

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S STANDARD OFFER : **DOCKET NO. 4935**
SERVICE RATES FOR THE INDUSTRIAL, RESIDENTIAL, :
AND COMMERCIAL GROUPS PURSUANT TO THE :
2020 STANDARD OFFER PROCUREMENT PLAN :

**DIVISION OF PUBLIC UTILITIES AND CARRIERS’
RESPONSE TO THE POST-HEARING RECORD REQUEST ISSUED AT THE
EVIDENTIARY HEARING ON AUGUST 31, 2020**

September 3, 2020

1-1. Why should a rate increase take place during a pandemic?

Division Response:

The Division of Public Utilities and Carriers (“Division”) concurs with The Narragansett Electric Company d/b/a National Grid’s (“National Grid” or the “Company”) post-hearing response submitted on September 1, 2020. In addition, the Division submits the following:

The instant docket provides the mechanism for the Public Utilities Commission (“PUC”) to vet and consider National Grid’s request for regulatory approval to implement rate changes to the Standard Offer Service (“SOS” or “standard offer”) Rates for the Residential, Commercial and Industrial Customer Groups for effect on October 1, 2020. Likewise, this docket affords the Division, as ratepayer advocate, the opportunity and obligation to carefully review National Grid’s proposal. That said, because this docket is limited in scope, and the cost-recovery process that drives these rates is dictated by law, the review and approval process is likewise narrow. As explained by Mr. John Bell, the Division’s Chief Accountant, in his August 14, 2020 memorandum and by his testimony at the evidentiary hearing on August 31, 2020, the Division’s review is limited to verifying that National Grid complied with the PUC-approved procurement process and affirming that the company’s calculations are accurate. In this case, the Division has found both to be true.

Rhode Island General Laws §39-1-27.3, entitled “**Electric distribution companies required to provide retail access, standard offer and last-resort service**[,]” the statute governing standard offer service, provides in pertinent part:

“...each electric distribution company shall arrange for a standard power supply offer ("standard offer") to customers that have not elected to enter into power supply arrangements with other nonregulated power suppliers. The rates that are charged by the electric distribution company to customers for standard offer service shall be approved by the commission and **shall be designed to recover the electric**

distribution company's costs and no more than the electric distribution company's costs; provided, that the commission may establish and/or implement a rate that averages the costs over periods of time. The **electric distribution company shall not be entitled to recover any profit margin on the sale of standard offer power,** except with approval of the commission as may be necessary to implement, fairly and effectively, system reliability and least-cost procurement. The **electric distribution company will be entitled to recover its costs incurred from providing the standard offer** arising out of [certain enumerated power supply agreements or arrangements]....” *Id.* at (b) (Emphasis added).

This law requires National Grid to procure energy supply to meet the needs of standard offer customers. Precisely, it requires that National Grid, as electric distribution company, provide a “default” standard offer service to its customers for electric supply and that the costs that National Grid incurs when procuring energy supply are directly passed through to the customer without any upcharge or profits earmarked for the company. This charge appears as the “Energy Charge” on a customer’s bill. The procurement process undertaken by National Grid - in other words, the electric supply contracts secured by the company in order to provide electric supply to its SOS customers - are vetted by the Division and must be approved by the PUC as just and reasonable in advance of the undertaking.¹ Once supply is contractually secured, the company must seek and obtain PUC approval for the rates to be charged to the SOS customers, which is precisely the purpose of the most recent proceedings in Docket 4935. Given the regulatory and legal mandates required of National Grid prior to implementing seasonal/periodic SOS retail rates, the resulting rates – though vetted by the Division for accuracy and compliance and reviewed by the PUC as part of the totality of the regulatory process – are the direct costs incurred by National Grid. Simply put, the rates reflect cost recovery for Grid – nothing more, nothing less. That being the case, the rates rise and fall based on market factors that impact supply. As National Grid explained at the hearing and in its post-hearing record response, although the proposed rates are an increase from the “summer rates,” as has been the past 5-year trend, the proposed rates for this upcoming winter are less than they were last year. The Division concurs with National Grid’s explanation and summary of these trends as is reflected in the Division’s August 14th memorandum.

A rate increase, no matter the economic and social climate, and no matter the unfortunate and unprecedented challenges that have befallen so many during this pandemic, is never a welcomed occurrence. Notwithstanding, the energy costs as procured are passed through and must be borne by the ratepayer. The difficult timing is not lost on the Division. As ratepayer advocate, the Division tirelessly analyzes and reviews any and all utility filings subject to regulatory review and it is committed to advocate for rate reductions when legally and reasonably supportable. Notwithstanding, the Division’s role is limited in the instant case; as such, it concludes that the proposed rates are supported by the data and recommends approval.

¹ In this instance, the procurement process that yielded the current proposed rates was approved by the PUC on June 12, 2019 pursuant to Order No. 23648.