STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY	**:**	
d/b/a RHODE ISLAND ENERGY'S LAST RESORT	**:**	**DOCKET NO. 4978**
SERVICE RATES FOR THE RESIDENTIAL AND	**:**	
COMMERCIAL GROUPS FOR OCTOBER 2022	**:**	
THROUGH MARCH 2023 AND INDUSTRIAL GROUPS	**:**	
FOR OCTOBER 2022 THROUGH DECEMBER 2023	**:**	

ORDER

I. Introduction

On July 21, 2022, The Narragansett Electric Company d/b/a Rhode Island Energy (Narragansett Electric or Company) filed its proposed Last Resort Service (LRS) Rates for the Industrial Group for the period of October 1, 2022, through December 31, 2022, and for the Residential and Commercial Groups for the winter period of October 1, 2022 through March 31, 2023.[1]

Rhode Island General Laws § 39-1-27.3(c) requires the Company to arrange for a last resort power supply for customers who are not otherwise receiving electric service from a Non-regulated Power Producer ("NPP"). Pursuant to that same statute, the Company must file a supply procurement plan with the PUC that includes the procurement procedure, the pricing options being sought, and a proposed term of service for which LRS will be acquired. Narragansett Electric currently procures LRS supply on behalf of its customers pursuant to the 2021 LRS Procurement Plan approved by the Commission at an Open Meeting on July 23, 2020. The procurement plan authorizes Narragansett Electric to conduct solicitations throughout the year for LRS in varying contract lengths.[2] Based on these solicitations, the Company files LRS rates for the Residential

[1] All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at http://www.ripuc.ri.gov/eventsactions/docket/4978page.html
[2] Schedule 7 of the Company's filing contains the approved 2021 LRS Procurement Plan.

Group and Commercial Group twice per year and SOS rates for the Industrial Group quarterly. In this filing, Narragansett Electric proposed Residential and Commercial LRS retail rates for October 2022 through March 2023, and Industrial LRS retail rates for October 2022 through December 2022 (hereinafter, collectively, the Winter Period). The Company's proposed rates are designed to recover the cost of these procurements pursuant to R.I. Gen. Laws § 39-1-27.3(c).[3] The Company derives no profit from the collection of LRS rates.[4]

II. <u>Narragansett Electric's Proposed LRS Rates for the Winter Period</u>

The Procurement Process and Rate Components

The Company filed the Joint Pre-Filed Direct Testimony of Jeffrey D. Oliveira and James Ruebenacker and accompanying schedules ("Joint Testimony") and the Pre-Filed Direct Testimony of Joseph Cavicchi.[5] The Company also filed supplemental pre-filed testimony by Paul J. Hibbard.[6] The Company's filing included back-up information reflecting the bidding process used to obtain the supply prices which were included in the calculation of the proposed rates.

The 2021 LRS Plan involves acquiring load-following, Full Requirements Service contracts with different term durations through periodic solicitations. With a Full Requirements Service contract, the supplier becomes responsible for the energy, ancillary services, and miscellaneous Independent System Operator-New England ("ISO-NE") charges of the particular

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[3] R.I. Gen. Laws § 39-1-27.3(c) ("Once an acquisition plan is approved by the commission, the electric distribution company shall be authorized to acquire last-resort service supply consistent with the approved acquisition plan and recover its costs incurred from providing last-resort service pursuant to the approved acquisition plan.")
[4] R.I. Gen. Laws § 39-1-27.3.
[5] Jeffrey D. Oliveira is employed by PPL Corporation as a Regulatory Program Specialist, and James Ruebenacker is employed by National Grid as its Manager of Wholesale Electric Supply. Mr. Ruebenacker provides services to Narragansett Electric pursuant to a transitional services agreement. Mr. Cavicchi is the Vice President of the Analysis Group and regularly provides economic analysis and expert testimony in various state and federal regulatory proceedings related to electricity markets.
[6] Similarly, Mr. Hibbard is a Principal at the Analysis Group and regularly provides consulting services to clients in the areas of energy and environmental markets, regulation, and policy.

LRS customer group for a fixed dollar per megawatt-hour ($/MWh) price. For this fixed price, the supplier assumes all price and load risks associated with these market components.[7]

The 2021 LRS Procurement Plan segregates customers into three customer groups: Residential, Commercial, and Industrial.[8] The 2021 LRS Procurement Plan for the Residential Group and the Commercial Group involves a combination of Full Requirements Service contracts and ISO-NE spot market purchases. The Company layers Full Requirements Service contracts for the benefit of diverse pricing points in a manner that diversifies risk for customers in each customer group. Each contract for the Residential and Commercial Groups is comprised of six-month bid blocks. For example, a 24-month contract will include four independent bid blocks.[9] Dividing the contract in this fashion creates the opportunity to award the bid blocks to a combination of suppliers, rather than a single supplier, if the overall cost is lower.[10]

The additional laddering and varying lengths of the Full Requirements Service contracts allows for mitigation of price volatility because the individual contracts are procured at different times and are dollar-cost averaged to create a blended supply rate. Thus, in a decreasing electric prices market, the lower-cost most recent transactions will help offset the higher-cost older transactions. Conversely, in an increasing electric prices market, the higher-cost most recent transactions will be partially offset by the lower-cost older transactions.[11]

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[7] Joint pre-filed testimony of Jeffrey D. Oliveira and James Ruebenacker at 8-9.
[8] Based on June 2022 statistics, 93% of residential supply service is provided through LRS, while 54% of the commercial class and less than 10% of the industrial class is served through LRS. Division Memo at 5; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-09/4978-DIV-PositionMemo%209-7-22.pdf.
[9] The Full Requirements Service contracts for the Residential and Commercial Groups are executed for different percentages of load (15 percent and 20 percent) and four durations: 6 months, 12 months, 18 months, and 24 months. When all Full Requirements Service contracts have been acquired, each month will have Full Requirements Service contracts, totaling 90 percent of the Residential and Commercial load, and the remaining 10 percent of the load would be procured by the Company through ISO-NE spot market purchases. Joint pre-filed testimony of Jeffrey D. Oliveira and James Ruebenacker at 10-11.
[10] *Id.* at 9-10. The 2021 LRS Plan for the Industrial Group involves acquiring a load-following, Full Requirements Service contract for 100 percent of the load through quarterly solicitations for three months in duration: January through March, April through June, July through 7 September, and October through December. *Id.*
[11] *Id.* at 11.

The Company represented that the procurement and rate calculation was carried out consistently with the procurement plan approved by the Commission in this Docket on July 23, 2020.[12] The Company provided the back-up information for the July 2022 solicitation of 20% of the LRS supply for the Residential Group for the period of October 2022 through March 2023; 20% of the LRS supply for the Commercial Group for the period of October 2022 through March 2023; and 100% of the LRS supply for the Industrial Group for period of October 2022 through December 2022.[13] The remaining parts of the proposed rates for the Winter Period were the result of previous solicitations, estimated capacity costs, and estimated spot market purchases.[14]

The Company's filing included support showing the calculation of the rates for each of the applicable rate classes, including the relevant cost of supply, reconciliation of past costs to revenues consistent with the last resort service adjustment provision tariff, allowed administrative costs, and the cost of procuring renewable energy certificates to meet the Company's obligations under the Renewable Energy Standard.

Industrial Group Rates

The proposed Industrial Group rate includes a current per kWh LRS Adjustment Factor of \$0.00375, an Administrative Cost Factor of \$0.00268, and a Renewable Energy Charge of

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[12] Company's filing letter dated July 21, 2022.
[13] Schedules 4, 5, & 6.
[14] With the July 2022 solicitation of 20% of the residential load requirements for the October 2022 through March 2023 period, the Company has obtained 90% of the load requirements for the Residential Group for the October 2022 through March 2023 period. The Company previously procured 15% in January 2021, 20% in July 2021, 15% in January 2022, and 20% in April 2022. For the October 2022 through March 2023 period, the Company will purchase the remaining 10% of the load in the spot market pursuant to the approved procurement plan. Division Memo at 2-3.

The July 2022 solicitation also procured 20% of the of the Residential Group's load requirements for the April 2023 through September 2023 period and the October 2023 through March 2024 period. 55% of the load requirements have been purchased for the April 2023 through September 2023 period (15% in January 2022, 20% in April 2022 and 20% in July 2022). For the April 2023 through September 2023 period, the Company will procure another 20% in the fourth quarter of 2022 and 15% in the first quarter of 2023. Those procurements will total 90% for the April 2023 through September 2023 period and 10% will be made in the spot market. *Id.*

$0.00721. The proposed rates vary by each month of the quarter: $0.14397/kWh for October; $0.23801/kWh for November; and $0.39974/kWh for December.[15] The three-month average of these rates is $0.26057.

Residential Group Rates

The LRS rate proposed for the Residential Group for the Winter Period is $0.17785/kWh. The proposed Residential Group rate includes the current per kWh LRS Adjustment Factor of ($0.00318)/kWh, an Administrative Cost Factor of $0.00233/kWh, and a Renewable Energy Charge of $0.00721/kWh.[16]

The proposed rate represents an increase of $0.09975/kWh when compared with the current LRS rate of $0.07810/kWh. Compared to last year's October 2021 through March 2022 LRS average winter rate of $0.10882/kWh, the proposed rate represents an increase of $0.06903/kWh or 63% for the same six-month period in the previous year.[17]

Commercial Group Rates

The fixed-price option LRS rate proposed for the Commercial Group for the Winter Period is $0.18279/kWh, including the current per-kWh Last Resort Adjustment Factor of $0.00665, Administrative Cost Factor of $0.00210, and the Renewable Energy Charge of $0.00721. The proposed rate represents an increase of $0.10232/kWh when compared with the current fixed price option charge of $0.08047/kWh. Compared to last year's October 2021 through March 2022

[15] Filing at Schedule 1.
[16] Filing at Schedule 1.
[17] Division Memo at 4; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-09/4978-DIV-PositionMemo%209-7-22.pdf.

Commercial Group LRS fixed winter rate of $0.10174/kWh, the proposed rate represents an increase of $0.08105/kWh or 80% for the same six-month period in the previous year.[18]

The variable price option proposed LRS rates for the Commercial Group are as follows: October 2022, $0.16863/kWh; November 2022, $0.17578/kWh; December 2022, $0.18743/kWh; January 2023, $0.19357/kWh; February 2023, $0.19246/kWh; and March 2023, $0.17846/kWh.[19]

Bill Impacts

The Company included a detailed typical bill analysis for all classes as part of their LRS rate filing (Schedule 3). A table showing the bill impact of the proposed rates *compared to the current rates* for A-16 residential rate class is shown below:

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	$70.54	$101.72	$31.18	44.2%
500	$111.15	$163.10	$51.95	46.7%
1,200	$253.25	$377.94	$124.69	49.2%

The bill impact for a typical A-16 residential customer using 500 kWh per month would be an increase of $51.95 per month, or 46.7%, over the prior six-month period.[20]

[18] Division Memo at 4.
[19] Filing at Schedule 1. Both the fixed and variable price options include the current per kWh LRS Adjustment Factor of $0.00665, an Administrative Cost Factor of $0.00210/kWh, and a Renewable Energy Charge of $0.00721/kWh.
[20] Division Memo at 6.

A table showing the bill impact of the proposed rates *compared to last winter's rates* for A-16 residential rate class is shown below:

Monthly kWh	21/22 Winter Bill	Proposed Bill	Total Increase	% Increase
300	$79.25	$101.72	$22.47	28.4%
500	$125.86	$163.10	$37.24	29.6%
1,200	$288.99	$377.94	$88.95	30.1%

As shown, a typical A-16 residential customer using 500 kWh's per month would see a $37.24 increase or 29.6% overall increase when compared to last winter's typical bill.

Narragansett Electric's Pre-filed Testimony Regarding Rate Increase

The Company provided the testimony of several witnesses to provide an explanation for the higher winter electric prices. In their Joint Testimony, Mr. Oliveira and Mr. Ruebenacker explained that electric prices are closely correlated to natural gas prices because natural gas generators are often the marginal resource that sets wholesale electric prices. There has been a consistent increase in natural gas prices throughout 2021 due to market fundamentals. The natural gas storage season, which begins each April, was low in 2021 in the northeast and other regions in the United States compared to recent years. Also, there were significant increases in global liquified natural gas ("LNG") prices, and LNG often is the stored fuel used by generators when natural gas pipelines are constrained, thus setting the wholesale electric prices. Additionally, economies had recovered from the impacts of the COVID-19 pandemic, and natural gas demand increased throughout the northeast (and worldwide), while natural gas production remained flat.

The combined impacts of increased demand, lower natural gas storage levels, and flat natural gas production put upward pressure on natural gas prices which resulted in higher electric prices for the October 2021 through March 2022 pricing period.[21]

Mr. Oliveira and Mr. Ruebenacker averred that the same market fundamentals (described above) that impacted last winter continue to exist for the upcoming pricing period of October 2022 through March 2023. In addition to those market fundamentals, beginning in early 2022 natural gas prices began to increase in response to the war in the Ukraine which reduced expected supply from Russia and significantly increased demand for LNG globally. Compared to the recently concluded winter, the increase in LNG demand and continuing market fundamentals from the prior year resulted in increased natural gas prices for the upcoming winter, and therefore results in higher electric prices and winter LRS rates.[22]

Mr. Oliveira and Mr. Ruebenacker underscored that the laddering and varying lengths of the Full Requirements Service contracts the Narragansett Electric procures allows for mitigation of price volatility because the individual contracts are procured at different times and are dollar-cost averaged to create a blended supply rate. In an increasing electric price market, the higher-cost most recent transactions will be partially offset by the lower-cost older transactions. Thus, the lower cost transactions from January and July of 2021 helped offset the recent higher cost transactions of 2022, resulting in average prices that are $100 per MWh lower for December 2022, January 2023, and February 2023 than current market prices.[23]

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[21] Joint Testimony at 17. Because the Company procures LRS in advance, the rising natural gas prices and associated increased electric prices did not impact the 2021 summer LRS rates, but the increases did have an impact on the October 2021 through March 2022 LRS pricing period and subsequent pricing periods. Id.
[22] *Id.* at 18.
[23] *Id.* at 18-19.

The Company also provided the pre-filed testimony of Mr. Cavicchi and Mr. Hibbard. Mr. Cavicchi testified that Narragansett Electric's LRS rates are in line with the rates of other New England utilities. The Company's rates did not experience the steep increases in prices during 2022 that resulted at some other utilities. However, recent increases in wholesale electricity and natural gas prices have now driven up the Company's upcoming LRS rates.[24]

Mr. Cavicchi explained that natural gas is typically the marginal fuel in New England (the fuel being used by the highest cost generator dispatched to meet demand in New England). As wholesale electricity spot prices are set at the price of the highest cost generator dispatched, and the price offered by each generator is set largely based on fuel costs, natural gas prices are a primary factor in setting the spot price of wholesale electricity in New England. As forward prices for electricity are based on expectations of the price of electricity in the future, forward prices for electricity are similarly influenced by forward prices for natural gas. Accordingly, wholesale electricity prices vary with the expected future supply and demand conditions in natural gas markets.[25]

Mr. Cavicchi described that electricity and natural gas prices in New England are typically higher in winter than in summer due to high demand for heating; however, forward natural gas and electricity prices for the coming winter have also increased dramatically relative to the prices that prevailed last winter. A key factor causing this increase is Russia's invasion of Ukraine in February 2022 and the associated disruptions to the natural gas markets caused by Europe's heavy dependence on Russia for natural gas, Europe's sanctions of Russia, and the ensuing disputes over natural gas supply. Europe's efforts to replace Russian natural gas supplies with supplies from

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[24] Cavicchi Testimony at 11.
[25] Cavicchi Testimony at 15-16.

other sources increase the price of natural gas in the U.S. due, in part, to the ability of the U.S. to export natural gas as LNG. As demand for natural gas in Europe strengthens, so does the price Europeans are willing to pay for natural gas, which strengthens the incentive for U.S. producers to export natural gas to Europe. With more supply going to Europe, the price of natural gas in the U.S. increases, including in New England.[26]

Finally, Mr. Cavicchi explained that prices for December 2023 forward contracts are well below the prices for December 2022, indicating that prices are expected to fall by the 2023-24 winter season and that the 2022-23 Winter season price increases are expected to be temporary.[27]

Mr. Hibbard echoed Mr. Cavicchi's testimony regarding the causes of the increase in natural gas prices and the effect of those increases on electricity prices in New England.[28] Mr. Hibbard opined that this is not a normal year. The impact of the Russian invasion of Ukraine has fundamentally changed international markets for natural gas, including LNG. The increased demand for global supplies of natural gas from Europe has increased the price of natural gas throughout the U.S. and in much of the world, resulting in increasing exports from the U.S. to Europe and increasing the cost of securing LNG supplies for the LNG import terminals serving New England. Mr. Hibbard reiterated that since natural gas is the fuel on the margin most hours of the year in New England's wholesale electricity markets, and because power plant owners in New England largely secure natural gas through spot market transactions, wholesale electricity

[26] Cavicchi Testimony at 19-20. Mr. Cavicchi described that, in the first quarter of 2022, the U.S. supplied 47% of the European Union's LNG imports, representing a 235% increase in year-on-year LNG exports from the U.S. to the European Union. Similarly, the U.S. Energy Information 8 Administration expects that total LNG exports from the U.S. in 2022 will be 22% higher than in 2021. *Id.*

[27] Cavicchi Testimony at 21, 24.

[28] Mr. Hibbard's pre-filed testimony had been previously filed on September 1, 2022 in Docket No. 22-20- NG 2022 - Gas Cost Recovery Filing. The Company filed the same testimony here as it believes Mr. Hibbard's testimony is also relevant to issues involved in this docket.

market prices have increased in lock step with increases in the cost to procure natural gas over the past year.[29]

III. Alternatives to Mitigate Bill Impacts of Higher Winter Rates

The Rhode Island Office of Energy Resources (OER), The Office of Attorney General (RIAG), Good Energy, LLC, and the George Wiley Center all intervened in this docket. In addition, the Commission received extensive written and in-person public comment, including from Governor Daniel McKee**.**

The Commission and the Parties conducted extensive discovery to evaluate various proposals and alternatives to mitigate the proposed higher winter rates. These proposals and alternatives included deferring the customer charge on residential and small business for all or a portion of the Winter Period and/or deferring all or a portion of the rate increase.

The Company currently charges a $6 per month charge to all residential distribution customers and a $10 per month charge to all small business customers. This charge applies to all distribution customers including customers that obtain their electric supply from suppliers other than Narragansett Electric. As discussed *supra*, Governor Daniel McKee advocated that the Commission suspend the customer charge on residential bills until the summer period.[30] The Commission also heard public comment advocating for a deferral of all or a portion of the proposed rate increases.

The Commission also explored the best way to credit customers with the proceeds from the May 19, 2022 Settlement Agreement between the Rhode Island Attorney General Peter

[29] Hibbard Testimony at 30-35.
[30] *See* Written Comments of Governor Daniel McKee, https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-08/4978-2207EE-GovMcKee-Letter%208-1-22.pdf.

Neronha, PPL Corporation and PPL Rhode Island Holdings (AG Settlement Agreement), and Regional Greenhouse Gas Initiative Allocation Plan funds (RGGI Funds) obtained by OER and Governor Daniel J. McKee in order to mitigate or offset a portion of the increase in the LRS rate. The AG Settlement Agreement provides, *inter alia*, that the Company shall provide an equal credit to all Narragansett Electric electric distribution customers in the total amount of $32.5 million. The Company estimated that this one-time credit will have a value of $63.72 for electric customers. If this credit were spread evenly over the 6-month winter period, this would be a monthly credit of $10.62 per customer. The Company indicated however, that it recommends that it provides all the bill credits as one-time credits in the full amount to each customer account due to increased resources necessary to spread the credit out, the risk that customers would not receive the full credit and the risks, and detrimental effects caused by the delay in customers receipt of the credit.

Finally, Governor McKee announced a proposal to have OER transfer $3.8 million in RGGI funds to provide direct relief to low-income (A-60) electricity customers.[31] Governor McKee estimated that the RGGI funding could be utilized to provide fixed monthly credits to approximately 39,000 low-income customers.[32] The Company estimated that the RGGI funds will provide $104.84 in relief per eligible customer.[33]

In response to Commission data requests, the Company strongly recommended that it provides all the bill credits as one-time credits for several reasons. First, the Company was concerned that spreading the credit over six months creates a risk that customers who are eligible for the credit will not end up receiving the full credit amount. Second, spreading the credits out

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[31] Pursuant to R.I. Gen. Laws § 23-82-6(4), RGGI funds can be used for, among other things, "direct rate relief for low-income consumers."

[32] Governor McKee originally proposed that the RGGI funding be applied to A-60 customers' bills as a fixed monthly basis for the entire Winter period. Governor McKee estimated that the funding would result in a $14 to $17 monthly bill reduction, with a total bill reduction of approximately $84 to $102 over the six-month period.

[33] RIE's Response to PUC 6-1.

over six months would delay customers' ability to apply the credits toward current and overdue charges. Lastly, the Company expressed concern regarding the use of IT resources when it is still in the process of transitioning the IT systems from National Grid.[34]

The Commission also explored the possibility that a portion of the rate increase could be deferred to a later period. The Company expressed caution with deferring costs, especially considering the strong possibility that several municipalities may sign municipal aggregation plans this year. The Company noted that if customers who are on LRS during the deferral period receive supply through a municipal aggregation plan or a nonregulated power producer during the recovery period, there will be a smaller pool of customers remaining on LRS to contribute towards the deferred LRS amounts through higher LRS rates in effect during the April 2023 through September 2023 period."[35] This could create a revenue shortfall whereby some of the LRS supply costs that were shifted to the next pricing period are not recovered. For the Residential Group only, the Company estimated that it would under-recover $12.6 million associated with the municipal aggregations' deferred winter costs. The Company would not directly recover that $12.6 million from the migrating customers; rather it would be recovered from customers that remain on LRS.[36]

<u>Comments from Governor McKee and Positions of the Parties</u>

Governor McKee submitted written comment on August 1, 2022, and August 15, 2022.[37] Governor McKee urged the Commission to defer a fixed amount on the delivery side of the electric bill in order to provide bill relief to all Rhode Island ratepayers and not just LRS customers. The

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[34] RIE's Response to PUC 6-1.
[35] RIE's Response to AG 1-5.
[36] RIE's Response to AG 1-1. The Company indicated that this revenue shortfall could be recovered through the Revenue Decoupling Mechanism (RDM) and recovered from all customers. RIE's Response to AG 1-5
[37] Governor McKee's written comments are located at https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-08/4978-2207EE-GovMcKee-Letter%208-1-22.pdf and https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-08/4978-2207-GovMcKee-Letter_8-15-22.pdf.

Governor also recommended that the Commission spread the $32.5 million in AG Settlement credits over the Winter period in order to increase stability and affordability.

Prior to the evidentiary hearings on September 16 and 19, 2022, the Commission accepted testimony and/or memoranda from the Parties stating their positions regarding the calculation of the rates and conformance with the approved Procurement Plan, along with their views on efforts to mitigate the rate increase.

The Division of Public Utilities and Carriers

On September 7, 2022, the Division filed a memorandum summarizing Narragansett Electric's proposal and concluding that Narragansett Electric's proposed Residential, Commercial, and Industrial LRS rates were correctly calculated.[38] The Division further found that it had reviewed the results of the Company's procurement and concluded that the process undertaken by the Company complied with the PUC-approved Procurement Plan approved earlier in this docket. The Division recommended that the Commission approve the proposed LRS rates as filed.[39]

The Division also reviewed and opined on various mechanisms to help mitigate the effect of significantly increased rates during this coming winter. The Division stated that it had no objection to deferring the collection of the fixed monthly customer charge for residential customers, as it would produce short-term bill relief that would benefit all residential customers during the upcoming winter period without impacting the competitive market. However, the Division did not recommend deferral of commodity charges which are collected on a volumetric basis, where the size of the deferral could be very substantial. The Division noted that any deferral

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[38] The Division serves as the ratepayer advocate in proceedings before the Public Utilities Commission (Commission or PUC).
[39] Division Memo at 6.

of costs to a later period has the tendency to mask the true cost of the power consumed by customers during this winter, and thereby produces the unintended effect of encouraging greater consumption of electricity that would otherwise occur if the rates reflected actual costs. Any such deferral could further increase the balance of unrecovered costs that would be recovered from future customers, which may not be the same mix of customers that created the deferral.[40] Lastly, the Division fully supported allocating $3,858,150 of RGGI funds to help mitigate the winter rate impacts to low-income customers.[41]

Office of Energy Resources

OER submitted the pre-filed testimony of John Dalton.[42] Mr. Dalton explained that he was engaged by OER to provide expert opinion on the different alternatives available for addressing the rate impacts associated with the proposed LRS rates.[43] Mr. Dalton opined that there were two primary options to mitigate the bill impacts this winter. First, the Commission could approve the use of available funds (AG Settlement Agreement funds and RGGI funds) to offset the increase in the LRS rate. Second, the Commission could employ various rate proposals that result in longer

[40] The Company's Last Resort Service Adjustment Provision (Adjustment Provision) is the mechanism that allows the Company to recover deficiencies between LRS revenues and expenses. Traditionally the Adjustment Provision has only been charged to LRS customers. Under this scenario, customers that transition off LRS would not be required to pay for any under recoveries that flow through the Adjustment Provision.
[41] Division Memo at 7.
[42] Mr. Dalton's testimony is located at https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-09/4978-OER-Dalton%209-7-22.pdf.
[43] Mr. Dalton also provided testimony regarding the cause of the increase in electric rates. Similar to Mr. Cavicchi and Mr. Hibbard, Mr. Dalton explained that in 2021 there were significant increases in global LNG prices, and in New England during cold winter days LNG typically is the marginal supply source that sets natural gas prices when natural gas pipelines are constrained. In early 2022 US natural gas prices began to increase in response to the war in the Ukraine. Specifically, reduced natural gas supply from Russia significantly increased the demand for LNG in Europe. US LNG exports increased significantly, increasing the demand for natural gas in the US, which in turn increased domestic natural gas prices. Furthermore, prices for LNG, which is a global commodity, increased dramatically, increasing futures prices for natural gas as well as electricity. Dalton Testimony at 9.

LRS averaging periods or shift higher winter LRS costs to the next 6-month period beginning April 2023.

Mr. Dalton provided a detailed analysis of the bill impact of applying the credits from the AG Settlement Agreement funds and RGGI funds during the Winter period. As a starting point, Mr. Dalton calculated that the proposed residential LRS rate increase would result in a bill increase of $51.95 per month, or 46.7% for a residential customer using 500 kWh compared to existing rates. Compared to the *Winter 2021-22 LRS rates*, the proposed residential LRS rates represent an increase of $35.99 per month, or 28.5% for a residential customer using 500 kWh. Mr. Dalton then calculated the effects of the credits: First, Mr. Dalton recommended that the credit of the AG Settlement Agreement funds should be spread evenly over the Winter period. This would result in a monthly credit of $10.62 per customer and the bill impact for a residential customer consuming 500 kWh per month - relative to the *Winter 2021-22 LRS rates* - would be about $25.37 per month for a residential customer consuming 500 kWh or about a 20.0% increase from the previous Winter period.[44]

Mr. Dalton then reviewed the effect of the RGGI funds for low-income customers. The RGGI funds would provide low-income customers about $104.84 over the six-month period or a monthly bill credit of about $17.47 per month over that period. Mr. Dalton estimated that the cumulative bill impact after applying the two credits for low-income customers consuming 500 kWh per month would be about $2 to $3 per month or 2 to 3% compared to the Winter 2021-22 LRS rate.

[44] Dalton testimony at 4-5.

Mr. Dalton did not offer a specific proposal as to the month or months that the credits should apply, although he noted that OER would like to have the RGGI funds credit allocated over several months, at a minimum, to mitigate customer bill impacts during the Winter period. Mr. Dalton urged the Commission to weigh the costs and effort associated with spreading this credit over several months against the benefits that customers will realize from being able to better manage the budgeting challenges posed by these bill increases.[45]

Mr. Dalton also examined other options to mitigate the rate increase, specifically, utilizing a longer LRS rate averaging period and/or shifting higher Winter period costs to the next 6-month LRS pricing period beginning April 2023. However, Mr. Dalton noted these options may pose risks associated with cost shifting to LRS customers if a municipal aggregation community elects to begin contracting for competitive supply in the next LRS pricing period.[46] Specifically, rate proposals that defer costs to the next LRS pricing period pose a risk of cost shifting if a municipal aggregation community leaves LRS in the LRS pricing period to which costs were shifted. Mr. Dalton opined that it would be inequitable for customers that remain on LRS to have to pay the share of the costs that municipal aggregation customers would have otherwise paid.

Rhode Island Office of Attorney General

On September 15, 2022, the RIAG filed a Position Memorandum with the Commission.[47] The RIAG noted that Rhode Islanders are facing a potentially dramatic increase in LRS rates,

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[45] Dalton testimony at 6.

[46] Dalton testimony at 16-17. Municipal aggregation is where local cities and towns engage a third-party to procure power on behalf of their residents, businesses, and municipal accounts from a non-regulated supplier while still receiving transmission and distribution service from their existing utility provider. Seven Rhode Island towns and cities have elected to participate in municipal aggregation programs (Barrington, Central Falls, Narragansett, Newport, Portsmouth, Providence, and South Kingstown.)

[47] RIAG Position Memorandum at https://ripuc.ecms.ri.gov/sites/g/files/xkgbur841/files/2022-09/4978-RIAG-PositionMemo%209-15-22.pdf

which are pass-through supply costs that the Company does not earn a profit on, driven by external market factors, primarily the increase in the price of natural gas.[48] The RIAG urged the Commission to consider any and all options available to help mitigate the effects of this increase. Regarding the AG Settlement Agreement funds, the RIAG expressed no preference as to when or how the $63.72 credit is applied to customers' bills and noted that for the average 500 kWh per month residential customer, the credit reduces the Winter period rate increase by almost 30%. For the low-income ratepayers who pay a reduced rate, the credit will have an even greater impact in reducing the increased cost of energy this winter when compared to last winter.[49]

The RIAG cautioned that deferring a portion of the rate increase could create higher bills in periods of high electric use, such as the months of July and August when some customers rely on air conditioning. Likewise, the RIAG expressed concern that municipal aggregation could result in a potentially significant number of consumers leaving LRS, thereby avoiding paying their portion of the deferred charges.[50]

The RIAG had no objection to the Governor's proposal to defer the customer charge on all Rhode Island Energy electric bills, opining that this charge is based on distribution and represents a simple shifting of a constant flat-fee from each customer from the winter rate bills to the summer rate bills. The RIAG agreed with the Division's position that this deferral would provide short-

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[48] RIAG Memo. At 1-2.

[49] RIAG Memo. At 4-5. The RIAG also reiterated that the Settlement Agreement between the Rhode Island Attorney General Peter Neronha, PPL Corporation and PPL Rhode Island Holdings (AG Settlement Agreement), provides that low-income and protected ratepayers will also be receiving $43.5 million dollars in relief via forgiveness of arrearages. Id.

[50] Id. at 7-8. The RIAG also objected to the Company collecting interest on any deferred costs, in the event that the Commission approved a deferral, in light of this unprecedented situation and the difficulties faced by customers. if the Commission determines that awarding carrying costs for any deferral is appropriate, the Attorney General offered to pay the interest fees for residential ratepayers out of the RIAG's consumer litigation recovery fund. Id. 9.

term relief without any potential complications from customers leaving LRS or any impact on competitive supply markets.[51]

Finally, the RIAG advocated that the Company work towards simple and understandable messaging so that consumers can understand the many components of their bills and how to plan for future expenses, particularly relating to the Company's Budget Billing Program. The Budget Billing Program allows customers a way to affirmatively opt-in to a system designed to keep their bills consistent throughout the year.[52]

Good Energy

On September 15, 2022, Good Energy filed comments regarding its position in these proceedings.[53] Good Energy currently represents seven Rhode Island municipalities in their effort to create and implement municipal aggregation programs. Good Energy noted that, based on the current status of discussions with suppliers, it is expected to be during the next twelve months. Based on this expected timeline, Good Energy noted that if the Commission were to approve a rate modification for the Winter period that requires future recovery from customers, it is highly likely that there would be aggregation customers that would receive a benefit from the artificially lower rate during the Winter period and would not be available for recovery for some portion of the subsequent rate period. This same scenerio also applies to current LRS customers that switch to a competitive supplier before or during the next rate period.[54] Moreover, Good Energy opined that

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[51] *Id*. at 9. The RIAG also suggested that this deferral could be limited to the highest-use winter months (December, January, and February) and be recouped in the earliest months of spring (April, May, and June), and again objected to the Company recouping interest or carrying charges on the deferred amounts.
[52] *Id.* at 10-11.
[53] Good Energy's Comments are located at https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-09/4978-GoodEnergy-Comments.pdf.
[54] Good Energy Comments at 2. Good Energy also pointed out that an individual who moved away from the distribution territory during or after the first rate period would see the same impact. An individual who moved into the distribution territory during the recovery period would overpay for supply without the benefit of the previously lowered rates.

it would be impractical and unfair to attempt to recoup any of these deferred costs from customers departing LRS – impractical because of the difficulty of tracking cost differentials at the account level and unfair because of the market pressure it creates to keep customers enrolled in LRS.[55]

Finally, Good Energy did not have an opinion with respect to the use of the different funding sources to be applied as bill credits, so long as it is applied without regard to the source of electricity supply.[56]

IV. Hearing

On September 16, 2022, the Commission held a hearing to receive public comments, followed by the start of the evidentiary hearing.[57]

Governor Daniel McKee and 41 members of the public provided public comment. Nearly all of the members of the public shared a concern about the impact on ratepayers of a rate increase and asked the Commission to deny the rate increase.[58]

Shortly after receiving comments from the public, the Commission conducted the evidentiary hearing. The Commission began the hearing by reiterating the legal standard the Commission must follow in evaluating the proposed rates. In order for the Commission to deny the cost increase in this case, there must be evidence to show that the utility did not comply with the procurement plan, or that the utility acted negligently or imprudently in making the purchases. The Commission cannot order Company shareholders to absorb the cost increase, unless there's an evidentiary case that proves noncompliance or negligent execution of the procurement plan, which

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[55] *Id.*
[56] *Id.*
[57] *See* Hearing Transcript (Sept. 16, 2022 at 9:00 am) at 1-127. Governor Daniel McKee and 41 members of the public provided comments.
[58] Many of the commenters also advocated for the Commission to establish a percentage of income payment plan program ("PIPP"). *See* Hr'g Tr. At 3-34. However, the subject of discounted rates was not within scope of this proceeding and the Commission lacks the authority to establish a PIPP in this docket.

caused higher costs to be incurred. Each of the parties' counsel acknowledged that this was the correct legal standard.[59]

Mr. Hibbard, Mr. Cavicchi, Mr. Ruebenacker, Mr. Oliveira, and Ms. Chris Ann Rossi, Manager of Credit and Billing for Narragansett Electric, testified for the Company.

Mr. Hibbard testified in line with his pre-filed testimony, noting that the wholesale prices of electricity are driven by the just-in-time procurement of natural gas by power plant owners in the region and that in the winter the combined demand for the local natural gas distribution companies and for electric generation exceeds the maximum capacity of the pipeline system to deliver gas into New England.[60] Consequently, electricity generators rely on liquified natural gas (LNG) vaporization injection into the pipeline system which is more expensive. Conversely, in the summer months there's plenty of natural gas transportation available and demand isn't as high, so the price for electricity consumers and wholesale markets is relatively low.[61] Moreover, even in a "normal" market year, a cold winter, or the loss of one source of supply or another, can drive prices extremely high within New England relative to the rest of the region.[62] Mr. Hibbard did not consider this a "normal" market year, testifying that there is "no doubt that the war in Ukraine and the shutting off of gas supplies to Europe has had and will have an incredible impact on prices for natural gas in New England."[63] Mr. Hibbard explained that LNG deliveries to Europe and Asia have "skyrocketed" because of the Russian shutoff of gas to Europe and LNG prices are very high because "virtually every bit" of US export capacity is being used right now. This has caused a

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[59] Hearing Transcript (Sept. 16, 2022 at 1:00 pm) at 6-7.
[60] *Id.* at 23-24.
[61] *Id* at 25-26.
[62] *Id.* at 27-28.
[63] *Id.* at 28.

reduction in the US domestic supply and a nearly doubling of the price of natural gas in the past year.[64]

Mr. Cavicchi testified that the LRS rates are very much a function of what natural gas prices are expected to be in the region during the upcoming months, explaining that higher natural gas prices result in higher costs for electricity producers. Mr. Cavicchi noted that he is seeing higher electricity prices throughout New England. Historically, Rhode Island's LRS rates tend to compare favorably to the other electric utilities in New England. Mr. Cavicchi testified that this occurs for two reasons. First, the way the procurements are done results in a substantial portion of the power supply being procured ahead of time, before the increases in prices. Second, the Procurement Plan provides for a mixture of different contract terms, and those different terms very favorably affect the prices.[65] Mr. Cavicchi testified that he has studied many of the procurement processes used in New England and some of the mid-Atlantic states, and Narragansett Electric's Procurement Plan is "very similar to many of them, and in some ways it actually has a product mixture that diminishes the rate of increase in periods like we have now."[66] Finally, Mr. Cavicchi noted that Massachusetts and New Hampshire are seeing much higher increases than proposed in Rhode Island.[67]

Mr. Ruebenacker then described the Company's procurement process and noted that the Company obtains energy for each of the three customers groups (residential, commercial, and industrial), by issuing requests for proposals (RFPs) to energy suppliers on a quarterly basis and extending out over a staggered 24-month period. This "layer and ladder procurement schedule" program is a way of implementing dollar cost averaging.[68]

[64] *Id.* at 29.
[65] *Id.* at 30-32.
[66] *Id.* at 35.
[67] *Id.* at 36.
[68] *Id.* at 34.

Finally, Ms Rossi testified about the Company's budget billing program. Ms. Rossi explained that the Company takes a historic 12-month view of a customer's account and sets future payments based on that review. The account is trued-up every six-months. This allows a customer to levelize their monthly bill throughout the year. Ms. Rossi stated that approximately 35,000 residential customers are currently enrolled in budget billing.

Mr. Oliveira testified that the Company would charge a carrying charge, currently 1.45% on any deferral, including a deferral of the customer charge.[69] Mr. Oliveira also testified that if the Company deferred the customer charge, and then did not take any action to recover that charge, the total deferred amount would go through the revenue decoupling mechanism where it would be recovered from all customers.[70] Somewhat similarly, if the Company added the deferred customer charge on to customers' bill in the next six-month rate period, the Company would collect any undercollection through the revenue decoupling mechanism.[71] Mr. Oliveira also explained that if the Company deferred the customer charge, it would not affect the Company's earnings as the Company would treat the deferral as either a regulatory asset or an accounts receivable increase.[72]

The hearing continued on September 19, 2022. At the start of the hearing the Commission distributed a set of questions to the Parties. The Commission informed the Parties that it would like the Parties to address the questions, listed below, at the close of the hearing:

1. Is there substantial evidence that would support a Commission decision to deny all or part of the LRS increase which decision could be sustained on appeal based on prevailing legal standards?
2. Should the Commission either defer all or part of the Last Resort Service commodity rate increase to a future period or spread it in LRS rates over 12 months? If yes, what should the Commission do with any stranded costs caused by customers leaving through aggregation in the summer period?

[69] *Id.* at 89-91.
[70] This would include non-residential customers as the revenue decoupling charge is a per kWh charge to all customers. *Id.* at 112. However, net-metering customers would not pay the revenue decoupling charge. *Id.* at 110.
[71] *Id.* at 103-5
[72] *Id.* at 109.

3. How and when should the Attorney General's $32 million credit be credited to customers? In one month or spread over multiple months? If one month, which month?
4. How and when should the Governor's $3.8 million credit for low-income A-60 rate customers be credited? In one month or two months? In which month(s)?
5. Would any party have an objection or substantial concerns to the following combined options being approved:

   The Attorney General's credit being applied to bills in January, and Governor McKee's $3.8 million credit for A-60 customers being split between the bills rendered for the two months of February and March, on a rate class basis?
6. Should the Commission also reduce the Residential and/or C&I Customer Charge of $6.00 per month to zero for all customers, and charge this back over a later period? Or alternatively, should the Commission reduce the $6.00 customer charge only for the A-60 low-income class for any months? Or not at all?

The hearing then continued with Mr. Oliveira, Mr. Hibbard, and Mr. Cavicchi all appearing in person, accompanied by Ms. Stephanie Briggs. Ms. Rossi and Mr. Ruebenacker appeared remotely.

Ms. Rossi testified regarding the LIHEAP program, which provides cash grants for individuals that meet the Department of Human Services income guidelines for the program. Applications for the program begin in October of each year, and once approved, cash grants are applied to customers' accounts. Ms. Rossi also explained that any individual that is approved for the LIHEAP program automatically becomes enrolled as a low-income (A-60) customer.[73]

Ms. Rossi also answered questions from counsel for the George Wiley Center regarding the timing of any credits. Ms. Rossi noted that most low-income customers are behind on their bills, and thus, would prefer to receive any credits at the earliest possible time.[74] Ms. Rossi explained that the earliest the Company could implement either credit would be November 2022.

[73] Hearing Transcript (Sept. 19, 2022 AM) at 11-16. Ms. Rossi also explained that in recent years, there have been a second, supplemental LIHEAP grant, and LIHEAP grants may be available for extraordinary cooling costs in the summer as well. Id. at 18. There were 11,417 LIHEAP grants awarded last season. Hearing Transcript (Sept. 19, 2022 PM) at 117.

[74] *Id.* at 35-36. *See also Id*. at 66-68.

Ms. Rossi also explained that the Company would need 30 days advanced approval to implement a credit and it would be more difficult for the Company to implement multiple credits in the same month.[75] Finally, Ms. Rossi explained that the Company would calculate the exact amount of the RGGI credit by taking the dollar amount, dividing it by the expected number of A-60 customers expected in the month the credit is to be applied, and then applying the credit to each A-60 customer that receives a bill in the given month.[76]

Mr. Oliveira testified that, on average, customers' electric bills are highest over the winter months. More specifically, A-60 customers receive their highest bills in January of each year, followed by the months of February and then December. Customers also receive higher bills in August, but customers do not have heating bills at that time (either oil, propane, or natural gas).[77]

Finally, Mr. Ruebenacker testified that the Company followed the approved procurement plan.[78]

Mr. Dalton, testifying for OER, reiterated that he felt it was best to compare this years' proposed Winter rates to last year's Winter rates. For the average A-60 customer consuming 500 kilowatt hours per month there would be an approximate \$2 to \$3 per month increase for the six-month period, representing a rate increase of about 2 to 3 percent.[79] A deferral of the customer charge would result in this year's rates being effectively less than last year's winter rate for A-60 customers. Mr. Dalton also reiterated that there was significant risk associated with deferring a portion of the commodity price increase to a later period, particularly due to the potential aggregation programs.[80]

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[75] Hearing Transcript (Sept. 19, 2022 PM) at 25.
[76] *Id.* at 28-29.
[77] Hearing Transcript (Sept. 19, 2022 AM) at 60-64. Mr. Oliveira based his responses on a review of the 5-year average of monthly usage and bills. *See also* RIE's Response to PUC 8-2.
[78] Hearing Transcript (Sept. 19, 2022 PM) at 125-26.
[79] *Id* at 128-29.
[80] *Id.* at 129-130.

Mr. Patrick Roche testified on behalf of Good Energy. Mr. Roche informed the Commission that six out of the seven communities that work with Good Energy have executed contracts with an electricity supplier to launch their municipal aggregation programs starting in May 2023. Mr. Roche also responded the Commission's written questions, testifying in response to Question 2, that the Commission should not defer all or part of the LRS commodity rate increase to a future period or spread it in out in rates over 12 months. Mr. Roche opined that deferring the commodity rate could impact opt-out rates for the aggregation program and could potentially lead to unfair outcomes. Additionally, Mr. Roche believed that if the Commission ordered a deferral of all or a portion of the rate increase and ordered the recovery of the deferral to occur on the distribution portion of the bill, this could cause customer confusion and interfere with the aggregation plans.[81]

Alberico Mancini, Chief Regulatory Analyst, and Paul Roberti, Chief Economic Policy Advisor, testified for the Division. Mr. Mancini testified that he compared the proposed rates to last years winter rate for A-60 customers, and that when taking into account the 25% rate discount and the two credits, the rate increase is completely mitigated.[82]

Mr. Roberti testified that the Division did not support a deferral of any of the commodity cost due to the fact that future recovery of any deferral might not be from the same group of customers that benefited from the deferral. Moreover, deferral masks the true cost of the power that's going to be consumed this winter and can result in customers thinking that power is actually less costly than it really is, thereby consuming more. This could be particularly troublesome this winter given the expected electric grid reliability issues in New England.[83]

[81] *Id.* at 144-48.
[82] *Id*. at 190-91.
[83] *Id.* at 174-84. Mr. Mancini testified that the Company followed the approved Procurement Plan and that the lowest bidder was chosen. *Id.*

The Commission then reviewed the written questions with the Parties.[84] All Parties agreed that there was no evidence to support a denial of the rate increase based on the prevailing legal standards. Similarly, all Parties, except the George Wiley Center and OER, agreed that the Commission should not defer all or part of the commodity rate increase.[85]

Regarding the timing of the AG Settlement credit, the Division opined that the credit should be applied in December or January as those months comport with the language of the settlement and, based on the 5-year average, are months with relatively high bills. OER urged that the credit be applied in November. Narragansett Electric did not have an opinion as to what months either credit should be applied but believed that the credits should be applied in separate months. The RIAG and the George Wiley Center opined that the credit should be applied as soon as possible.

Regarding the timing of the RGGI credit, the Division opined that it could be applied over either a one- or two-month period and recommended any months between December and March. The RIAG deferred to the Commission and those who have testified about the interests of low-income rate payers as to the best method of applying the RGGI credit. The George Wiley Center opined that the credit should be applied as soon as practical and that there might be a slight benefit in splitting the credit over two months to reach additional customers that enroll on the A-60 rate at a later date. OER requested that the Commission direct the credit to be split and distributed over the two months of December and January.

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[84] *See* Hearing Transcript (Sept. 19, 2022 PM) at 185-211 for the responses to the written questions by Narragansett Electric, RIAG, Division, EERMC, Good Energy, and the George Wiley Center. Good Energy only responded to the first two questions. OER submitted written response on September 21, 2022, a copy of which is located at ________________.

[85] The George Wiley Center opined that the Commission should create a 12-month rate to spread out a portion of the winter increase to the lower summer months. Id. at 201. OER responded, without any specific proposal, that the Commission should defer all or part of the commodity rate to a future period or spread it out over 12 months.

The RIAG believed that the Company should offer the option to all customers to defer all or a portion of the rate increase on an individual basis and to track any deferral to ensure that it is equitably recovered. *Id.* at 195-96. Good Energy stated that, even though a deferral would make its offering look less costly, it was opposed to a deferral because of the risk that it creates for customers to game the system. *Id.* at 210.

Regarding the deferral of the customer charge, the Division opined that deferral was not necessary because the rate increase for A-60 customers is completely mitigated by the A-60 rate reduction and the two credits. The Company also did not believe a deferral of the customer charge was necessary. The RIAG generally supported the deferral of the customer charge for all rate classes. OER advised that the Commission should reduce the Residential and Small C&I Customer Charge of $6.00 per month to zero for all customers, and in all months from October to March. The George Wiley Center believed that the customer charge should be deferred for all customers, but for A-60 customers, only the amount necessary to bring the rate impact to zero compared to last winter's rates should be deferred.

Regarding the recovery of any deferral, there was a general consensus that the Commission should examine the mechanism to recover any deferral in a future proceeding.

IV. Commission's Analysis and Decision[86]

The unprecedented rate increase being sought by Narragansett Electric will be extremely difficult for consumers. It will be particularly challenging for consumers who have been significantly impacted by the COVID-19 pandemic, and those already struggling with economic challenges. These concerns were expressed by many members of the public during these proceedings.[87]

However, as all the Parties agree, there are limits on the Commission's authority in this case. Many consumers not familiar with the statutory requirements assume that the Commission has the authority to deny any rate increase being sought by the utility if it will have a negative

[86] The Commission convened at Open Meeting on September 23, 2022, to review the evidence and consider the proposal.
[87] The heard public comment from many individuals requesting the Commission to institute a percentage of income payment plan (PIPP). The Commission cannot simply order a PIPP and need the legislature to pass a PIPP or the Parties to bring a proposal to the Commission for its review.

impact on the ratepayers of Rhode Island. Unfortunately, this assumption is inaccurate. The rate increase being sought in this case arises from the utility's statutory obligation to provide electric supply service to consumers who have not selected a third-party competitive supplier in the market. Rhode Island law imposes an obligation on the utility to provide LRS. In turn, it provides a legal entitlement for the utility to recover its costs for providing the service, with no mark-up for profit, as long as the statutory requirements have been met.

The rates being sought for approval in this case were the outcome of a procurement plan undertaken by Narragansett Electric that was consistent with the statutory requirements. In this case, the Division's review confirmed that Narragansett Electric complied with the procurement process and affirmed that the company's calculations were accurate. The resulting rates are the direct costs incurred by Narragansett Electric from carrying out the procurement plan. All of the Parties agreed that there was no evidence to support a denial of the rate increase based on the prevailing legal standards.

As we heard from the experts retained by Narragansett Electric and OER, the price that the Company passes on to its customers through LRS rates rise and fall based on market forces outside of the control of Narragansett Electric. The price is driven completely by global and regional market forces, including the energy market impacts caused by the war in Ukraine.[88] Simply put, the rates reflect the costs incurred by Narragansett Electric in carrying out its obligations – without margin or profit. Accordingly, the proposed rate changes are in complete conformity with the statutory requirements and there is no evidentiary or legal basis to reject them.

[88] Shortly after the hearings in this matter, National Grid in Massachusetts proposed a rate of $0.338 cents per kWh for the November 2022 through April 2023 period.

While the Commission lacks the authority to deny cost recovery to Narragansett Electric as long as the Company has complied with the statutory requirements, the Commission does have the authority to defer and spread the costs over a longer period of time. The Commission has occasionally (but rarely) done this in the past when such a deferral had the likelihood of mitigating near-term rate shock without causing higher costs to ratepayers.[89] However, any such deferral relies on an assumption that substantially all the customers will remain on LRS service. As such, the costs incurred for the near-term period that will be shifted to a later period will be recovered from the same group of customers during the period that follows. In this case, however, the Commission heard extensive evidence that a significant portion of current customers could migrate to municipal aggregation plans as early as May 2023. Thus, proposals by municipalities to secure their own electric supply via municipal aggregations could result in reduced load for remaining LRS customers, which could result in higher LRS rates and, ultimately, higher electric bills for customers remaining with the Company for their electric supply.

In addition, the Commission is concerned that a deferral of the commodity price would result in higher rates in the futures. Recovering deferred commodity costs over 2023's summer period would result in a LRS rate that is higher than what it would have been absent the deferral recovery, and there is no way of knowing how long the current higher rate environment will last.

On April 1, 2023, there will be another rate change for the summer period. Typically, the rates for LRS service decrease for that time of the year. Further, consumers do have the option to seek better pricing from competitive suppliers at any time. Finally, as identified by the Company

[89] *See* Order in Docket 4692, found at: http://www.ripuc.ri.gov/eventsactions/docket/4692-NGrid-Ord23633%20(7-16-19).pdf

and extensively discussed during these proceedings, the Company offers options to assist customers with managing their bills, including its Budget Billing Program.

The Commission is mindful of the impacts that a winter rate-hike will have on many consumers. Fortunately, this year there are funds available this year which can be used to mitigate the impact of these unprecedented rate increases. The AG Settlement credit, available to all customers of Narragansett Electric, and the RGGI credits, available to all customers on the low-income (A-60) rate, can be applied directly to customers' bills during this period. The Commission is grateful for the efforts of Governor Daniel McKee and Attorney General Peter Neronha in securing these funds to provide meaningful rate relief for ratepayers during this period. The Commission received evidence and extremely helpful guidance from the Parties as to how best to apply these credits in a manner that will provide timely relief. Applying the credits as approved, will essentially completely off-set the rate increase for low-income customers as compared to last winter's rates.

The Commission believes that it is appropriate this year to go even further. All customers are charged a customer charge on their monthly bill which appears on the distribution portion of their bill (as opposed to the commodity charge which appears on the supply portion of their bill).

Based on the undisputed evidence in this case, the Commission finds that the new Last Resort Service rates are consistent with the previously approved procurement plan and the law. Therefore, the rate request meets the requirements for approval. The Commission believes that a deferral of the customer charge for all residential (A-16 and A-60) and small C&I (C-06) customers is appropriate for the Winter period.

Accordingly, it is hereby

(24621) ORDERED:

1. The proposed Last Resort Service retail rates for the Residential and Commercial Groups for the period October 2022 through March 2023 and the proposed Last Resort Service rates for the Industrial Group for the period October 2022 through December 2022 are approved, effective for usage on and after October 1, 2022.
2. The Commission finds that Narragansett Electric complied with the Company's Last Resort Service Procurement Plan.
3. The Company is directed to apply the $32.5 million credit provided for in the Settlement Agreement with Attorney General Neronha in the month of November. Each electric customer will receive the same credit, which shall be applied to all customers of record billed in the month of November, or such data set of customers as of a date in November reasonably selected by the Company. The Company is directed to make a compliance filing within 10 business days, providing a description how the crediting will be implemented.
4. The Company is directed to apply the $3.8 million dollars of Regional Greenhouse Gas Initiative credit to low-income customers in the months of December and January, subject to reconciliation. The Company is directed to allocate half of the funds to each month, to provide an equal credit to all customers in the A-60 rate class in each month. The Company is directed to make a compliance filing within 10 business days, providing a description how the crediting will be implemented.
5. The Company is directed to defer collection of the Customer Charge for all customers in the A-16, A-60, and C-06 rate classes for a six-month period beginning October 1, 2022. The Company is authorized to book a regulatory asset for the deferred charges applicable

to each fiscal year for recovery at a later date in a manner and timeline approved by the Commission. The deferred charges shall accumulate interest at the customer deposit rate. The Company is directed to file within 60 days a proposal to recover the deferred charges. The Company is directed to consult with the parties in this docket prior to filing the proposal.

6. Subject to the credits and deferral addressed in the prior motions, the factors, rates, and adjustments are approved for usage on and after October 1, 2022. The Company is directed to make a compliance filing by the close of business on Tuesday, September 27.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2022 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 23, 2020. WRITTEN ORDER ISSUED MARCH 7, 2023.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski

Ronald T. Gerwatowski, Chairman

Abigail Anthony

Abigail Anthony, Commissioner

John C. Revens, Jr.

John C. Revens, 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.