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Peter F. Neronha
Attorney General

March 3, 2023

Via Electronic Mail

Luly Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

RE: Docket No. 23-01-EL
The Narragansett Electric Company – Last Resort Service Rate Filing

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers, please accept for filing the attached memorandum from Alberico Mancini, Chief Rate Analyst, that provides the agency's comments regarding the above reference docket.

Thank you for your attention to this submission.

Very truly yours,

/s/ Gregory S. Schultz

Gregory S. Schultz
Special Assistant Attorney General
On behalf of the Division of Public Utilities and Carriers

Enclosure

cc: 23-01-EL Service List
Linda George, Esq., Division Administrator
John Spirito, Esq., Division Deputy Administrator
Christy Hetherington, Esq., Division Chief Legal Counsel
Paul Roberti, Esq., Division Chief Economic and Policy Analyst



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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**To: Luly Massaro, Commission Clerk
Public Utilities Commission**

**From: Alberico Mancini, Chief Regulatory Analyst
Division of Public Utilities & Carriers**

Date: March 3, 2023

**Re: Docket No. 23-01-EL The Narragansett Electric Company – Last Resort Service
Rate Filing**

On January 19, 2023, The 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 April 1, 2023, together with the results of the Company’s most recent LRS procurement.¹ 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 Residential, Commercial, and Industrial Groups for each month of the service period.
- A RIPUC Tariff No. 2096 Rate Summary, Reflecting the proposed rates for the period April 2023 through September 2023.
- A typical bill analysis for LRS for the Residential, Commercial, and Industrial Customer Groups.

¹ Filings entitled: *Proposed Last Resort Service Rates for the Residential Group and the Commercial Group for the Months of April 2023 through September 2023 and for the Industrial Group for the Months of April 2023 through June 2023.* The filing also includes the results of competitive procurement for the Months of April 2023 through March 2025 for the Residential and Commercial Group, and for the Months of April 2023 through June 2023 for the Industrial Group.

- A copy of the Request for Proposals (“RFPs”) issued on December 22, 2022, to solicit LRS supply for the period April 2023 through September 2023 for the Residential and Commercial Group, and April 2023 through June 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 March 2025 for the Residential and Commercial Group, and April 2023 through June 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 **April 2023 through June 2023.**

Commercial Group: Procurements encompassing **April 2023 through March 2025.**

With this most recent solicitation for another 15% of the load requirements for the **April 2023 through September 2023** period, **90%** 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, 20% in October 2022 and 15% in January 2023). For the April 2023 through September 2023 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 15% of the Commercial Group’s load requirements for the **October 2023 through March 2024** period have been procured in the January 2023 solicitation. With this most recent solicitation, **50%** of the load requirements have been purchased for the October 2023 through March 2024 period (15% in January 2022, 20% in July 2022 and 15% in January 2023). For the October 2023 through March 2024 period, the Company will procure another 20% in the second quarter of 2023 and 20% in the third quarter of 2023. Those procurements will total 90% for the October 2023 through March 2024 period and 10% will be made in the spot market.

Also, 15% of the Commercial Group’s load requirements for the **April 2024 through September 2024** period and the **October 2024 through March 2025** period have been procured in the January 2023 solicitation. This is the Company’s first of five (5) procurements for these periods. The remaining procurements will be purchased per the Company’s approved Last Resort Procurement Plan.

Residential Group: Procurements encompassing **April 2023 through March 2025.**

With this most recent solicitation for another 15% of the load requirements for the **April 2023 through September 2023** period, **90%** of the load requirements for the Residential 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, 20% in October 2022 and 15% in January 2023). For the April 2023 through September 2023 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 15% of the Residential Group's load requirements for the **October 2023 through March 2024** period have been procured in the January 2023 solicitation. With this most recent solicitation, **50%** of the load requirements have been purchased for the October 2023 through March 2024 period (15% in January 2022, 20% in July 2022 and 15% in January 2023). For the October 2023 through March 2024 period, the Company will procure another 20% in the second quarter of 2023 and 20% in the third quarter of 2023. Those procurements will total 90% for the October 2023 through March 2024 period and 10% will be made in the spot market.

Also, 15% of the Residential Group's load requirements for the **April 2024 through September 2024** period and the **October 2024 through March 2025** period have been procured in the January 2023 solicitation. This is the Company's first of five (5) procurements for these periods. The remaining procurements will be purchased per the Company's approved Last Resort Procurement Plan.

Last Resort Service Proposed Rates and Trends

Industrial Group Rates

The LRS rates proposed for the **Industrial Customer Group** for the April 2023 through June 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:

- April 2023: \$0.12831 / kWh
- May 2023: \$0.12054 / kWh
- June 2023: \$0.12672 / kWh

The three-month average of the proposed April 2023 through June 2023 Industrial Group LRS rate is \$0.12519/kWh, which results in a \$0.25256/kWh or 67% decrease when compared with the current January 2023 through March 2023 average Industrial Last Resort rate of \$0.37775/kWh. In comparison, the proposed three-month average rate represents an increase of \$0.03741/kWh or 42% when compared to last year's April 2022 through June 2022 Industrial average rate of \$0.08778/kWh.

Commercial Rates

The **fixed price option** LRS rate proposed for the **Commercial Customer Group** for the April 2023 through September 2023 period, 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 is:

- April 2023 – September 2023: \$0.10385 / kWh

The proposed rate represents a decrease of \$0.07894/kWh or 43% when compared with the current fixed price option charge of \$0.18279/kWh but compared to last year’s April 2022 through September 2022 Commercial Group LRS fixed summer rate of \$0.08047/kWh, the proposed rate represents an increase of \$0.02338/kWh or 29% for the same six-month period in the previous year.

The **variable price option** proposed LRS rates for the **Commercial Customer Group** 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 are as follows:

- April 2023 \$0.11609 / kWh
- May 2023 \$0.11266 / kWh
- June 2023 \$0.09748 / kWh
- July 2023 \$0.10200 / kWh
- August 2023 \$0.10013 / kWh
- September 2023 \$0.09702 / kWh

Residential Rates

The LRS rate proposed for the **Residential Customer Group** for the April 2023 through September 2023 period, including the current per-kWh Last Resort Adjustment Factor of \$(0.00318), the Administrative Cost Factor of \$0.00233, and the Renewable Energy Charge of \$0.00721 is:

- April 2023 – September 2023: \$0.09761/kWh

The proposed rate represents a decrease of \$0.08024/kWh or 45% when compared with the current LRS rate of \$0.17785/kWh but compared to last year’s April 2022 through September 2022 LRS average summer rate of \$0.07810/kWh, the proposed rate represents an increase of \$0.01951/kWh or 25% for the same six-month period in the previous year.

Last Resort Service Rate Bill Impact

The trend over the last several years has been higher electric supply prices in the winter verses the summer season. The graph, G-1 on the following page, shows this trend going back to the winter of 2017 - 2018. Of note this year, due to the increase market price of power supply, the

proposed summer rates are higher than what has been seen over prior summer rates for the 2017–2018 period.

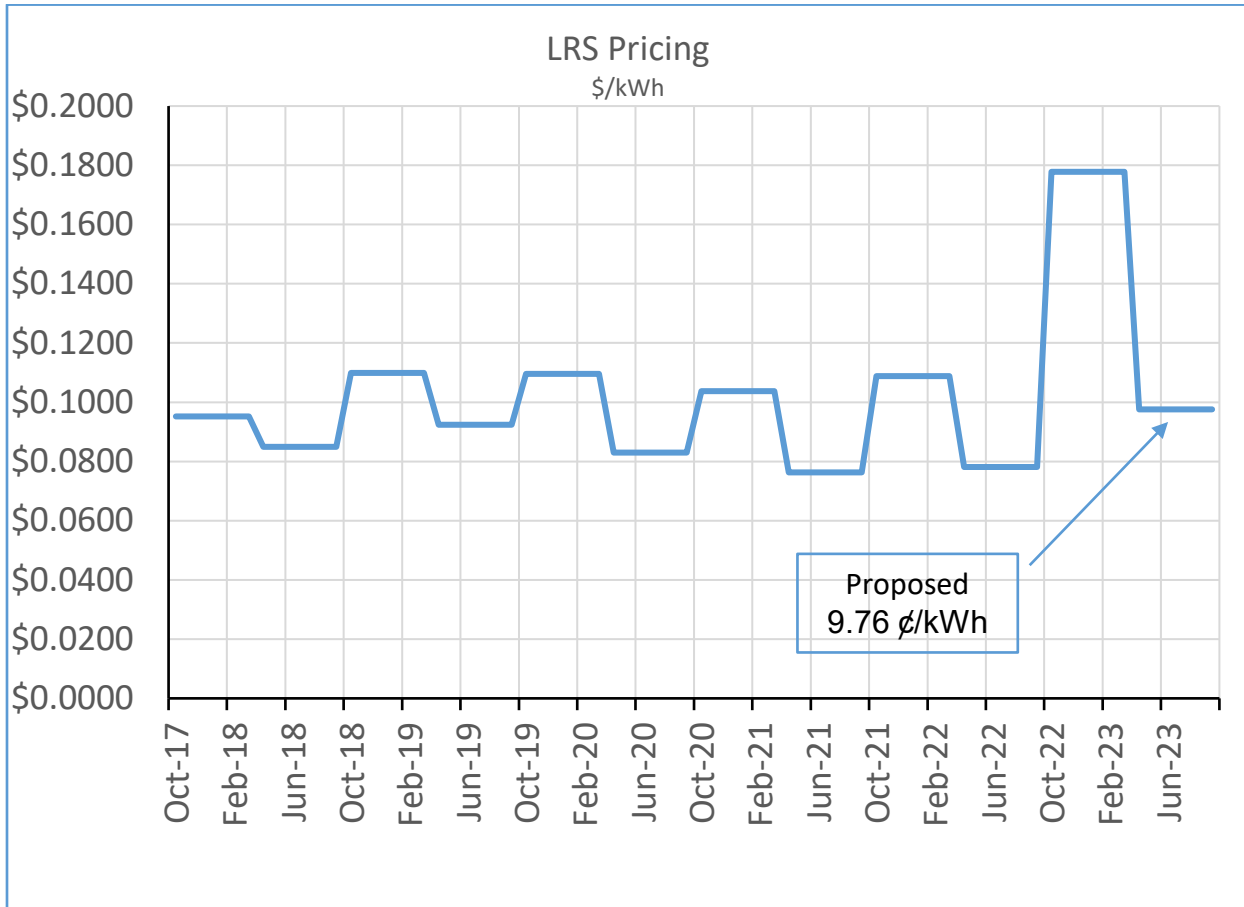


Table 1 – Residential A-16 Rate Class

Monthly kWh	Current Bill	Proposed Bill	Total Decrease	% Decrease
300	\$89.73	\$70.90	\$18.83	21%
500	\$147.90	\$112.35	\$35.55	24%
1200	\$351.47	\$257.42	\$94.05	26.8%

As presented in Table 1, a typical A-16 residential customer using 500 kWh’s per month would see a \$35.55 or 24% overall decrease in their monthly bill.

The proposed rates are the result of the Company following the approved procurement plan and obtaining competitive responses to its RFPs. The Company does not earn a profit on the electricity its customers use and has no incentive to retain last resort customers.

Proposed New Last Resort Factors and Renewable Energy Charge

The LRS Administrative Factors, LRS Adjustment Factors and the Renewable Energy Charge (RES) used in this Memo are based on the factors currently in place and were used for consistency with the Company's filing. On February 15, 2023, subsequent to the Company's filing in this docket, the Company submitted its 2023 Annual Retail Rate Filing which includes proposed new LRS Administrative Factors and LRS Adjustment Factors effective April 1, 2023. The Company also filed its 2023 Renewable Energy Standard Charge (RES) effective April 1, 2023. For comparison purposes, I prepared Attachment AM-1, which shows the proposed LRS rates using the current factors and RES charge and proposed LRS rates with new proposed factors and RES charge.

Division Confirmation of Compliance

After review, the Division is of the opinion that the proposed Last Resort base rates contained in the filing for Residential, Commercial, and Industrial customers are correctly calculated and comply with the PUC-approved Last Resort Procurement Plan as approved in Docket 4978 at the July 23, 2020, open meeting.

The Division also is of the opinion that the power supply procurements undertaken by the Company in the Docket reporting period comply with the Last Resort Procurement Plan approved by the Commission and recommends that the proposed Last Resort rates be approved as filed.

Rhode Island Energy's Last Resort Service Filing Docket 23-01-EL

Proposed LRS Base Rates with Current Factors and RES Charge

	Residential	Commercial Fixed	Commercial Variable						Industrial		
			Apr	May	Jun	Jul	Aug	Sep	Apr	May	June
Base	9.125	8.789	10.013	9.670	8.152	8.604	8.417	8.106	11.467	10.690	11.308
LRS Admin Factor	0.233	0.210	0.210	0.210	0.210	0.210	0.210	0.210	0.268	0.268	0.268
LRS Adj Factor	-0.318	0.665	0.665	0.665	0.665	0.665	0.665	0.665	0.375	0.375	0.375
RES Charge	0.721	0.721	0.721	0.721	0.721	0.721	0.721	0.721	0.721	0.721	0.721
	<u>9.761</u>	<u>10.385</u>	<u>11.609</u>	<u>11.266</u>	<u>9.748</u>	<u>10.200</u>	<u>10.013</u>	<u>9.702</u>	<u>12.831</u>	<u>12.054</u>	<u>12.672</u>

Proposed LRS Base Rates with Proposed Factors and RES Charge

	Residential	Commercial Fixed	Commercial Variable						Industrial		
			Apr	May	Jun	Jul	Aug	Sep	Apr	May	June
Base	9.125	8.789	10.013	9.670	8.152	8.604	8.417	8.106	11.467	10.690	11.308
LRS Admin Factor	0.383	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.783	0.783	0.783
LRS Adj Factor	0.334	0.265	0.265	0.265	0.265	0.265	0.265	0.265	0.132	0.132	0.132
RES Charge	0.833	0.833	0.833	0.833	0.833	0.833	0.833	0.833	0.833	0.833	0.833
	<u>10.675</u>	<u>10.262</u>	<u>11.486</u>	<u>11.143</u>	<u>9.625</u>	<u>10.077</u>	<u>9.890</u>	<u>9.579</u>	<u>13.215</u>	<u>12.438</u>	<u>13.056</u>