



State of Rhode Island
Division of Public
Utilities & Carriers

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Memorandum

**To: Luly Massaro
Commission Clerk**

**From: Alberico Mancini
Division of Public Utilities & Carriers**

Date: 6/26/2018 (Revised)

**Re: Narragansett Electric – Long Term Contracting for Renewable Energy
Recovery Factor, Docket 4775**

On May 15, 2018 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission its Long-Term Contracting for Renewable Energy Recovery (“LTCRER”) factor filing for the period July 1 through December 31, 2018 (“Pricing period”).

The LTCRER provision, R.I.P.U.C. No. 2127, was approved by the Commission in Docket 4338, and allows for the recovery of payments made to projects under long-term contracts and distributed generation (“DG”) standard contracts executed pursuant to R.I.G.L. 39-26-1 and R.I.G.L. 39-26-2, respectively.

The Company’s calculation, intended to recover estimated renewable contract costs associated with National Grid’s power purchase agreements (“PPA”) less the proceeds from the sale of energy, capacity, Renewable Energy Certificates and customer share of net forward capacity,

results in a recovery factor of \$0.00579 per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00068. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00647. The proposed recovery factor is a rate increase of \$0.00060 compared with the current billed charge of \$0.00587. The effect on a typical 500 kWh monthly residential bill is an increase of \$0.31 per month or 0.3%.

The Company's estimate of payments to operating Renewable and DG units over the six-month period is \$33,086,434. Estimated revenues from sale of REC's, energy, and capacity is \$11,406,101, leaving a net above - market cost of \$21,680,333. The Company also estimates that it will receive \$76,800 in capacity revenue from customer-owned DG facilities bidding into the Forward Capacity Market as part of the Company's approved program. The customer's share of the net forward capacity is 90% or \$69,120. The total estimated costs to be recovered including \$19,579 in Company administrative costs is \$21,630,792.

As the proposed factor results in a small increase from the previous LTCRER factor, Table 1 on the following page compares the proposed July through December 2018 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. The Company's estimated generator output has increased from the current January through June period but has decreased from the same July through December period in 2017. While estimated capacity revenue has increased, estimated market revenues from the sale of energy and REC's have decreased, therefore resulting in an increase in the LTCRER factor as illustrated in Table 1.

Table 1

PUC Docket No. 4775			
<u>Long-Term Contracting for Renewable Energy Recovery Factor</u>			
	Prior (Jul to Dec '17)	Current (Jan to Jun '18)	Proposed (Jul to Dec '18)
Estimated Generator Output - MWH	192,091	174,568	186,351
Estimated Contract Costs	\$33,542,246	\$30,374,859	\$33,086,434
Estimated Market Value			
Energy	\$7,212,973	\$7,773,069	\$6,375,150
REC's	\$3,553,684	\$3,212,059	\$3,121,384
<u>Capacity</u>	\$1,229,094	\$1,339,182	\$1,909,567
Subtotal	\$11,995,751	\$12,324,310	\$11,406,101
Estimated Admin. Cost (ADM)	\$ 18,772	\$ 21,077	\$19,579
Estimated Customer Share (NFCMP)	\$ -	\$ 27,447	\$69,120
Net amount to be Recovered	\$21,565,267	\$18,050,550	\$21,630,792
Forecasted KWH Sales	3,880,794,910	3,515,855,375	3,776,343,225
Adjustment for Uncollectables	1.25%	1.25%	1.25%
LTCRER Factor	\$0.00561	\$0.00519	\$0.00579
Current Reconciliation Factor	\$0.00103	\$0.00068	\$0.00068
Total LTC Recovery Factor	\$0.00664	\$0.00587	\$0.00647

The Division has reviewed the LTCRER factor filing and concluded that the Company's LTCRER calculations are correct. The Division believes the filing is in accordance with the Commission's order in docket 4338, the docket in which the Commission approved the LTCRER Provision, and therefore recommends approval of the proposed total LTCRER recovery factor of \$0.00647 per kWh, effective July 1, 2018.