

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S LONG-TERM CONTRACTING : **DOCKET NO. 4992**
FOR RENEWABLE ENERGY RECOVERY FACTOR :

REPORT AND ORDER

I. Introduction

On May 15, 2020, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC) its Long-Term Contracting for Renewable Energy Recovery Factor (LTC factor) for the period July 2020 through December 2020.¹ The Company sought a recovery factor of 0.931¢ per kilowatt-hour applicable to all customers, effective for consumption on and after July 1, 2020.

On June 10, 2019, the Division of Public Utilities and Carriers (Division) filed a memorandum with the PUC summarizing the filing and recommending approval of the proposed LTC Factor for effect on July 1, 2020.² At an Open Meeting on June 25, 2020, the PUC reviewed the filing and, accepting the Division’s reasoning and recommendations, approved the proposed LTC Factor for electricity consumed on and after July 1, 2020.

II. The Long-Term Contracting for Renewable Energy Recovery Factor

The LTC Recovery Provision provides for the recovery of payments made to projects under long-term contracts executed pursuant to R.I. Gen. Laws Chapter 39-26.1 and to distributed generation standard contracts executed pursuant to R.I. Gen. Laws Chapter 39-26.2, minus the proceeds obtained from the sale of energy, capacity, Renewable Energy Certificates (RECs), and

¹ National Grid’s Long-Term Contracting for Renewable Energy Recovery Factor Filing (May 15, 2020) (Filing); [http://www.ripuc.ri.gov/eventsactions/docket/4992-NGrid-%20LTCRecovery-July%201,%202020%20\(05-15-2020\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4992-NGrid-%20LTCRecovery-July%201,%202020%20(05-15-2020).pdf)

² Division Memo (June 10, 2020); http://www.ripuc.ri.gov/eventsactions/docket/4992-DIV-Memo_%206-10-20.pdf.

customer share of net forward capacity proceeds. The LTC Recovery Factor proposed in this filing is designed to recover from customers the estimated above-market costs associated with the Company's power purchase agreements (PPAs) pursuant to R.I. Gen. Laws § 39-26.1-5(f) and Distributed Generation standard contracts (collectively, Long Term Renewable Contracts) associated with units that have entered commercial operation.³ The LTC Recovery Provision also permits recovery of administrative expenses incurred as a result of the Company's participation in the Forward Capacity Market.

The above-market cost is calculated as the total expected payments to be made under the contracts for the pricing period less the estimated market value associated with the sale of the energy, RECs, and capacity.⁴ The market energy proxy is based on NYMEX electricity futures prices for the pricing period and renewable resource generation shapes (output in on-peak hours and off-peak hours). The REC proxy value is based on the Company's most recent market estimate. The capacity market value is the estimated capacity revenue to be received from Independent System Operator of New England (ISO-NE) for the Pricing Period.⁵

III. National Grid's Filing

In its filing, National Grid estimated that the six-month contract cost for thirty-four renewable energy contracts, which included twenty-six distributed generation contracts and six non-distributed generation contracts, would be \$47,358,677.⁶ The market value for the energy, RECs, and capacity procured under the contracts is projected to be \$20,668,310 for the same period. The difference between the estimated contract costs of \$47,358,677, minus the customer share of forward capacity market proceeds of \$33,765, and related administrative costs of \$9,796

³ Filing letter of Letitia C. Pimental (May 15, 2020).

⁴ *Id.* at 2.

⁵ *Id.* at 3.

⁶ Filing at Attach. 1, at 2.

and the estimated market value of \$20,668,310, leaves a net above market costs of \$26,666,398 to be recovered.⁷ This total cost is divided by National Grid's forecasted kilowatt hour (kWh) deliveries of (3,679,413,312) for the upcoming six-month period, resulting in a recovery factor of 0.724¢ per kWh. The uncollectibles percentage of 1.30% is applied to the factor of 0.724¢ per kWh, resulting in an adjusted factor of 0.7330¢ per kWh. The current reconciliation factor of \$0.198¢ per kWh. is added to the adjusted factor of 0.7330¢ per kWh., resulting in a combined proposed factor of 0.931 ¢per kWh. This proposed recovery factor is a rate increase of \$0.252¢ compared with the current billed charge of \$0.679¢ per kWh.⁸ The effect on a typical 500 kWh monthly residential bill is an increase of \$1.32 per month or 1.2%.

The Company did not present any changes to its Summary of Retail Delivery Service Rates within the scope of this filing because the Company had separate filings pending for an Arrearage Management Adjustment Factor, a Low-Income Discount Recovery Factor, and a Revenue Decoupling Mechanism Recovery Factor. These factors, if approved, would also take effect on July 1, 2020. Therefore, to avoid any confusion that might arise from filing multiple versions of the Summary of Retail Delivery Service Rates, the Company will file a revised Summary of Retail Delivery Service Rates that incorporates all the rate changes that are effective for July 1, 2020, after the Commission has ruled on all the individual proposals.

IV. Review and Decision

The Division opined that the Company's calculations were correct and that the filing and the revised filings were in accordance with the PUC's order in Docket No. 4676, which approved

⁷ *Id.* at Attach. 1, at 1. This amount includes the customers' share of net Forward Capacity Market (FCM) proceeds which total \$37,517. The customer's share of FCM proceeds is 90% or \$33,765. *Id.* at Attach. 1, at 6.

⁸ Filing letter at 2; Attach. 1 at 1.

the Long Term Contracting for Renewable Energy Resources Provision. The Division, therefore, recommended that the factor of \$0.00931 kWh be approved as filed, effective July 1, 2020.

At an Open Meeting on June 24, 2019, the PUC reviewed the filing and, relying on the Division's reasoning and recommendations, approved the proposed LTC Factor for electricity consumed on and after July 1, 2020.

Accordingly, it is hereby

(23882) ORDERED:

The Narragansett Electric Company d/b/a National Grid's Long-Term Contracting for Renewable Energy Recovery Factor of 0.931¢ per kilowatt-hour for electricity consumed on and after July 1, 2020 is hereby approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2020, PURSUANT TO AN OPEN MEETING DECISION ON JUNE 24, 2020. WRITTEN ORDER ISSUED AUGUST 19, 2020.

PUBLIC UTILITIES COMMISSION

*Margaret E. Curran, Chairperson



Marion S. Gold, Commissioner



Abigail Anthony, Commissioner

*Chairperson Curran participated in the decision but was unavailable for signature.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.