



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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 10, 2020

Subject: Docket No. 4992 – Narragansett Electric – Long Term Contracting
for Renewable Energy Recovery Factor – Year 2020

On May 15, 2020 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, 2020 (“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 (RECs) and customer share of net forward capacity, results in a recovery factor of \$0.00733 per kWh, effective for consumption on or after July 1, 2020. The currently effective LTCRER Reconciliation Factor is a charge of \$0.00198 per kWh. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor of \$0.00931 per kWh. The proposed recovery factor is a rate increase of \$0.00252 per kWh compared with the current billed charge of \$0.00679 per kWh. The effect on a typical 500 kWh monthly residential bill is an increase of \$1.32 per month or 1.2%.

The Company's estimate of payments to operating Renewable and DG units over the six-month period is \$47,358,677. Estimated revenues from sale of REC's, energy, and capacity is \$20,668,310, leaving a net above-market cost of \$26,690,367. The Company also estimates that it will receive \$37,517 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 \$33,765. The total estimated costs to be recovered, including \$9,796 in Company administrative costs, is \$26,690,367.

The proposed factor results in a small increase from the previous LTCRER factor. The attached Table (JAM-1) on the following page compares the proposed July through December 2020 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. The Company's estimated generator output has increased by 23,446 MWhs from the previous filing. Please note that the current generator output period represents an increase of 32,769 MWhs from the same pricing period last year. The estimated revenue from the sale of energy, RECs, and capacity have all decreased, therefore resulting in an increase in the LTCRER factor as illustrated in JAM-1.

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 No. 4676, the docket in which the Commission approved the LTCRER Provision, and therefore recommends approval of the proposed total LTCRER recovery factor of \$0.00931 kWh, effective July 1, 2020.

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

	(Jan '19)	(Jul '19)	(Jan '20)	(Jul to Dec '20)
Estimated Generator Output - MWH	293,241	291,602	300,925	324,371
Estimated Contract Costs	\$42,777,916	\$42,605,396	\$44,524,915	\$47,358,677
Estimated Market Value				
Energy	\$17,478,162	\$10,934,490	\$13,630,902	\$9,719,281
REC's	\$ 2,217,636	\$6,444,415	\$12,849,516	\$9,690,589
Capacity	\$ 1,793,889	\$1,245,554	\$1,715,426	\$1,258,440
Subtotal	\$21,489,687	\$18,624,459	\$28,195,844	\$20,668,310
Estimated Admin. Cost	\$19,125	\$20,787	\$9,424	\$9,796
Estimated Customer Share – Net FCM	\$72,531	\$72,531	\$16,608	\$33,765
Net Amount to be Recovered	\$21,234,823	\$23,929,193	\$16,621,887	\$26,666,398
Forecasted KWH Sales	3,483,533,631	3,698,241,264	3,433,885,995	3,679,413,312
Adjustment for Uncollectibles	1.30%	1.30%	1.30%	1.30%
LTCRER Factor	\$0.00616	\$0.00655	\$0.00481	\$0.00733
Current Reconciliation Factor	\$0.00068	\$0.00062	\$0.00711	\$0.00198
Total LTC Recovery Factor	\$0.00684	\$0.00717	\$0.00543	\$0.00931