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March 10, 2023

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket No. 23-03-EL – 2023 Annual Retail Rate Filing
Responses to Public Utilities Commission Data Requests – Set 3

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy ("Rhode Island Energy" or the "Company"), I have enclosed the Company's responses to the Public Utilities Commission's Third Set of Data Requests in the referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at (401) 709-3337.

Very truly yours,

Leticia Pimentel

Leticia C. Pimentel

Enclosure

cc: Docket 23-03-EL Service List

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Heidi J. Seddon

March 10, 2023
Date

Rhode Island Energy – 2023 Annual Retail Rate Filing - Docket No. 23-03-EL
Service List Updated 2/21/2023

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PUC 3-1

Request:

Commission staff notes that calendar year 2022 was the first in at least four years where there was an under-collection of capacity costs from the residential LRS group. Referencing the table included in the Company's response to DIV 1-6, please explain the factors that contributed to that under-collection. Specifically address why residential capacity settlements were higher than forecast in 2022, particularly during the months of July, November, and December.

Response:

As described in the Company's response to Division 1-6, the Company's Estimated Capacity LRS Rates ($/MWH) in column (e) of Schedule NECO-2, page 7, are calculated at the time of each Last Resort Service (LRS) rate filing. The Company estimates the capacity settlement for each customer group for each month by estimating the various inputs in the ISO-NE capacity settlement calculation. The Company unitizes the estimated fixed capacity charges into a volumetric ($/MWH) rate by dividing the capacity settlement for each customer group for each month by each group's wholesale monthly load forecast. This capacity rate is added to the $/MWH LRS bid rate (and an estimate of spot market if applicable), which is then adjusted by a line loss factor to create the LRS Base Rate for a month.

Actual Capacity Settlement Rates ($/MWH) in column (f) are the actual capacity settlement amounts for each customer group for each month divided by each group's actual wholesale monthly load. The specific causes of the deviations in each month can be attributed to the differences in estimated and actual loads as well as differences in estimated capacity settlement and actual capacity settlement.

In calendar year 2020 and 2021, the actual capacity settlement amounts for the Residential Group are higher than the estimated capacity settlement amounts used for the calculation of the LRS rates. However, because the actual loads in those calendar years were higher than the estimated loads, the dollar per MWH for actual load was lower which led to over collection of capacity costs.

Similarly, calendar year 2022 actual capacity settlement amounts were greater than the estimated capacity settlement amounts. However, because the annual actual loads were similar to the annual estimated load, the dollar per MWH for actual load was higher which led to under collection of capacity costs. The following example illustrates the impact of actual load that is higher than the estimate (for 2020 and 2021) compared to actual load that is the same as the estimate (2022) and the impact on recovery.

PUC 3-1, Page 2

2020 & 2021			
	Estimated	Actual	% Difference
Capacity $	50,000,000	52,500,000	5%
Load	3,000,000	3,450,000	15%
$ / MWH	16.67	15.22	-9%

2022			
	Estimated	Actual	% Difference
Capacity $	50,000,000	52,500,000	5%
Load	3,000,000	3,000,000	0%
$ / MWH	16.67	17.50	5%

For both scenarios, the actual capacity settlement amounts are 5% higher than the estimate. For 2020 and 2021, the actual load is 15% higher which leads to a decrease of 9% for the $ / MWH capacity rate. For 2021, the actual load is the same as the estimate. Because the difference between estimated and actual load is zero, the $ / MWH capacity rate is 5% higher.

As described above, the estimate capacity rate is added to the $/MWH LRS bid rate to create the LRS rate that recovers the capacity costs from customers. In this example, for 2020 and 2021 the LRS rate includes an estimate capacity rate of $16.67 / MWH. Because the $16.67 / MWH rate is higher than the actual capacity rate of $15.22, the Company over-recovers the difference from customers: it recovers $16.67 / MWH of capacity instead of the actual cost of $15.22 / MWH. The reverse is true for 2022. The Company under-recovers the difference from customers: it recovers $16.67 / MWH of capacity instead of the actual cost of $17.50 / MWH.

November and December under-recovery is impacted by this interplay between estimated and actual load. In these months, the actual capacity settlement amounts are higher than the estimate, while the actual load is lower than the estimate. This resulted in a higher actual capacity settlement rate resulting in a larger under-recovery for those months.

Finally, actual capacity settlement amounts for July, November, and December are higher than estimates because of higher costs for the Mystic Cost of Service (COS) Agreement. Since the implementation of the Mystic COS settlement in June 2022, the highest $ / MWH Mystic COS Agreement rates are in July, November, and December. The Mystic COS Agreement rates average approximately $4 / MWH for those months. The Mystic COS Agreement rates for June, August, September, and October average approximately $1 / MWH.

Prepared by or under the supervision of: Jeffrey Oliveira
and James Ruebenacker (Pursuant to the Transition Services Agreement)

PUC 3-2

Request:

Referencing page 2 the Company's response to PUC 2-12, please explain the following:

a. what do the "Negative LMP" values in Column H represent and how did the Company derive those values?

b. Why did only 7 of the 38 contracts incur a Negative LMP charge in 2022? Explain any differences between those 7 contracts and the remaining 31 that made it such that only those 7 contracts incurred a Negative LMP charge.

Response:

a. The "Negative LMP" values in Column H on Page 2 of 5 of Attachment PUC 2-12 represent downward adjustments to contract payments due to specific pricing adjustment provisions in select power purchase agreements (PPAs). The contract payments owed to these counterparties are reduced by a charge for the hourly generation delivered during an hour with a negative Locational Marginal Price (LMP). The PPAs with these pricing provisions do not require the counterparties to deliver generation in hours with a negative LMP; however, if they do deliver, they will reduce their contract payments for an hour by the product of the LMP and the generation.

   The Company's internal records separately identify negative LMP charges by unit as these charges are shown as separate line items on contract invoices. The Company verifies the negative LMP charges by unit through the ISO-NE settlement reports.

b. The seven PPAs with the Negative LMP charge were the most recent operational PPAs executed by the Company and included the pricing adjustment provisions for generation delivered during hours with negative LMPs. The first 31 PPAs executed did not include these pricing adjustment provisions.

Prepared by or under the supervision of: Peter Blazunas and Nolan Souza