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Peter F. Neronha
Attorney General

December 5, 2022

Luly Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Blvd.
Warwick, RI 02888
Luly.massaro@puc.ri.gov

RE: *The Narragansett Electric Co. d/b/a Rhode Island Energy's Long-Term Contracting for Renewable Energy Recovery Factor Filing*
R.I.P.U.C. Docket No. 22-45-EL

Dear Ms. Massaro:

Enclosed please find, for filing in the above referenced docket, the Division's Position Memo.

Thank you for your attention to this matter. Should you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Gregory S. Schultz

Special Assistant Attorney General

gschultz@riag.ri.gov

GSS/eg
Enclosures

Copy to: Docket Service List
Linda George, DPUC Administrator
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STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Joel Munoz, Rate Analyst
Division of Public Utilities & Carriers**

Date: December 5, 2022

**Re: R.I.P.U.C. Docket No. 22-45-EL - The Narragansett Electric Co. d/b/a Rhode Island
Energy's Long-Term Contracting for Renewable Energy Recovery Factor Filing**

On November 15, 2022, Narragansett Electric Company d/b/a Rhode Island Energy ("RIE" or "Company") filed with the Public Utilities Commission ("Commission") its Long-Term Contracting for Renewable Energy Recovery ("LTCRER") Factor filing for the period January 2023 through June 2023 ("Pricing Period").

The LTCRER tariff, R.I.P.U.C. No. 2174, was approved by the Commission in Docket No. 4676, and allows for the recovery of payments made to projects under long-term contracts and distributed generation ("DG") standard contracts executed pursuant to R.I.G.L. 39-26.2.

The Company's calculation, intended to recover estimated costs associated with RIE's long-term Power Purchase Agreements for Renewable Energy less the proceeds from the sale of energy, capacity, Renewable Energy Certificates ("RECs") and customer share of net forward capacity value, results in a proposed recovery factor that is a credit of \$0.00144 per kilowatt-hour ("kWh").

The currently effective LTCRER Reconciliation Factor is a credit of \$0.00123 per kWh. Combining the proposed forward-looking LTCRER factor and the currently approved Reconciliation Factor results in a proposed combined recovery factor that is a credit of \$0.00267 per kWh, applicable to all customers, effective for usage on or after January 1, 2023. The effect

on a typical 500 kWh monthly residential bill is a decrease of \$0.71 per month, or 0.5%, from \$155.68 to \$154.97.

The Company's estimate of payments to operating Renewable and Distributed Generation units over the six-month period is \$47,184,318. Estimated revenues from sale of REC's, energy, and capacity are \$52,201,057 leaving a net below-market cost of \$5,016,739. The Company also estimates that it will receive \$15,000 in capacity revenue from customer-owned DG facilities bidding into the Forward Capacity Market as part of the Company's approved program. The customer's share of the net forward capacity is 90% or \$13,501. The total estimated credit due to customers, including subtracting \$15,766 in Company and contractor administrative costs, is \$5,014,474.

The attached Table (JAM-1) on the following page compares the proposed January through July 2023 estimated revenues, sales and calculated LTCRER factors with the current and prior LTCRER factors. Most notably, the estimated Market Value of energy continues to increase almost 12% from the previous filing and increased 56% from the same pricing period last year, as illustrated in JAM-1. This is reflective of the current market and the high price of energy. The Division notes that, for the first time, the Estimated Administrative Cost of the Forward Capacity Market ("FCM") program is more than the Estimated Customer Share of net forward capacity revenue. This is a result of the lower capacity prices, while both the administrative costs and capacity per MW's bid into the market remain levelized when compared to prior years for the same period. The Division also notes that, historically, the FCM revenues are lower during the first six-months of the year due to lower eligibility MW capacity available for bid into the FCM, and significantly higher during the second six-month period. We expect this trend to continue resulting in FCM revenues exceeding costs when viewed over a 12 month period.

I reviewed the LTCRER factor filing and did not find any unusual activity or errors in calculations. I believe the filing is in accordance with the Commission's order in Docket No. 4676, the docket in which the Commission approved the LTCRER Provision, and therefore recommend approval of the proposed total LTCRER recovery factor that is a credit of \$0.00267 kWh, effective January 1, 2023.

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

	(Jul '21)	(Jan '22)	(Jul '22)	(Jan '23)
Estimated Generator Output - MWH	337,720	313,387	318,729	303,878
Estimated Contract Costs	\$47,975,121	\$44,834,905	\$48,692,487	\$47,184,318
Estimated Market Value				
Energy	\$12,611,634	\$25,900,191	\$36,268,397	\$40,455,406
REC's	\$13,994,270	\$11,947,886	\$11,992,164	\$11,082,427
Capacity	\$ 1,196,535	\$ 1,200,154	\$ 698,729	\$ 663,224
Subtotal	<u>\$27,802,439</u>	<u>\$39,048,231</u>	<u>\$48,959,289</u>	<u>\$52,201,057</u>
Estimated Admin. Cost	\$ 15,545	\$ 16,071	\$ 16,205	\$ 15,766
Estimated Customer Share – Net FCM	<u>\$ 104,687</u>	<u>\$ 25,969</u>	<u>\$ 78,145</u>	<u>\$ 13,501</u>
Net Amount Under or (Over) Collected	<u>\$20,083,540</u>	<u>\$ 5,776,722</u>	<u>\$ (328,743)</u>	<u>\$ (5,014,474)</u>
Forecasted KWH Sales	3,649,185,999	3,493,030,851	3,846,277,953	3,495,942,909
Adjustment for Uncollectibles	1.30%	1.30%	1.30%	1.30%
LTCRER Factor	\$0.00557	\$0.00167	\$(0.00008)	\$(0.00144)
Current Reconciliation Factor	\$0.00123	\$0.00123	\$(0.00123)	\$(0.00123)
Total LTC Recovery Factor	\$0.00680	\$0.00290	\$(0.00131)	\$(0.00267)