STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC	**:**	
COMPANY d/b/a NATIONAL GRID'S 2015	**:**	**DOCKET NO. 4554**
ELECTRIC RETAIL RATE FILING and	**:**	
RENEWABLE ENERGY STANDARD	**:**	**DOCKET NO. 4490**
RECONCILIATION & CHARGE	**:**	

REPORT AND ORDER

I. Introduction

On February 13, 2015, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its 2015 Electric Retail Rate Filing with the Public Utilities Commission (Commission or PUC).[1] The retail rate filing proposed rate adjustments pertaining to the reconciliation of the Company's Standard Offer Service (SOS) related costs, transition costs, transmission related charges, the Net Metering charge, and the Long-Term Contracting for Renewable Energy Recovery (LTCRER) factor. In this docket, the Company also projects costs of transmission, transition, and net metering over the twelve-month period commencing April 1, 2015. In support of its filing, the Company submitted prefiled testimony from Jeanne A. Lloyd, Principal Program Manager in the Regulations and Pricing group, and from Theresa R. Guleksen, Director of Regulation and Pricing for National Grid USA Service Company. The impact of all rate changes proposed in Docket No. 4554 on a typical residential SOS customer using 500 kWh per month is a decrease of $1.17, from $98.81 to $97.64 or approximately 1.2%.

On February 23, 2015, pursuant to R.I. Gen. Laws §39-26-1 and the PUC's Rules & Regulations Governing the Implementation of a Renewable Energy Standard, the

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[1] All filings in this docket (No. 4554) are available at the PUC offices, located at 89 Jefferson Boulevard, Warwick, Rhode Island, or at http://www.ripuc.org/eventsactions/docket/4554page.html.

Company also submitted its Renewable Energy Standard (RES) Reconciliation and proposed charge.[2] The filing provided a calculation of the proposed RES charge for 2015; the reconciliation analysis for the period January 1, 2014 through December 31, 2014; and an analysis of the typical bill impacts of the proposed RES charge of $0.00294 per kWh. The impact of the rate change proposed in Docket No. 4490 for a typical residential SOS customer using 500 kWh per month is a decrease of $0.97. The combined impact of the changes from both Docket No. 4554 and Docket No. 4490 was a reduction of $2.14 per month or 2.2%.[3]

On March 16, 2015, the Division of Public Utilities and Carriers (Division) submitted a memorandum from its consultants, LaCapra Associates (LaCapra), which reviewed the Company's filing in detail.[4] The Division concluded that the factors, as presented, were supported by and were consistent with the underlying data and were reasonable. The Division recommended approval of all factors, as proposed. After an evidentiary hearing held on March 20, 2015, the Commission found the proposed rates to be just and reasonable and unanimously approved the Company's filing.

II. National Grid's Proposed 2015 Electric Retail Rate Filing

This filing includes rate adjustments arising out of the reconciliation of the Company's Standard Offer Service (SOS), SOS administrative costs, a non-bypassable transition charge, transmission service, transmission-related uncollectible expense, renewable net metering credits, and long-term renewable energy contracts. The

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[2]All filings in this docket (No. 4490) are available at the PUC offices, located at 89 Jefferson Boulevard, Warwick, Rhode Island, or at http://www.ripuc.org/eventsactions/docket/4490page.html.
[3] Hr'g Tr. at 7, 17 (Mar. 20, 2015).
[4] Division Memo; http://www.ripuc.org/eventsactions/docket/4554-DPU-Memo(3-16-15).pdf.

reconciliation period for the various costs in this filing is January 2014 through December 2014. The proposed rate adjustments are effective for usage on and after April 1, 2015.[5]

A. Standard Offer Service Adjustment Factors

The SOS Adjustment Factors are calculated by dividing the ending balance of the SOS reconciliation for each customer group plus estimated interest for the period during which the factors will be in effect by the forecasted SOS kWh deliveries for each customer group during the period April 2015 through March 2016. The proposed 2015 SOS adjustment factors are designed to charge a total under-collection of $5.7 million to the Company's three customer groups for the period January 1, 2014 through December 31, 2014.[6] The $5.7 million is the net under-recovery, after combining an under-recovery from the industrial customer class of $593,545, an under-recovery from the commercial customer class of $3,405,098, and an under-recovery from the residential class of $1,665,611. The Company proposed the following SOS rate adjustment factors: Industrial Group, $0.00059; Commercial Group, $0.00282; and Residential Group, $0.00055.[7]

B. Standard Offer Service Administrative Cost Factors

The Company is authorized to collect its administrative costs associated with arranging, administering, and providing SOS.[8] The administrative costs that the Company is allowed to recover as part of this adjustment factor include the cost of working capital; administrative costs of complying with the Renewable Energy Standard; the costs of creating the environmental disclosure label; the costs associated with the New England Power Pool's (NEPOOL) Generation Information System (GIS) attributable to SOS; costs

[5] Letter from Adam Ramos at 1 (Feb. 13, 2015).
[6] Sch. JAL-2 at 1
[7] Sch. JAL-3 at 1.
[8] Jeanne A. Lloyd Test. at 9 (Feb. 13, 2015).

pertaining to the issuance of requests for bids, contract negotiation, execution, and administration; costs of notifying SOS customers of the rates for SOS; costs associated with updating rate changes in the Company's billing system; and an SOS-related uncollectible expense.[9] National Grid estimated administrative expenses for the twelve-month period of April 1, 2015 through March 31, 2016, to be approximately $1.58 million in the Industrial Group; $2.06 million in the Commercial Group; and $4.52 million in the Residential Group.[10] These amounts would be recovered through the base SOS administrative cost factor for each customer class as follows: Industrial Group $0.00174/kWh; Commercial Group $0.00159 kWh, and Residential Group $0.00134 /kWh.[11]

The proposed SOS administrative cost reconciliation factors are designed to credit ratepayers with net over-recoveries for the twelve-month period ending December 31, 2014: ($196,687) from the Industrial Group; $102,488 from the Commercial Group; and $395,165 from the Residential Group.[12] The factors for each class were calculated by dividing the respective over/under-collections, including interest, by the forecasted kWh sales for each respective customer group for the twelve-month period ending December 31, 2014.[13] The Company proposed the following SOS administrative cost reconciliation factors for the period ending March 31, 2016: Industrial Group $0.00174; Commercial Group ($0.00008); and Residential Group ($0.00013).[14]

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[9] *Id.*; Sch. JAL-4.

[10] Sch. JAL-4 at 1. These amounts included the estimated commodity-related uncollectible expense for 2019.

[11] Sch. JAL-4.

[12] Sch. JAL-5 at 2.

[13] Sch. JAL-4 at 1.

[14] *Id.*

C. Transition Adjustment Factors

National Grid is authorized to charge electric distribution customers a base transition charge to recover contract termination fees paid by National Grid to wholesale power suppliers as a result of electric utility restructuring.[15] The Company Transition Charge (CTC) billed to the Company by New England Power Company (NEP), includes charges in effect under the former Montaup Electric Company's CTC. In addition, the Company reconciles the revenue it bills its customers through the Transition Charge against the CTC billed to it by NEP and can propose to implement a Transition Charge adjustment factor to credit customers for an over-recovery of CTC costs or recover an under-recovery of CTC costs.[16]

"The CTC charge is calculated by aggregating the individual CTC charges and dividing them by the total GWh deliveries, resulting in a weighted average base Transition Charge. Even though transition costs are traditionally a charge, the proposed transition 'charge' is a credit in 2015. The transition costs decreased significantly in 2015 primarily because NEP and Montaup received net credits for actual nuclear decommission and other post shut-down costs, which were estimated to be zero starting in 2011. Connecticut Yankee, Maine Yankee, and Yankee Atomic filed suit against the Department of Energy (DOE) for the DOE's failure to remove the Yankees 'respective spent nuclear fuel stores as required by law. In total, $61.4 million in proceeds were credited to NEP and $13.1 million were credited to Montaup during the period October 2013 through September 2014. Narragansett, Blackstone, and Newport receive portions of those credits based on their

[15] R.I. Gen. Laws § 39-1-27.4 (a)-(e).
[16] Lloyd Test at 13.

shares, which flowed through their CTC charges to be reconciled in 2014 and projected for 2015."[17]

For 2014, there was an over-recovery of approximately $1.1 million.[18] The Company proposed a net transition charge credit for the period April 1, 2015 through March 31, 2016 of $0.00201/kWh, which included a base transition charge credit of $0.0187/ kWh and a transition adjustment factor credit of $0.00014/ kWh.[19]

D. Transmission Factors

National Grid is authorized to collect transmission-related costs billed to it by the Independent System Operator of New England (ISO-NE), New England Power (NEP), and any other transmission service provider that is authorized to bill the Company directly for transmission services.[20] Similar to other retail charges, the transmission charge comprises a base transmission charge and a transmission adjustment factor.[21] The base transmission charge is a forecast of upcoming transmission expenses for the period April 1, 2015 through March 31, 2016, a decrease of $739,130 in prospective transmission expenses when compared to the forecast for calendar year 2014.[22]

National Grid forecasted transmission expenses of $156.49 million for 2015, a decrease of $0.74 million from the 2014 forecast.[23] The Company proposed to recover this expense through class-specific base transmission and energy charges. The forecasted

[17] Division Memo at 3 (Mar. 16, 2015). (Note- the memo incorrectly lists its date as Mar. 16, 2014.)
[18] Lloyd Test. at 15.
[19] *Id.*; Sch. JAL-8 at 2.
[20] Lloyd Test. at 17.
[21] The base transmission charge is largely controlled by the provisions of the ISO-NE Transmission, Markets, and Services Tariff (ISO/RTO Tariff). National Grid, like other electric distribution companies in New England, receives transmission-related services from ISO-NE, including regional and local transmission service, as well as transmission scheduling and market administration services.
[22] Guleksen Test. at 2, 12.
[23] Lloyd Test. at 17; JAL-10.

amount of transmission expense for 2015 is allocated to each rate class using a coincident peak demand allocation factor.[24] For rate classes with demand (per kW) charges, the proposed demand charges have been designed to reflect the higher of (1) the current demand charge or (2) a demand charge based upon the percentage increase in 2015 transmission expense allocated to the rate class as compared to that rate class's share of 2014 expense. The proposed transmission kWh charges are calculated by dividing the total transmission expense to be recovered on a kWh basis by the forecasted kWh for each rate class. The proposed base transmission factor varied by customer class.

E. Net Metering Charge and Reconciliation

National Grid is authorized to collect a uniform, per kWh Net Metering charge from all distribution customers to recover net metering credits paid to eligible net metering customers, less any payments received from ISO-NE for sales of excess generation. The charge also includes the difference, whether positive or negative, between the payments made to Renewable Generation Qualifying Facilities and the payments received from ISO-NE for energy sold into the wholesale market from those projects.[25] The Company proposed a net metering charge of $0.00002/kWh to collect a 2014 net under-recovery of $177,080.[26] In its filing, the Company included a listing of all 413 eligible net metering facilities in the Company's service territory, along with a description of each unit, including

[24] The allocation factor is calculated by first taking customers' coincident peak data from years 2008 and 2011, and 12 months ending June 2017 (years with relatively normal weather) and then multiplying these load factors by each class's weather normalized forecasted kilowatt-hours for the period April 1, 2015 through March 31, 2016. Lloyd Test. at 18.
[25] Lloyd Test. at 28.
[26] Lloyd Test. at 29; Sch. JAL-15 at 1.

fuel type, capacity, and interconnection date. An estimate of each unit's annual kWh production is included in the report.[27]

F. Long-Term Contracting for Renewable Energy Recovery Reconciling Factor

The Long-Term Contracting (LTC) for Renewable Energy Recovery factor is designed to compensate National Grid for the costs associated with the Company's Long-Term Contracts for Renewable Energy, net of the proceeds received by National Grid from the sale of the energy, capacity, and/or Renewable Energy Certificates (RECs) resulting from those contracts.

Pursuant to Rhode Island law, the Company is required to enter into contracts with eligible renewable energy resources at fixed prices for the purchase of energy, capacity, and RECs (collectively, the Contract Products).[28] The Company will sell the energy purchased through the contracts into the ISO-NE energy market and will use the RECs to satisfy the Company's REC obligation associated with SOS. The difference between the cost incurred under each contract, equal to the fixed contract price multiplied by the generation of the facility, and the net proceeds that the Company receives for the sale of the Contract Products, is referred to as the above-market contract cost. Pursuant to R.I. Gen. Laws § 39-26.1-5(f), the above-market contract costs must be recovered from all retail delivery service customers through a uniform per-kWh factor. In addition, R.I. Gen. Laws § 39-26.1-4 authorizes the Company to recover 2.75% of the total payments made under each contract as remuneration. Finally, certain administrative and other costs authorized through various sections of the statutes will be tracked and recovered annually.[29]

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27 Lloyd Test. at 29; Sch. JAL-16.

29 Lloyd Test. at 30.

The LTC factor is set semi-annually for effect in January and July.[30] National Grid proposed a Long-Term Contracting for Renewable Energy Recovery Reconciling Factor for effect on April 1, 2015 of $0.00113/kWh to collect an under-recovery from 2014 of approximately $8.6 million. This resulted in a net Long-Term Contracting for Renewable Energy Recovery Factor of $0.00057/kWh.[31]

III. National Grid's Renewable Energy Standard Charge and Reconciliation

The Renewable Energy Charge is the sum of three components: (1) the net metering charge, (2) LTCRER; and (3) the LTCRER Reconciliation Factor. The net metering charge recovers the costs of renewable net metering credits and payments to Qualifying Facilities in excess of payments the Company receives from ISO-NE for the sale of this energy in the market.

Per the Company's tariffs, the Company recovers through a Net Metering Charge the sum of (1) all Renewable Net Metering Credits paid to eligible net metering customers, less any payments from ISO-NE for the sales of excess generation, and (2) the difference between the payments made to Qualifying Facilities with renewable generation at the SOS rate and the payments received from ISO-NE for market energy sold. The Net Metering Charge is a uniform per-kWh charge applicable to all customers and is included with the LTC Recovery Factor on customer bills, labeled as the Renewable Energy Distribution charge.[32] The Company proposed a Net Metering charge change to 0.002 cents/kWh from

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[30] R.I Gen. Laws §39-26.1-5 (f).
[31] Sch. JAL-17 at 1. The under-recovery of $8.6 million includes interest during the recovery period of $29,955.
[32] Lloyd Test. at 28.

0.000 cents/kWh. Last year, the balance was too small to result in a billable change, therefore the ending balance was added to this year's net metering charge calculation.[33]

The Company also proposed a Renewable Energy Standard (RES) charge for usage effective April 1, 2015 of $0.00294/kWh. This charge is designed to recover from customers the estimated costs associated with the 2015 RES obligation year and an estimate of remaining costs from the 2014 RES obligation year.[34] The proposed factor for 2015 comprised a $0.00366/kWh charge for new and existing renewable energy resources charges and a $0.00072/kWh credit adjustment to recover an estimated over-collection of $3,856,069 for obligation year 2014. The $0.00366/kWh charge for new and existing renewable energy resource charges was based upon an estimate of for 2015 new and existing REC prices of $52.75 and $1.00, respectively. The Company estimated the expected cost of RECs to be procured for the 2014 and 2015 obligation years, based on the most recently available market data and broker sheets.[35]

IV. Division of Public Utilities and Carriers

The Division of Public Utilities and Carriers reviewed National Grid's 2015 Retail Rate Filing and all supporting documentation. On March 16, 2015, the Division, though LaCapra Associates (LaCapra), filed a detailed memorandum that analyzed each component of the filing, the resulting factors, and concluded that each one of the proposed charges was reasonable and consistent with applicable tariffs, as well as consistent with underlying data provided to the Division.

[33] LaCapra Memo at 5 (Mar. 16, 2014).
[34] Filing letter of Adam Ramos (Feb. 23, 2015).
[35] *Id*.

LaCapra noted that one of the major drivers of the $5.7 million under-recovery in the SOS reconciliation was the substantial increase in spot market purchase expense in 2014. LaCapra found that the increase was consistent with the increase in Rhode Island locational marginal prices in both 2013 and 2014. The colder temperatures in the winter of 2012-2013 and 2013-2014, together with limited natural gas pipeline capacity, resulted in natural gas scarcity in New England and higher wholesale electricity spot market prices than forecasted.[36]

LaCapra noted that the filing requested a decrease in the RES Charge from $0.00480/kWh to $.00294/kWh for the period beginning April 1, 2015. The proposed factor is comprised of a $0.00366/kWh charge for new and existing renewable energy resource charges and a $0.00072/kWh credit adjustment to recover an estimated over-collection of $3,856,069 for obligation year 2014. This charge is a component of the standard offer charge that is found on customer's bills, in addition to the standard offer service charge, and the two standard offer service adjustment factors.[37]

IV. Hearing

At the hearing held on March 20, 2019, National Grid presented its proposed 2015 electric retail rates and its 2015 renewable energy standard charge and reconciliation. The Company presented Ms. Lloyd and Ms. Guleksen, both of whom adopted their prefiled testimony and submitted to cross-examination.[38] The Company also made Mr. James Ruebenacker, its Manager of the New England wholesale electric supply, available for

[36] LaCapra Memo at 2
[37] LaCapra Memo at 5.
[38] Ms. Lloyd made one correction to her prefiled testimony. On line 20 of page 33 of her prefiled testimony, she changed the count of current resources from "nine" to "twenty-one."

questioning. The Company also submitted an updated response to data request PUC 1-1, the bill impacts. Ms. Lloyd explained that the updated filing incorporated changes not only presented in the current two dockets, but also from changes presented in the Company's Infrastructure, Safety, & Reliability (ISR) docket which was also pending. The total reduction to retail rates was $1.35 for a typical residential customer using 500 kilowatt hours; $2.14 of that reduction was from reductions proposed within the instant dockets.[39] Ms. Lloyd explained that this under-recovery was primarily due to fluctuations in spot market purchases.[40] Ms. Lloyd also explained that there was a customer credit in the transition charges, due to a recovery in a nuclear fuel lawsuit.[41]

Ms. Guleksen acknowledged an increase of about $11 million in non-pooled transmission facility (PTF) charges from the Company's forecast. She attributed this increase to a forecast that was severely under actual occurrence.[42] She further explained that there was a significant decrease in charges from ISO-NE of approximately $6 million from decreased load.[43] She also confirmed that approximately $4 million in refund charges from ISO-NE would be applied, as the result of a FERC order.[44]

Mr. Ruebenacker described the process used by the Company to derive the REC charges used in the filing. The Company utilized the most recent data available, including REC solicitations, as well as broker sheets to set the estimate for the upcoming year.[45] He explained that the Company receives RECs from long-term contracts and the Distributed

[39] Hr'g Tr. at 17.
[40] Hr'g. Tr. at 19.
[41] *Id*. at 21.
[42] Forecasting for this item is a simple process and is based on historical usage. The Company takes the previous 12 month revenue requirements and adds plant additions; 2013 revenue requirements were severely less than 2014.
[43] Hr'g. Tr. at 23-24.
[44] *Id*. at 24.
[45] *Id*. at 26.

Generation (DG) program, but not from the renewable energy program. He also indicated that approximately 50% of the Company's RECs come from Rhode Island, from the landfill's gas unit.[46]

The Division presented its consultant, Alvero Pereria from LaCapra Associates, who adopted the Division's March 16, 2015 memorandum as his testimony. He explained the review process he used when examining the Company's filing. He indicated that he reviews the previous year's filing, work papers, reconciliation filings, and the assumptions for forecasted process.[47] He discussed each of the proposed factors and expressed his concurrence with their accuracy and reasonableness.[48]

V. Commission Findings

At the March 20, 2015 hearing, the PUC approved the Company's proposed 2015 Electric Retail Rate Filing as well as the Company's Renewable Energy Standard Reconciliation filing of February 15, 2019. The PUC's ruling was based on the Division's recommendation that the proposed revised rates were properly calculated and were just and reasonable.

Accordingly, it is hereby

(23844) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's proposed 2015 Electric Retail Rates in Docket No. 4554, as filed on February 13, 2015, set forth in Schedule JAL-1, and hereto attached as Exhibit A are approved for effect on April 1, 2015.

[46] *Id*. at 28-29.
[47] *Id*. at 31.
[48] *Id*. at 33-34.

2. The Narragansett Electric Company d/b/a National Grid's proposed Renewable Energy Standard Reconciliation filing of February 15, 2019 is approved.

3. The Narragansett Electric Company d/b/a National Grid's Renewable Energy Standard Reconciliation and proposed charge, as filed on February 23, 2015, is approved for effect on April 1, 2015.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2015 PURSUANT TO AN OPEN MEETING HELD ON MARCH 20, 2015. WRITTEN ORDER ISSUED JUNE 17, 2020.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran

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Margaret E. Curran, Chairperson

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Herbert J. DeSimone, Jr., Commissioner*

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 (7) 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.

*Note: Commissioner DeSimone participated in the decision of this matter, but was unavailable for signature