



State of Rhode Island
Division of Public
Utilities & Carriers

Accounting Section
89 Jefferson Blvd.
Warwick, R.I. 02888
(401) 941-4500

Memorandum

To: Luly Massaro
Commission Clerk

From: Alberico Mancini
Division of Public Utilities & Carriers

Date: 12/17/2018

**Re: Narragansett Electric – Long Term Contracting for Renewable Energy
Recovery Factor, Docket 4899**

On November 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 January 1 through June 30, 2019 (“Pricing period”).

The LTCRER provision, R.I.P.U.C. No. 2174, was approved by the Commission in Docket 4676, 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 \$0.00616 per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00068 per kWh. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00684 per kWh. The proposed recovery factor is a rate increase of \$0.00037 per kWh compared with the current billed charge of \$0.00647 per kWh. The effect on a typical 500 kWh monthly residential bill is an increase of \$0.19 per month or 0.2%.

The Company's estimate of payments to operating Renewable and DG units over the six-month period is \$42,777,916. Estimated revenues from sale of REC's, energy, and capacity is \$21,489,687, leaving a net above - market cost of \$21,288,229. The Company also estimates that it will receive \$80,590 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 \$72,531. The total estimated costs to be recovered including \$19,125 in Company administrative costs is \$21,234,823.

As the proposed factor results in a small increase from the previous LTCRER factor, Table 1 on the following page compares the proposed January through July 2019 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. The Company's estimated generator output has increased over 100,000 MWh's from previous levels as a direct result of the Copenhagen Wind Farm Project which is scheduled to be operational by January 1, 2019. As estimated capacity and REC sales have slightly decreased, estimated revenues from the sale of energy has increased. With the addition of the Copenhagen Wind Farm Project, the overall program's estimated MWh output has increased 57% while the total net recoverable program cost has decreased from the previous July through December level of \$21,630,792 to \$21,234,823.

Although estimated program costs have decreased, forecasted kWh deliveries for the January through June 2019 period have also decreased 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)	Prior (Jan to Jun '18)	Current (Jul to Dec '18)	Proposed (Jan to Jun '19)
Estimated Generator Output – MWH	192,091	174,568	186,351	293,241
Estimated Contract Costs	\$33,542,246	\$30,374,859	\$33,086,434	42,777,916
Estimated Market Value				
Energy	\$7,212,973	\$7,773,069	\$6,375,150	\$17,478,162
REC's	\$3,553,684	\$3,212,059	\$3,121,384	\$2,217,636
<u>Capacity</u>	\$1,229,094	\$1,339,182	\$1,909,567	\$1,793,889
Subtotal	\$11,995,751	\$12,324,310	\$11,406,101	\$21,489,687
Estimated Admin. Cost (ADM)	\$ 18,772	\$ 21,077	\$19,579	\$19,125
Estimated Customer Share (NFCMP)	\$ -	\$ 27,447	\$69,120	\$72,531
Net amount to be Recovered	\$21,565,267	\$18,050,550	\$21,630,792	\$21,234,823
Forecasted KWH Sales	3,880,794,910	3,515,855,375	3,776,343,225	3,483,533,631
Adjustment for Uncollectables	1.25%	1.25%	1.25%	1.30%
LTCRER Factor	\$0.00561	\$0.00519	\$0.00579	\$0.00616
Current Reconciliation Factor	\$0.00103	\$0.00068	\$0.00068	\$0.00068
Total LTC Recovery Factor	\$0.00664	\$0.00587	\$0.00647	\$0.00684

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 4676, the docket in which the Commission approved the LTCRER Provision, and therefore recommends approval of the proposed total LTCRER recovery factor of \$0.00684 per kWh, effective January 1, 2019.