offer pricing schedules that have been in place for some time pursuant to Commission policy, the Company changes its Standard Offer Rates twice per year. The regional market costs of energy are lower during the months of April through September ("Summer Period") than the months of October through March ("Winter Period") due to the impact on natural gas prices from the demand for natural gas heating in the winter. For that reason, the Standard Offer rate is now on a consistent cycle of rising in October and falling in April. This variable seasonal pricing sends price signals to consumers, to recognize that energy costs are higher during the Winter Period. This year the price jump is unusually high.

The Division recognizes that the Commission has no authority to change energy market costs for the winter, nor does it have the authority under prevailing law to outright deny the Company cost recovery in this case where the Company has prudently complied with its procurement duties. However, the Commission retains authority to shape and spread these energy market costs over time in the interest of gradualism to avoid or mitigate undesirable impacts on ratepayers. In this context, the Division has considered several rate mitigation options.

The Division recommends the Commission approve a Standard Offer rate that is lower for both the residential classes (A-16 & A-60) and small commercial rate class (C-06) for the Winter Period. Specifically, the Division proposes to specifically target a lower Winter Rate of 10.990¢ per kWh and shift the unrecovered portion of the supply cost into the Summer Period. This will help to mitigate the height of the rate jump for the winter, while slightly increasing the Summer Period rate that otherwise would occur. Importantly, this proposal would retain a lower, but still significant, price signal differentiating the Winter Period from the Summer Period. While this affects the Summer Period Rate, this impact would occur when the Standard Offer rate is nevertheless still forecasted to decrease for the Summer Period. The Division believes the smoothing out and tightening of the impacts between the two seasonal pricing periods will soften the winter effect in a way that is consistent with principles of rate gradualism often employed in the design of rates, without eliminating the seasonal price signals at this time.

If adopted, the Division's proposal would result in the following actual and forecasted rates:

Actual Residential and Small Commercial Winter Rate:	**10.990¢**
Forecasted <u>Residential</u> Summer Rate:[2]	**8.996¢**
Forecasted <u>Small Commercial</u> Summer Rate:[3]	**Data response pending**

It is important to note that at this time the Summer Period rates shown above are based on a forecast. The actual rates for that period will depend upon the results of the next procurement

[2] Source: Company response to Division Data Request 2-1.

[3] Source: Pending Company response to Division Data Request 3-1.

and actual consumption during the Winter Period. But the comparison here shows a relative order of magnitude.

Comparative Rate Mitigation Options Considered

In considering options to mitigate the rate impact, the Division considered three options, as summarized below:

(1) Straight 12-Month Average: Create a 12-month, fixed rate that essentially averages the forecasted aggregate Winter Period and Summer Period costs across the 12-month period. This averaging essentially shifts the incremental higher Winter Period costs to the Summer Period;

(2) Balanced Seasonal Impact: Target a specific rate for the Winter Period that reduces the size of the rate increase while attempting to balance the impact on seasonal rates for both periods, consistent with the principles of gradualism; and

(3) Fixed Term Average Rate: Utilize the existing provisions in the law relating to last resort service to establish an alternative rate proposal that provides a choice for customers to opt for a fixed 12-month National Grid rate, but requires the customer making the choice to remain on utility service for the 12-month fixed-rate period.

There are other variations of mitigation proposals that could have been considered, but these were the main options evaluated by the Division.

Risks of Employing Rate Mitigation in Place of Unmitigated Seasonal Rate.

There were a number of risks weighed by the Division. Each are summarized below.

(A) Migration Risk: Any rate mitigation proposal will, by definition, create an under-collection of costs (i.e., short-term deferral) because consumers are charged a price for electricity that is less than the cost for the Winter Period. In turn, this under-collection is recovered during the Summer Period. If the reduction in the Winter Period is too steep, the cost-shift to the Summer Period could create a large enough increase in Summer Period rates that it could result in many consumers leaving the Standard Offer to take service from non-regulated power suppliers who can offer a highly favorable short-term rate in the spring.

This has two potential impacts:

(i) a significant under-collection could be created that requires costs to be collected at the end of the 12 months. Under the Standard Offer Adjustment Provision tariff, any under or over-collection in the Standard Offer is charged/credited to distribution customers through a methodology approved by the Commission. Thus, a large under-collection would be recovered in

rates from all or a designated subset of electric distribution customers, as the Commission determines, and

(ii) consumers could easily be lured by some non-regulated power suppliers with a short-term fixed rate in the low-cost spring that jumps significantly a short time later, resulting in rates that ultimately are higher over 12 months when compared to Standard Offer service. In other words, the short-term savings are exceeded by higher rates that become effective automatically under the terms of service without the consumer being aware.

(B) Loss of Seasonal Pricing Signals: There is a risk that rate mitigation which lowers the cost of electricity during the Winter Period is moving away from principles of cost causation. As the Commission considers time-of-use pricing, creating a rate that does not reflect seasonal price signals appears inconsistent with the premise that customers respond to price signals. However, if this is implemented as a short-term measure to address a near term price shock, this is not a policy decision that necessarily affects the future of time-of-use pricing.

(C) Impact on Retail Choice: When the utility supply rate is below short-term energy market costs, it makes it very difficult for non-regulated power producers to compete against the regulated price that could, in theory, save money for consumers through competition. However, this would be a concern only if there is data showing that non-regulated power producers typically offer pricing that results in lower supply costs over a meaningfully long enough period to achieve annual savings for customers choosing to leave Standard Offer service – a conclusion that is not currently supported by the data available to the Division from the filed reports of such pricing for residential and small commercial customers (for example, see the response to information request PUC 8-8 in Docket 4770).

There may be other risks as well. But these were the most significant considerations from the Division's perspective.

Reasons for Division's Recommendation Among the Options

At the outset, it is important to point out that the Division gave serious consideration to recommending option 3, the "Fixed Term Average Rate" which would use the provisions of the last resort service law pursuant to Rhode Island General Laws § 39-1-27.3(c).[4] This was attractive because it would have given the consumers a choice to either (i) stay on Standard Offer service with its seasonal effects, (ii) take service from a non-regulated power producer, or (iii)

[4] This section of the law contains a provision stating: "The commission shall have the authority and discretion to approve special tariff conditions and rates proposed by the electric distribution company that the commission finds are in the public interest, including without limitation: (1) Short- or long-term optional service at different rates; (2) Term commitments or notice provisions before individual customers leave last-resort service; (3) Last-resort service rates for residential or any other special class of customers that are different than the rates for other last-resort customers; and/or (4) Last-resort service rates that are designed to encourage any class of customers to return to the market."

lock into a fixed rate with price certainty, as long as the consumer agrees to remain on the rate for a fixed term of 12 months. The Division remains engaged with examining this option as a future successor tariff to existing Standard Offer Service.

The "Fixed Term Average Rate" could have completely eliminated migration risk, while creating an additional choice for customers, by adding a one-time option to choose a uniform 12-month utility rate for a fixed term. In fact, one might argue that it would give another reasonable "price to beat" for non-regulated power producers to measure against with their own offerings. The one downside of this option, of course, would be the elimination of the seasonal pricing signal. However, after discussing this option with the Company, the Division acknowledges that there are incremental administrative costs and complexities associated with such a program. Specifically, the Company does not have its billing system set up to offer a last resort service fixed option. System programming would not only be implicated, but it also would give rise to a considerable number of decisions on implementation and the terms of service. In other words, it was a much more complicated undertaking than one might initially contemplate.

The Division also considered the "Straight 12-month Average" option. This option has been employed in the past by the Commission – most recently in 2015. At that time, the Company filed to increase its Standard Offer rates from 8.359¢ to 12.705¢ for the residential customers. This was a 52% increase and an overall bill increase of 26%. The Commission considered several options proposed by staff that would mitigate the rate impact by deferring varying percentages of the Company's Residential and Commercial SOS costs over a 12-month period. The Commission ultimately approved a 12-month average rate which reduced the overall increase from 26% to 14% and set a rate of 10.7¢ over the 12-month period for residential customers. The Company did not experience significant migration of residential customers in that year. Nevertheless, a "Straight 12-month Average" approach does create a migration risk. In this case, it is forecasted by the Company to create a $27.5 million Winter Period under-collection for 2018-19 that would be included in the calculation of the rate for the Summer Period if this option were adopted. While the experience this coming spring might be similar to 2015, the migration risk is still real. The averaging approach also eliminates seasonal pricing signals.

The Division then considered how it could balance four competing objectives in pricing the service for these customers. Specifically, (i) moderating the rate impact for the Winter Period, (ii) retaining a significant seasonal price signal for the higher cost Winter Period, (iii) limiting the magnitude of the under-collection that would be created from any Winter Period mitigation proposal, and (iv) reducing the spring migration risk. Balancing these factors ultimately led to the Division developing the "Balanced Seasonal Impact" pricing option. Under this option, the Division sought to target a Winter Period rate that was low enough to produce a meaningful reduction from the high unmitigated seasonal rate, but not so low as to increase the likelihood of spring migration.

Compared to the under-collection created by the "Straight 12-month Average" option (i.e., $27.5 million), this option is forecasted to create only a $14.5 million Winter Period under-collection that shifts to the Summer Period. Yet, the resulting rate for the Summer Period is still forecasted to decrease to 8.996¢ per kWh for the residential class. As a practical matter, the Division believes that even the most aggressive migration occurrence is unlikely to result in migration that reaches a range between 25% and 50%. Mathematically, a 25% to 50% migration is forecasted to cause only $3.6 million to $7.6 million of the $14.5 million under-collection to

be unrecovered at the end of the 12-month period. Such range of amounts would be manageable to pass-through in the ordinary course of annual rate changes.

In developing this option, the Division targeted a 10% reduction in the rate, which would have yielded a Winter Period rate of 10.9161¢ per kWh. The Division concluded that the cost-shifting effect on the Summer Period of setting a Winter Period rate that was 10% lower was acceptable and unlikely to create a material amount of migration. However, the Division adjusted the rate proposal to 10.990¢ per kWh because it yielded a forecasted Summer Period rate for residential customers under 9.0¢ per kWh. This was based on an assumption that a price under 9.0¢ is less likely to result in spring migration. Having said this, the Division acknowledges that the Summer Period estimated rate is merely forecasted. In that regard, a mitigation adjustment which reduces the Winter Period rate precisely by 10% is still consistent with the Division's recommendation. Finally, as for the C-06 rate class, the Division is proposing the same rate for the small commercial class for simplicity. But the Division would have no objection to a 10% reduction to either or both the residential and small commercial rates instead, should the Commission prefer it.

As a part of its deliberations, the Division consulted the Commission's Order in Docket 4600. In particular, the Division sought to evaluate whether the rate design principles adopted by the Commission supported any of the options presented here. The Division believes that the most pertinent rate design principle is #9 regarding gradualism. At the same time, the Division believes that none of the principles militate against the Division's proposal, as this relates to Standard Offer rates spanning the short term during unusual circumstances.

Below is a table that shows the comparison of the filed rate against the "Balanced Seasonal Impact" option and the "Straight 12-month Average" option for residential service:

Residential Standard Offer Service Pricing Options

Option	Shift of Costs	Rate Period	¢ per kWh	Bill Impact (Res@500)	Total Bill	% Change
Current			8.486¢		$99.63	
(1) As Filed	$0	Oct. - Mar. Apr. – Sept .	12.129¢ 7.919¢	$18.97 ($21.92)	$118.60 $ 96.68	19 % (18.5) %
(2) Balanced Seasonal Impact	$14.5 Million	Oct. - Mar. Apr. - Sept	10.990¢ 8.996¢	$13.04 ($10.39)	$112.67 $102.28	13.1 % (9.2) %
(3) 12-mo. avg.	$27.5 Million	Oct. - Mar. Apr. - Sept	9.965¢ 9.965¢	$7.70 $0.00	$107.33 $107.33	7.7 % 0.00 %

In preparing this memorandum, the Division did not have all the data to create a similar table for the C-06 class. But a similar presentation can be requested from the Company.

Additional Recommendation – Billing System Modification for the Future

While the Division is proposing the "Balanced Seasonal Impact" option to mitigate the size of the Winter Period increase, the Division also recommends that the Commission direct the Company to take steps over the next year to address any billing system complications that result from a Fixed Term option in the future. This could at least create an option in the future if we see unexpected drastic increases in Winter Period energy costs in the future.

State of Rhode Island
Division of Public
Utilities & Carriers

Attachment 1

To: L. Massaro
Commission Clerk

From: Alberico Mancini
Division of Public Utilities & Carriers

Date: 8/10/2018

Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4692

On July 18, 2018 Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company") filed with the Commission new proposed Standard Offer rates effective October 1, 2018 and the results of its most recent Standard Offer procurement. [5] 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:

- 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 2018 through March 2019.
- 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 8, 2018 for the period October 2018 through December 2018 for the Industrial Group, October 2018 through March 2020 for the Commercial Group, and October 2018 through March 2020 for the Residential Group;

[5] Filings entitled: *Proposed Standard Offer Service Rates for the Residential Group and the Commercial Group for the Months of October 2018 through March 2019, and for the Industrial Group for the Months of October 2018 through December 2018* ; and *Results of Competitive Procurement for the Months of October 2018 through March 2020 for the Residential Group, for the Months of October 2018 through March 2020 for the Commercial Group, and for the Months of October 2018 through December 2018 for the Industrial 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 October 2018 through December 2018 for the Industrial Group, October 2018 through March 2020 for the Commercial Group, and October 2018 through March 2020 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.

Standard Offer Service Procurement Plan Summary

Industrial Group: 100% of the load for **October 2018 through December 2018**.

Commercial Group: Procurements encompassing **October 2018 through March 2020.**

With this most recent solicitation for another 20% of the load requirements for the **October 2018 through March 2019** period, 90% of the load requirements for the Commercial Group for the October 2018 through March 2019 period have now been procured (15% in 1/17, 20% in 7/17, 15% in 1/18, 20% in 4/18 and 20% in 7/18). For the October 2018 through March 2019 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 2019 through September 2019** period have been procured in the July 2018 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2019 through September 2019 period (15% in 1/18, 20% in 4/18 and 20% in 7/18). For the April 2019 through September 2019 period, the Company will procure another 20% in the fourth quarter of 2018 and 15% in the first quarter of 2019. Those procurements will total 90% for the April 2019 through September 2019 period and 10% will be made in the spot market.

Also, 20% of the Commercial Group's load requirements for the **October 2019 through March 2020** period have been procured in the July 2018 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in 1/18 and 20% in 7/18). For the October 2019 through March 2020 period, the Company will procure another 15% in the first quarter of 2019, 20% in the second quarter of 2019 and 20% in the third quarter of 2019. Those procurements will total 90% for the October 2019 through March 2020 period and 10% will be made in the spot market.

Residential Group: Procurements encompassing **October 2018 through March 2020.**

With this most recent solicitation for another 20% of the load requirements for the **October 2018 through March 2019** period, 90% of the load requirements for the Residential Group for the October 2018 through March 2019 period have now been procured (15% in 1/17, 20% in 7/17, 15% in 1/18, 20% in 4/18 and 20% in 7/18). For the October 2018 through March 2019 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 2019 through September 2019** period have been procured in the July 2018 solicitation. With this most recent solicitation, 55% of the load requirements have been purchased for the April 2019 through September 2019 period (15% in 1/18, 20% in 4/18 and 20% in 7/18). For the April 2019 through September 2019 period, the Company will procure another 20% in the fourth quarter of 2018 and 15% in the first quarter of 2019. Those procurements will total 90% for the April 2019 through September 2019 period and 10% will be made in the spot market.

Also, 20% of the Residential Group's load requirements for the **October 2019 through March 2020** period have been procured in the July 2018 solicitation. With this most recent solicitation, 35% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in 1/18 and 20% in 7/18). For the October 2019 through March 2020 period, the Company will procure another 15% in the first quarter of 2019, 20% in the second quarter of 2019 and 20% in the third quarter of 2019. Those procurements will total 90% for the October 2019 through March 2020 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 2018 through December 2018 period, including the current per-kWh Standard Offer Adjustment Factor of ($0.00830), the Administrative Cost Factor of $0.00174, and the Renewable Energy Charge of $0.00004 are:

- October 2018: $0.07737/kWh.
- November 2018: $0.08096/kWh.
- December 2018: $0.10668/kWh.

The three-month average of the proposed October 2018 through December 2018 Industrial Group SOS rate is $0.08834, which results in a 22.5% increase compared with the July 2018 through September 2018 average Industrial Standard Offer rate of $0.07209/kWh. In comparison, the same three-month period average was $0.06440 the previous year. Additionally,

the Industrial SOS average rate was $0.07099/kWh for the October through December period for the 5 years of 2013-2017.

Residential Rates

The SOS rate proposed for the **Residential Customer Group** for the October 2018 through March 2019 period, including the current per-kWh Standard Offer Adjustment Factor of $0.00007, the Administrative Cost Factor of $0.00160, and the Renewable Energy Charge of $0.00004 is **$0.12129/kWh**. This is an increase of $0.03643/kWh or 43%, compared with the current SOS rate of $0.08486/kWh. Compared to the previous year's October 2017 through March 2018 Residential Group SOS average rate of $0.09515/kWh, the proposed rate of $0.12129/kWh is 27% higher than the same six-month period in the previous year. Compared to the previous 5-year January through March average rate of $0.09514/kWh for the 2013 through 2017 winter periods, the proposed rate of $0.12129 is 27% higher.

Commercial Rates

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for the October 2018 through March 2019 period, including the current per-kWh SOS Adjustment Factor of ($0.00041), Administrative Cost Factor of $0.00159, and the Renewable Energy Charge of $0.00004 is **$0.11876/kWh**. This is an increase of $0.03685/kWh, or 45% compared with the current fixed price option charge of $0.08191/kWh. Compared to the previous year's October 2017 through March 2018 Commercial Group SOS average rate of $0.09350/kWh, the proposed rate of $0.11876/kWh is 27% higher than the same six-month period in the previous year. Compared to the previous 5-year January through March average rate of $0.09355/kWh for the 2013 through 2017 winter periods, the proposed rate of $0.11876 is 27% higher.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of ($0.00041), Administrative Cost Factor of $0.00159, and the Renewable Energy Charge of $0.00004 are as follows:

October - $0.09628; November - $0.10030; December - $0.11813; January - $0.14008; February - $0.14492; March - $0.11073.

Standard Offer Service New England Comparison

The increase included in National Grid's "Proposed Rates" reflect market dynamics that affect customers across all New England. 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 bid pricing from the summer period to the winter period.[6]

[6] 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

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 through the FCA-9 auction which is driving the upcoming 2018-2019 winter rate. Capacity pricing begins to decrease as reflected in FCA-10 which should reduce bid pricing for the 2019-2020 winter. National Grid presents a chart of capacity clearing prices and payment rates for New Resources and Existing Resources for Forward Capacity Auctions (FCA) 7-10. The chart is reproduced below:[7]

	$/kW-month	
Capacity Commitment Period	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
6/1/19-5/31/20 (FCA 10)	7.030	7.030

Table 1 below compares Rhode Island's current SOS rates with the neighboring states' rates as well as the National Grid SOS rates for the prior three winter periods to neighboring states. Winter rates for 2016-2017 did see a decrease throughout New England from the 2015-2016 winter period rates but the winter of 2017-2018 and 2018-2019 are significantly higher than the 2015-2016 and 2016-2017 winter rates. The driver of the increase over the last two winters are the capacity prices which, as shown above, increased significantly. Prices for the energy component have remained relatively flat over the past several winters. As shown above, FCA 8 and FCA 9 prices have directly impacted standard offer rates for the 2017-2018 and 2018-2019 winters.

Currently, Rhode Island's 8.5¢ per kWh is the lowest SOS, or utility-provided default rate of electric companies compared to Rhode Island's neighboring states as shown in Table 1 below. Also, comparing the winter rates of neighboring states for the past three winters, National Grid in Rhode Island has procured the lowest average winter rate over the three-year period. National Grid's proposed 12.1¢ per kWh would be higher than the 2017-2018 winter average of 11.2¢/kwh for the CT and MA utilities but National Grid in Rhode Island is the first company 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 2018-2019 winter period, but it is anticipated that default rates will increase for the other New England utilities as they all are procuring supply from the same New England market.

[7] This information is contained in the Confidential submission of National Grid, but the information presented in this memo is publicly available from ISO-NE.

Table 1 Comparison of Neighboring States Residential SOS Rates (rounded to nearest mill)

State / Utility	Current Rate	2017-2018 Winter Rate	2016 – 2017 Winter Rate	2015 – 2016 Winter Rate
Connecticut				
Eversource	8.5¢ (Jul-Dec 18)	9.1¢ (Jan-Jul 18)	7.9¢ (Jan-Jun 17)	9.5 (Jan-Jun 16)
United Illum	9.0¢ (Jul-Dec 18)	9.7¢ (Jan-Jul 18)	9.3¢ (Jan-Jun 17)	10.7 (Jan-June 16)
Massachusetts				
National Grid	10.9¢ (May - Oct 18)	12.7¢ (Nov-Apr 18)	9.8¢ (Nov-Apr 17)	13.0¢ (Nov-Apr 16)
Eversource	11.4¢ (Jul - Dec 18)	12.9¢ (Feb- Jun 18)	10.3¢ (Jan-June 17)	10.8¢ (Jan-June 16)
Western Mass	10.0¢ (Jul - Dec.18)	10.5¢ (Feb-Jun.18)	9.1¢ (Jan-June 17)	10.4¢ (Jan-June 16)
Unitil	10.6¢ (Jun -Nov 18)	12.3¢ (Dec-May 18)	9.7¢ (Dec-May 17)	12.2¢ (Dec-May 16)
Rhode Island				
National Grid	8.5¢ (Apr - Sept 18)	9.5¢ (Oct - Mar 18)	8.2¢ (Oct - Mar 17)	8.9¢ (Oct - Mar 16)

As can be seen by the comparative rates shown in Table 1, the Rhode Island procurement policy has mitigated the rate impacts for the past three winter periods, as compared with the other New England states, as the procurement uses six price points and performs procurements over varied and longer terms.

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

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	$62.52	$73.91	$11.39	18.2%
500	$99.63	$118.60	$18.97	19.0%
1200	$229.48	$275.02	$45.54	19.8%

As presented in Table 2, a typical A-16 residential customer using 500 kWh per month would see an $18.97 increase or 19.0% overall increase in their monthly bill. Compared to the previous year's October 2017 through March 2018 period, an A-16 residential customer using 500 kWh per month would see a $12.41, or approximately a 11.7% increase, from the same six-month period in the previous year.

Division Confirmation of Compliance

The filed proposed rates are consistent with prior Commission pricing policy and precedent and are the result of the Company following the approved procurement plan and obtaining competitive responses to its RFPs.

After review, the Division is of the opinion that the proposed Standard Offer rates contained in the filing for Residential, Commercial, and Industrial Standard Offer are correctly calculated and comply with the PUC-approved standard offer procurement plan as directed in Order number 22774 issued in the Standard Offer Procurement Plan, Docket 4692, written order dated May 12, 2017.

The Division also is of the opinion that the power supply procurements undertaken by National Grid in the Docket reporting period comply with the Standard Offer Procurement Plan approved by the Commission.

While the rates are correctly calculated and in compliance with the procurement plan, the Division is making a separate recommendation to mitigate the rate impacts for residential and small commercial customers. This additional rate mitigation recommendation is provided in a separate memorandum.