



## STATE OF RHODE ISLAND

### DIVISION OF PUBLIC UTILITIES & CARRIERS

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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: December 6, 2022**

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

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On November 3, 2022 Narragansett Electric Company d/b/a Rhode Island Energy (“RIE” or “Company”) filed with the Public Utilities Commission (Commission) proposed Last Resort Service (“LRS”) rates effective January 1, 2023, together with the results of the Company’s most recent LRS procurement.<sup>1</sup> 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 2023 through March 2023.
- A typical bill analysis for LRS for the Industrial Customer Group.

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<sup>1</sup> Filing entitled: *Proposed Last Resort Service Rates for the Industrial Group for the Months of January 2023 through March 2023*. The filing also includes the results of competitive procurement for the months of April 2023 through September 2023 for the Residential and Commercial Group, and for the months of January 2023 through March 2023 for the Industrial Group.

- A copy of the Request for Proposals (“RFPs”) issued on September 10, 2022 to solicit LRS supply for the period April 2023 through September 2023 for the Residential and Commercial Group, and January 2023 through March 2023 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 2023 through September 2023 for the Residential and Commercial Group, and January 2023 through March 2023 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 2023 through March 2023**.

Commercial Group: Procurements encompassing **April 2023 through September 2023**.

With this most recent solicitation for another 20% of the load requirements for the **April 2023 through September 2023** period, 75% of the load requirements for the Commercial Group for the April 2023 through September 2023 period have now been procured (15% in January 2022, 20% in April 2022, 20% in July 2022 and 20% in October 2022). For the April 2023 through September 2023 period, the Company will procure another 15% in the first quarter of 2023. Those procurements will total 90% for the April 2023 through September 2023 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 2023 through September 2023**.

With this most recent solicitation for another 20% of the load requirements for the **April 2023 through September 2023** 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 2022, 20% in April 2022, 20% in July 2022 and 20% in October 2022). For the April 2023 through September 2023 period, the Company will procure another 15% in the first quarter of 2023. Those procurements will total 90% for the April 2023 through September 2023 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 January 2023 through March 2023 period, including the current per-kWh Last Resort Adjustment Factor of \$0.00375, the Administrative Cost Factor of \$0.00268, and the Renewable Energy Charge of \$0.00721 are:

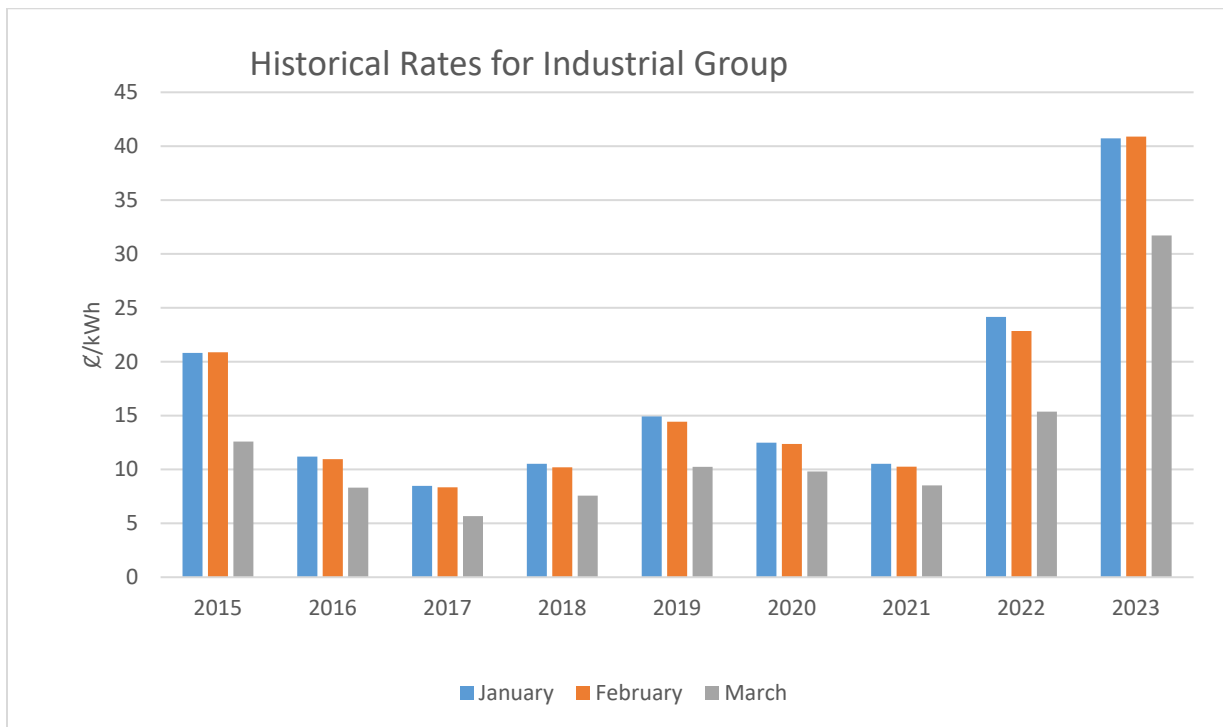
- January 2023: \$0.40727 / kWh
- February 2023: \$0.40887 / kWh
- March 2023: \$0.31710 / kWh

The three-month average of the proposed January 2023 through March 2023 Industrial Group LRS rate is \$0.37775/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 2022 and the proposed prices for the same months of 2023.

AM-1



As can be seen in the chart above, the proposed 2023 winter pricing for the Industrial Group continued to sharply increase when compared to previous winters. On October 26, 2022, 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. New England continues to experience tight natural gas and LNG markets due to pipeline capacity constraints and most recently, European demand of LNG for this upcoming winter. These conditions resulted in the increase in electricity prices throughout New England.

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 9% of the power supply for the Industrial Group with the remainder of the supply provided by the competitive market so most customers will not be impacted by the higher LRS rates. Naturally, the Division is concerned for those customers that may be impacted by the increased prices; we encourage those customers to take measures to mitigate the impact, including 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 Last Resort Procurement Plan as approved by the Commission in Docket 4978 at the July 23, 2020 open meeting.

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