



State of Rhode Island
Division of Public
Utilities & Carriers

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

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

Date: June 7, 2019

Subject: Docket No. 4899 – Narragansett Electric – Long Term Contracting
for Renewable Energy Recovery Factor – Year 2019

On May 15, 2019 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, 2019 (“Pricing period”).

The LTCRER provision, R.I.P.U.C. No. 2174, was approved by the Commission in Docket No. 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 \$0.00655 per kWh. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00062 per kWh. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00717 per kWh. The proposed recovery factor is a rate increase of \$0.00039 per kWh compared with the current billed charge of \$0.00678 per kWh. The effect on a typical 500 kWh monthly residential bill is an increase of \$0.20 per month or 0.2%.

The Company’s estimate of payments to operating Renewable and DG units over the six-month period is \$42,605,396. Estimated revenues from the sale of REC’s, energy, and capacity is \$18,624,459 leaving a net above-market cost of \$23,980,937. 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 \$20,787 in Company administrative costs is \$23,929,192.

The proposed factor results in a small increase from the previous LTCRER factor. The attached Table compares the proposed July through December 2019 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. The Company's estimated generator output has slightly decreased by 1,639 MWhs, mainly because of the reduced output from Black Bear Orono B. Hydro, which is not uncommon for a hydro project to produce less during summer months. Please note that the current generator output period still represents an increase of 105,251 MWhs from the same pricing period last year. While the estimated revenue from the sale of RECs has increased, the estimated revenue from the sale of capacity and energy have decreased, therefore resulting in an increase in the LTCRER factor as illustrated in the attached Table.

The Division has reviewed the LTCRER factor filing and concluded that the Company's LTCRER calculations are correct. The Division finds that the filing is in accordance with the Commission's order in Docket No. 4676, the docket in which the Commission approved the LTCRER Provision, and therefore recommends approval of the proposed total LTCRER recovery factor of \$0.00717 kWh, effective July 1, 2019.

Recent History of the Long Term Contracting for Renewable Energy Recovery Factor

	(Jan '18)	(Jul '18)	(Jan '19)	Proposed (Jul to Dec '19)
Estimated Generator Output - MWH	174,568	186,351	293,241	291,602
Estimated Contract Costs	\$30,374,859	\$33,086,434	\$42,777,916	\$42,605,396
Estimated Market Value				
Energy REC's	\$7,773,069	\$6,375,150	\$17,478,162	\$10,934,490
Capacity	\$1,339,182	\$1,909,567	\$1,793,889	\$6,444,415
Subtotal	<u>\$12,324,310</u>	<u>\$11,406,101</u>	<u>\$21,489,687</u>	<u>\$18,624,459</u>
Estimated Admin. Cost ADM)	\$21,077	\$19,579	\$19,125	\$20,787
Estimated Customer Share (NFCMP)	\$27,447	\$69,120	\$72,531	\$72,531
Net Amount to be Recovered	<u>\$18,050,550</u>	<u>\$21,630,792</u>	<u>\$21,234,823</u>	<u>\$23,929,192</u>
Forecasted KWH Sales	3,515,855,375	3,776,343,225	3,483,533,631	3,698,241,264
Adjustment for Uncollectables	1.25%	1.25%	1.30%	1.30%
LTCRER Factor	\$0.00519	\$0.00579	\$0.00616	\$0.00655
Reconciliation Factor	\$0.00103	\$0.00068	\$0.00068	\$0.00062
Total LTC Recovery Factor	\$0.00622	\$0.00647	\$0.00684	\$0.00717