



State of Rhode Island
Division of Public
Utilities & Carriers

To: Luly Massaro
Commission Clerk
From: Alberico Mancini
Division of Public Utilities & Carriers
Date: March 1, 2018 (Revised)
Re: Narragansett Electric – Standard Offer Rate Filing: Docket 4692

Memorandum

This memorandum provides information from the Division of Public Utilities and Carriers to the Public Utilities Commission, as required by statute, in relation to the quarterly filing of Narragansett Electric Company's d/b/a National Grid ("National Grid" or "Company") proposal for standard offer service rates.

On January 18, 2018 National Grid filed with the Commission its proposal as:

Proposed Standard Offer Service Rates for the Residential Group and the Commercial Group for the Months of April 2018 through September 2018, and for the Industrial Group for the Months of April 2018 through June 2018 and the *Results of Competitive Procurement for the Months of April 2018 through March 2020 for the Residential Group, for the Months of April 2018 through March 2020 for the Commercial Group, and for the Months of April 2018 through June 2018 for the Industrial Group.* The proposal included a Request for Confidential Treatment of detailed bid results. The company submitted the confidential materials to the Division for staff review.

Included in the Company's filing 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 2018 through September 2018.
- 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 8, 2017 for the period April 2018 through June 2018 for the Industrial Group, April 2018 through

March 2020 for the Commercial Group, and April 2018 through March 2020 for the Residential Group;

- A redacted summary of the procurement process, and;
- Redacted versions of the executed confidential Transaction Confirmations for the period April 2018 through June 2018 for the Industrial Group, April 2018 through March 2020 for the Commercial Group, and April 2018 through March 2020 for the Residential Group.

Un-redacted versions of the Procurement Summary and Transaction Confirmations have been supplied under separate cover.

Standard Offer Service Procurement Plan Analysis

Industrial Group: 100% of the load for **April 2018 through June 2018.**

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

With this most recent solicitation for another 15% of the load requirements for the **April 2018 through September 2018** period, 90% of the load requirements for the Commercial Group for the April 2018 through September 2018 period have now been procured (15% in 1/17, 20% in 4/17, 20% in 7/17, 20% in 10/17, and 15% in 1/18). For the April 2018 through September 2018 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 2018 through March 2019** period have been procured in the January 2018 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2018 through March 2019 period (15% in 1/17, 20% in 7/17 and 15% in 1/18). For the October 2018 through March 2019 period, the Company will procure another 20% in the second quarter of 2018 and 20% in the third quarter of 2018. Those procurements will total 90% for the October 2018 through March 2019 period and 10% will be made in the spot market.

Also, 15% of the Commercial Group's load requirements for the **April 2019 through March 2020** period have been procured in the January 2018 solicitation. This is the first solicitation for the April 2019 through March 2020 period. For the April 2019 through March 2020 period, the Company will procure several additional procurements layered over the next six quarters. Those procurements will total 90% for the April 2019 through March 2020 period and 10% will be made in the spot market.

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

With this most recent solicitation for another 15% of the load requirements for the **April 2018 through September 2018** period, 90% of the load requirements for the Residential Group for the April 2018 through September 2018 period have now been procured (15% in 1/17, 20% in 4/17, 20% in 7/17, 20% in 10/17, and 15% in 1/18). For the April 2018 through September 2018 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 2018 through March 2019** period have been procured in the January 2018 solicitation. With this most recent solicitation, 50% of the load requirements have been purchased for the October 2018 through March 2019 period (15% in 1/17, 20% in 7/17 and 15% in 1/18). For the October 2018 through March 2019 period, the Company will procure another 20% in the second quarter of 2018 and 20% in the third quarter of 2018. Those procurements will total 90% for the October 2018 through March 2019 period and 10% will be made in the spot market.

Also, 15% of the Residential Group's load requirements for the **April 2019 through March 2020** period have been procured in the January 2018 solicitation. This is the first solicitation for the April 2019 through March 2020 period. For the April 2019 through March 2020 period, the Company will procure several additional procurements layered over the next six quarters. Those procurements will total 90% for the April 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 April 2018 through June 2018 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00507), the Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 are:

- April 2018: \$0.06220/kWh.
- May 2018: \$0.05703/kWh.
- June 2018: \$0.07081/kWh.

The three month average of the proposed April 2018 through June 2018 Industrial Group SOS rate is \$0.06335/kWh, which results in a 33% decrease compared with the January 2018 through March 2018 average Industrial Standard Offer rate of \$0.09431/kWh. Although the proposed average rate of \$0.06335/kWh results in a 30% increase from the same three month period average of \$0.04888 in the previous year, the proposed rate is 8% higher than the average Industrial SOS rate of \$0.05853/kWh calculated for the April through June period for the 5 years of 2013-2017.

Residential and Commercial Groups' Rates

The SOS rate proposed for the **Residential Customer Group** for the April 2018 through September 2018 period, including the current per-kWh Standard Offer Adjustment Factor of (\$0.00465), the Administrative Cost Factor of \$0.00148, and the Renewable Energy Charge of \$0.00040 is **\$0.08038/kWh**. This is a decrease of \$0.01477/kWh or 16%, compared with the current SOS rate of \$0.09515/kWh. Compared to the previous year's April 2017 through September 2017 Residential Group SOS average rate of \$0.06228/kWh, the proposed rate of \$0.08038/kWh is 29% higher than the same six month period in the previous year. Compared to the previous 3-year April through September average rate of \$0.08437/kWh for 2015 through 2017, the proposed rate of \$0.08038 is 5% lower.

The **fixed price option** SOS rate proposed for the **Commercial Customer Group** for the April 2018 through September 2018 period, including the current per-kWh SOS Adjustment Factor of (\$0.00304), Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 is **\$0.07926/kWh**. This is a decrease of \$0.01424/kWh, or 15% compared with the current fixed price option charge of \$0.09350/kWh. Compared to the previous year's April 2017 through September 2017 Commercial Group SOS average rate of \$0.06156/kWh, the proposed rate of \$0.07926/kWh is 29% higher than the same six month period in the previous year. Compared to the previous 3-year April through September average rate of \$0.07835/kWh for 2015 through 2017, the proposed rate of \$0.07926 is 1% higher.

The **variable price option** proposed SOS rates for the **Commercial Customer Group** including the current per-kWh SOS Adjustment Factor of (\$0.00304), Administrative Cost Factor of \$0.00122, and the Renewable Energy Charge of \$0.00040 are as follows:

April - \$0.07578; May - \$0.07037; June - \$0.08186; July - \$0.08250; August - \$0.08153; September - \$0.08189.

Current Industrial Standard Offer customers can choose to buy their energy supply from a number of competitive electric suppliers. Open Access reports filed by National Grid indicate that approximately 90% of the Industrial load in Rhode Island is served by competitive suppliers, not National Grid. Approximately 45% of the total load in Rhode Island is served by competitive suppliers. Customers served by competitive suppliers are unaffected by the proposed SOS rate filing, though all customers will likely be eventually impacted by regional wholesale market conditions.

Conclusion

Based on my review, the Division believes that the calculations for the proposed Standard Offer Service Rates for the Industrial, Commercial and Residential Groups are correct and the filing is in compliance 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 anticipates working with the Company in the next standard offer procurement plan to evaluate opportunities to improve the electricity supply through the procurement process. In particular, the Division will ask National Grid to evaluate and whether auction-based approaches to procure electricity supply might achieve lower cost supply outcomes for ratepayers.

Please 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, 2018, have not been filed. When approved, these yet to be filed factors will slightly change the billed Standard Offer Rates effective April 1, noted in this memo.