



State of Rhode Island
Division of Public
Utilities & Carriers

Accounting Section
89 Jefferson Blvd.
Warwick, R.I. 02888

To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission

From: Joel A. Munoz, Rate Analyst *Sam*
Rhode Island Division of Public Utilities & Carriers

Date: May 9, 2019

Subject: Docket No.: 4809 – Standard Offer Service Procurement Plan

On April 17, 2019, Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Public Utilities Commission (“Commission”) proposed Standard Offer Service rates for the Industrial Group effective July 1, 2019, together with the results of the Company’s most recent Standard Offer procurement.¹ As with prior Standard Offer Rate filings, the Division of Public Utilities and Carriers (“Division”), after reviewing the Company’s filings, has prepared this memo for the Commission’s consideration.

The Company submitted a Request for Confidential Treatment covering the detailed bid results. The Company submitted these confidential materials to the Division for its review and analysis. Included in the Company’s filings were:

- A calculation of the Standard Offer Service (“SOS”) retail rates for the Industrial Group for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, reflecting the proposed rates for the period July 2019 through September 2019;
- A typical bill analysis for the SOS Industrial Customer Group;
- A copy of the Request for Proposals (“RFPs”) issued by the Company on March 8, 2019 to solicit SOS supply for the Residential Group for the period October

¹ The April 17, 2019 filings were entitled: Proposed Standard Offer Service Rates for the Industrial Group for the Months of July 2019 through September 2019, and Results of Competitive Procurement for the Months of October 2019 through September 2020 for the Residential Group, October 2019 through September 2020 for the Commercial Group, and July 2019 through September 2019 for the Industrial Group, and Request for Confidential Treatment.

2019 through September 2020, for the Commercial Group for the period October 2019 through September 2020, and for the Industrial Group for the period July 2019 through September 2019;

- A redacted summary of the procurement process; and
- Redacted versions of the executed confidential Amendment to the Master Power Agreement and Transaction Confirmations for July 2019 through September 2019 for the Industrial Group and Results of the Competitive Procurement for the Months of October 2019 through September 2020 for the Residential Group and October 2019 through September 2020 for the Commercial Group.

Unredacted versions of the Procurement Summary, Amendments to the Master Power Agreement, and Transaction Conformations have been supplied under separate cover.

Standard Offer Service Procurement Plan Summary

Industrial Group: 100% of the load for **July 2019 through September 2019**.

Commercial Group: Procurement encompassing **October 2019 through September 2020**.

With the most recent solicitation for another 20% of the load requirement for the **October 2019 through March 2020** period, 70% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in January 2018, 20% in July 2018, 15% in January 2019, 20% in April 2019). For the October 2019 through March 2020 period, the Company will procure another 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.

Also, with the most recent solicitation for another 20% of the load requirement for the **April 2020 through September 2020** period, 35% of the load requirements have been purchased for the April 2020 through September 2020 period (15% in January 2019, 20% in April 2019). For the April 2020 through September 2020 period, the Company will procure another 20% in the third quarter of 2019, 20% in the fourth quarter of 2019, and 15% in the first quarter of 2020, for a total of 90% for the April 2020 through September 2020 period and 10% will be made on the spot market.

Residential Group: Procurement encompassing **October 2019 through September 2020**.

With the most recent solicitation for another 20% of the load requirement for the **October 2019 through March 2020** period, 70% of the load requirements have been purchased for the October 2019 through March 2020 period (15% in January 2018, 20% in July 2018, 15% in January 2019, 20% in April 2019). For the October 2019 through March 2020 period, the Company will procure another 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.

Also, with the most recent solicitation for another 20% of the load requirement for the **April 2020 through September 2020** period, 35% of the load requirements have been purchased for the April 2020 through September 2020 period (15% in January 2019, 20% in April 2019). For the April 2020 through September 2020 period, the Company will procure another 20% in the third quarter of 2019, 20% in the fourth quarter of 2019, and 15% in the first quarter of 2020, for a total of 90% for the April 2020 through September 2020 period and 10% will be made on the spot market.

Standard Offer Service Proposed Rates and Trends

Industrial Group Rates

The SOS rates proposed for the Industrial Group for the **July 2019 to September 2019** period, including the current per-kWh Standard Offer Adjustment Factor of \$0.00138, the Administrative Cost Factor of \$0.00233, and the Renewable Energy Charge of \$0.00063 are:

- July 2019: \$0.07242/kWh
- August 2019: \$0.06733/kWh
- September 2019: \$0.07447/kWh

The three-month average of the proposed July 2019 through September 2019 Industrial Group SOS rate is \$0.07141, which results in over a 25% decrease, compared with the April 2019 through June 2019 average Industrial Standard Offer rate of \$0.09622. In comparison, the same three-month average rate was \$0.07209 the previous year. Additionally, the Industrial SOS average was \$0.06350 for the July through September period for the 5 years from 2014 to 2018.

Division Confirmation of Compliance

After review, the Division is of the opinion that the proposed Standard Offer rates contained in the filing for Industrial Standard Offer are correctly calculated and comply with the PUC-approved standard offer procurement plan as directed in Order No. 23366 issued in the Standard Offer Procurement Plan, Docket No. 4809, written order dated January 3, 2019. The Division is also 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.

cc: Service List