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**To: RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**From: Matthew Loiacono, and Aliea Afnan, DAYMARK ENERGY ADVISORS**

**Date: March 15, 2019**

**Subject: 2019 Renewable Energy Standard Charge and Reconciliation Filing**  
**Docket No. 4809**

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## **INTRODUCTION**

On February 27, 2019, National Grid (“NGrid” or the “Company”) filed its proposed 2019 Renewable Energy Standard (“RES”) Charge and Reconciliation. This filing consists of three attachments, which provide the calculation of the proposed RES Charge for 2019, the RES reconciliation for the period January 1, 2018 through December 31, 2018, and an analysis of the typical bill impacts of the proposed RES Charge. The proposed RES Charge will increase a typical 500 kWh/month Standard Offer Service residential customer’s bill by 0.3%, which partially offsets the 2.6% decrease proposed in Docket 4930. Based on the Public Utility Commission’s (PUC’s) Order in Docket 4692, the Company has provided Excel files of its workpapers supporting the 2019 RES Charge and Reconciliation Filing. This filing was designated as Docket No. 4809.

The Rhode Island Division of Public Utilities and Carriers (the “Division”) has retained Daymark Energy Advisors to assist in its review of these filings to ensure the various reconciliations are accurately calculated and are in accordance with the relevant tariffs. In summary, we find that NGrid calculated all the charges appropriately based on the underlying data the Company presented and the Company’s tariff. We do however have the following recommendations:

1. NGrid should, for presentation purposes, remove lines (1) through (3) on Attachment 2, Page 1, when the Company makes future RES Charge and Reconciliation filings.

This memorandum presents the full results of our review.

## **RENEWABLE ENERGY STANDARD CHARGE AND RECONCILIATION**

In its February 27, 2019 filing in Docket 4809, the Company seeks approval for a proposed 2019 RES Charge of \$0.00063 per kWh. The charge consists of two components. The first component is the

estimated cost of complying with the RES for 2019, estimated by NGrid to be \$0.00183 per kWh. The second component is the adjustment charge to reconcile previous estimates of the cost of complying with prior years' RES with actual costs, (\$0.00120) per kWh.<sup>1</sup>

The first component - \$0.00183 per kWh – is based upon estimated REC prices of \$13.35 for new RECs and \$1.50 for existing RECs.<sup>2</sup> These prices are consistent with recent actual purchases made by the Company and our outlook of the current REC market, and we find them to be reasonable. The proposed charge is based upon the 2019 RES values that require new RECs to be 12.5% of supply obligation and existing RECs to be 2.0%. Using the above assumptions, we concur with the Company's calculation of the \$0.00183 per kWh figure.

The proposed adjustment charge is (\$0.00120) per kWh, which means that the adjustment charge is a credit. This is mostly due to a cumulative over-collection for the 2018 RES compliance year costs of \$4,580,937 as of December 31, 2018.<sup>3</sup> Additionally, the Company estimates an over-recovered amount of \$93,917 for the remaining estimated over-recovery from prior RES compliance years through 2017 would be credited to customers during the period April 1, 2019 through March 31, 2020.<sup>4</sup> We examined in detail the calculation of the cumulative over-collection. Similar to prior years, there has been an over-recovery that has carried forward. We found that the amount of over-recovery carried over from 2017 to 2018 was about half the amount of over-recovery carried over from 2018 to 2019. NGrid previously explained in response to discovery in its 2017 RES Reconciliation Filing that due to REC market prices significantly dropping compared to the Company's estimation of REC prices the Company was experiencing a similar over-recovery of about \$11.6 million during 2015 to 2016 and 2016 to 2017. Additionally, NGrid explained that this trend has continued over the last couple of years.<sup>5</sup> When asked about the recent REC trends, NGrid explained that the RES New obligation actual price was again lower than the Expected REC price and the RES Existing obligation actual price was again higher than the Expected REC price included in the RES Filing.<sup>6</sup> The Company provided confidential data on its REC revenue and purchases. Due to the confidentiality of this data, we will not summarize it here. We have performed a sufficiently robust investigation to verify the reasonableness of this information.

In this year's RES Filing, NGrid estimated revenues for February 2019 through March 2019, which includes April revenue associated with March kWh deliveries. NGrid explained the calculation for each

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<sup>1</sup> Docket No. 4809, Attachment 1, p. 1.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, p. 2.

<sup>4</sup> *Id.*, p. 2.

<sup>5</sup> Company response to Division 1-5 in Docket No. 4692.

<sup>6</sup> Company response to Division 1-3 in Docket No. 4809.

month, including the estimated monthly RES Charge revenue.<sup>7</sup> The monthly estimated revenue is calculated as the forecasted Standard Offer Service kWh for each month multiplied by the current effective RES Charge.

Based upon the above discussion, we find the proposed 2019 Renewable Energy Standard (RES) Charge of \$0.00063 per kWh to be reasonable and recommend that it be approved. However, we recommend the Company, for presentation purposes, remove lines (1) through (3) on Attachment 2, Page 1, when the Company makes future RES Charge and Reconciliation filings.<sup>8</sup> This will avoid confusion for actual revenues and expenses for January through March of the prior year associated with an earlier RES compliance year.

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<sup>7</sup> Company response to Division 1-1(b) in Docket No. 4809.

<sup>8</sup> Company response to Division 1-1(a) in Docket No. 4809.