

Memorandum

**To: Luly Massaro
Commission Clerk**

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

Date: 12/8/2017

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

On November 15, 2017 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 January 1 through June 30, 2017 (“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, or other attributes, results in a recovery factor of \$0.00519 per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00103. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00622. The proposed recovery factor is a rate decrease of \$0.000042 compared with the current billed charge of \$0.00664. The effect on a typical 500 kWh monthly residential bill is a decrease of \$0.22 per month or 0.2%.

The Company’s estimate of payments to operating Renewable and DG units over the six month period is \$30,374,859. Estimated revenues from sale of REC’s, energy, and capacity is \$12,324,310, leaving a net above- market cost of \$18,050,550.

As the proposed factor results in a small decrease than the previous LTCRER factor, Table 1 below compares the proposed January through June 2018 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. Estimated contract cost continue to decrease as a result of lower estimated generator output while estimated market revenues from the sale of energy, REC’s and capacity have increased, therefore resulting in a decrease 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 (Jan to Jun '17)	Current (Jul to Dec '17)	Proposed (Jan to Jun '18)
Estimated Generator Output - MWH	197,485	192,091	174,568
Estimated Contract Costs	\$34,240,592	\$33,542,246	\$30,374,859
Estimated Market Value			
Energy	\$9,906,794	\$7,212,973	\$7,773,069
REC's	\$4,344,672	\$3,553,684	\$3,212,059
Capacity	\$539,370	\$1,229,094	\$1,339,182
subtotal	\$14,790,836	\$11,995,751	\$12,324,310
Estimated Admin. Cost (ADM)	\$ -	\$ 18,772	\$21,077
Estimated Customer Share (NFCMP)	\$ -	\$ -	\$27,447
Net amount to be Recovered	\$19,449,756	\$21,565,267	\$18,050,550
Forecasted KWH Sales	3,562,840,141	3,880,794,910	3,515,855,375
Adjustment for Uncollectables	1.25%	1.25%	1.25%
LTCRER Factor	\$0.00551	\$0.00561	\$0.00519
Current Reconciliation Factor	\$0.00116	\$0.00103	\$0.00103
Total LTC Recovery Factor	\$0.00667	\$0.00664	\$0.00622

The Division reviewed the LTCRER factor filing and also had asked Daymark Energy Advisors to opine on the REC proxy value, market energy proxy, and capacity prices included in the filing. Attached is a memo authored by Richard Hahn of Daymark representing the results of their review. In Daymark's opinion the assumptions and calculations that were used by the Company to determine the proposed factor were reasonable. Daymark did have additional concerns which were discussed with the Company and are listed in the attached memo from Daymark along with the Company's response. After discussion with the Company, all of their concerns were successfully resolved and therefore, Daymark recommended that the LTCRER factor be approved as filed.

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 \$0.00622 per kWh, effective January 1, 2018.