



STATE OF RHODE ISLAND

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

**From: Alberico Mancini, Chief Regulatory Analyst
Division of Public Utilities & Carriers**

Date: November 10, 2021

Re: Docket 4978 Narragansett Electric – Last Resort Service Rate Filing

On October 19, 2021 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Public Utilities Commission (Commission) proposed Last Resort Service (“LRS”) rates effective January 1, 2022 together with the results of the Company’s most recent LRS procurement.¹ As with prior LRS Rate filings, the Division has prepared this memo in response to the Company’s filing.

The Company submitted a Request for Confidential Treatment covering the detailed bid results. The Company submitted these confidential materials to the Division for review.

Included in the Company’s filing are:

- A calculation of the LRS retail rates for the Industrial Groups for each month of the service period;
- A RIPUC Tariff No. 2096 Rate Summary, Reflecting the proposed rates for the period January 2022 through March 2022.
- A typical bill analysis for LRS for the Industrial Customer Group.

¹ Filings entitled: *Proposed Last Resort Service Rates for the Industrial Group for the Months of January 2022 through March 2022*. The filing also includes the results of competitive procurement for the Months of April 2022 through September 2022 for the Residential and Commercial Group, and for the Months of January 2022 through March 2022 for the Industrial Group.

- A copy of the Request for Proposals (“RFPs”) issued on September 10, 2021 to solicit LRS supply for the period April 2022 through September 2022 for the Residential and Commercial Group, and January 2022 through March 2022 for the Industrial Group.
- A redacted summary of the procurement process, and;
- Redacted versions of the executed confidential Amendment to the Master Power Agreement and Transaction Confirmations for April 2022 through September 2022 for the Residential and Commercial Group, and January 2022 through March 2022 for the Industrial Group.

Un-redacted versions of the Procurement Summary, an amendment to a Master Power Agreement, and Transaction Confirmations have been supplied under separate cover.

Last Resort Service Procurement Plan Summary

Industrial Group: 100% of the load for **January 2022 through March 2022.**

Commercial Group: Procurements encompassing **April 2022 through September 2022.**

With this most recent solicitation for another 20% of the load requirements for the **April 2022 through September 2022** period, 75% of the load requirements for the Commercial Group for the April 2022 through September 2022 period have now been procured (15% in January 2021, 20% in April 2021, 20% in July 2021 and 20% in October 2021). For the April 2022 through September 2022 period, the Company will procure another 15% in the first quarter of 2022. Those procurements will total 90% for the April 2022 through September 2022 period and the remaining 10% of the load will be purchased in the spot market as the approved plan specifies.

Residential Group: Procurements encompassing **April 2022 through September 2022.**

With this most recent solicitation for another 20% of the load requirements for the **April 2022 through September 2022** period, 75% of the load requirements for the Residential Group for the April 2022 through September 2022 period have now been procured (15% in January 2021, 20% in April 2021, 20% in July 2021 and 20% in October 2021). For the April 2022 through September 2022 period, the Company will procure another 15% in the first quarter of 2022. Those procurements will total 90% for the April 2022 through September 2022 period and the remaining 10% of the load will be purchased in the spot market as the approved plan specifies.

Last Resort Service Proposed Rates

Industrial Group Rates

The LRS rates proposed for the **Industrial Customer Group** for the April 2022 through March 2022 period, including the current per-kWh Last Resort Adjustment Factor of (\$0.00598), the Administrative Cost Factor of \$0.00201, and the Renewable Energy Charge of \$0.00665 are:

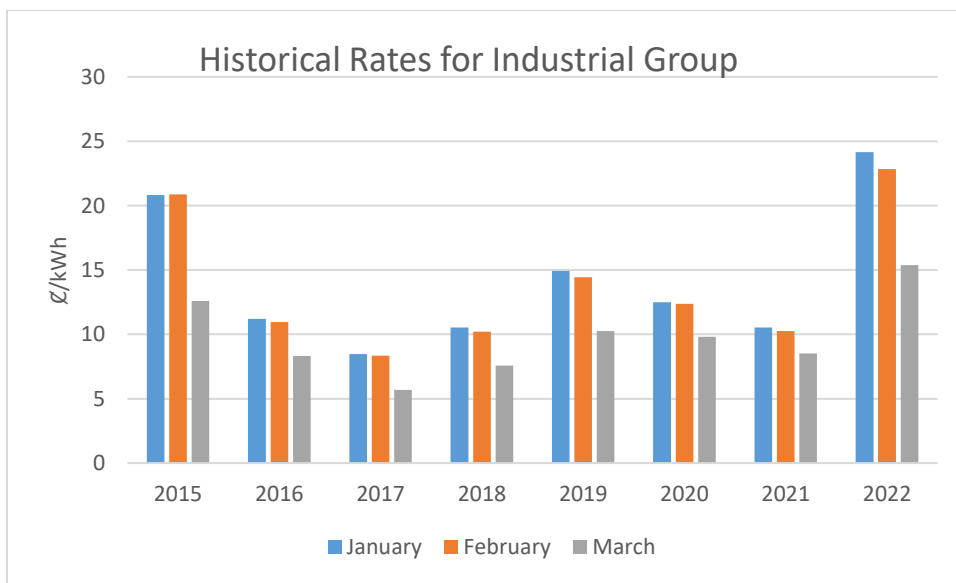
- January 2022: \$0.24153 / kWh
- February 2022: \$0.22843 / kWh
- March 2022: \$0.15368 / kWh

The three-month average of the proposed January 2022 through March 2022 Industrial Group LRS rate is \$0.20788/kWh.

Last Resort Service Rate Bill Impacts and Trends

The trend over the last several years has been higher electric supply prices in the winter verses the summer season and tend to peak in the January/February timeframe. The graph below, AM-1, compares actual monthly pricing for the January through March period from 2015 through 2021 and the proposed prices for the same months of 2022.

AM-1



As can be seen in the graph, the proposed 2022 winter pricing for the Industrial Group sharply increased compared to recent winters with the exception of 2015 when prices also exceeded 20 cents per kWh. On October 25, 2021, the Division met with the Company to discuss this LRS procurement and to obtain a better understanding of the market and the cause of the significant price increase for this winter. The Company explained that gas fired generators typically set the clearing price for electricity in New England and the higher electricity prices we are seeing are due to higher natural gas futures along with an anticipated tight regional natural gas market for this upcoming winter. At the time of our meeting with the Company the futures were slightly higher than the procurement prices. This shows that the procurement prices were not a short term anomaly. Also, as can be seen by the chart, the March prices drop significantly which further supports the explanation that natural gas prices caused the higher prices in the January/February

period and as natural gas constraints typically ease in March, the prices declined. The Division has continued to monitor electric futures and as of this writing, the prices are still significantly higher than prior years, however they appear to be easing and hopefully, prices for the next procurement will return to a more favorable level which we've seen in recent years.

Though the proposed LRS rates are much higher than recent prices, the Division isn't proposing any mitigating measures. The proposed rates are the result of the Company following the approved procurement plan and obtaining competitive responses to its RFPs. In addition, LRS only provides about 10% of the power supply for the Industrial Class with the remainder of the supply provided by the competitive market so most customers won't be impacted by the higher LRS rates. Naturally, the Division is concerned for customers that may be impacted by the increased prices, however we believe they have time to take measures to mitigate the impact, such as shopping for a lower cost supply, conservation measures, and budget billing to levelize payments.

Division Confirmation of Compliance

After review, the Division is of the opinion that the proposed Last Resort rates contained in the filing for Industrial Group are correctly calculated and comply with the PUC-approved Last Resort Procurement Plan as approved in Docket 4978 at the July 23, 2020 open meeting.

The Division also is of the opinion that the power supply procurements undertaken by National Grid in the Docket reporting period comply with the Last Resort Procurement Plan approved by the Commission.