



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: August 25, 2023

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

On July 25, 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 October 1, 2023, together with the results of the Company’s most recent LRS procurement.¹

On August 4, 2023, the Company filed with the Commission Joint Testimony of James M. Rouland and James Ruebenacker which provided an overview of the 2023 LRS Procurement Plan and relevant market conditions. 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 October 2023 through March 2024.

¹ Filings entitled: *Proposed Last Resort Service Rates for the Residential Group and the Commercial Group for the Months of October 2023 through March 2024 and for the Industrial Group for the Months of October 2023 through December 2023.* The filing also includes the results of competitive procurement for the Months of October 2023 through March 2025 for the Residential and Commercial Group, and for the Months of October 2023 through December 2023 for the Industrial Group.

- A typical bill analysis for LRS for the Residential, Commercial, and Industrial Customer Groups.
- A copy of the Request for Proposals (“RFPs”) issued on June 9, 2023, to solicit LRS supply for the period October 2023 through March 2025 for the Residential and Commercial Group, and October 2023 through December 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 October 2023 through March 2025 for the Residential and Commercial Group, and October 2023 through December 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 **October 2023 through December 2023.**

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

With this most recent solicitation for another 20% of the load requirements for the **October 2023 through March 2024** period, **90%** of the load requirements for the Commercial Group for the October 2023 through March 2024 period have now been procured (15% in January 2022, 20% in July 2022, 15% in January 2023, 20% in April 2023 and 20% in July 2023). For the October 2023 through March 2024 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 20% of the Commercial Group’s load requirements for the **April 2024 through September 2024** period have been procured in the July 2023 solicitation. With this most recent solicitation, **55%** of the load requirements have been purchased for the April 2024 through September 2024 period (15% in January 2023, 20% in April 2023 and 20% in July 2023). For the April 2024 through September 2024 period, the Company will procure another 20% in the fourth quarter of 2023 and 15% in the first quarter of 2024. Those procurements will total 90% for the April 2024 through September 2024 period and 10% will be made in the spot market.

Also, 20% of the Commercial Group’s load requirements for the **October 2024 through March 2025** period have been procured in the July 2023 solicitation. With this most recent solicitation, **35%** of the load requirements have been purchased for the October 2024 through March 2025 period (15% in January 2023 and 20% in July 2023). For the October 2024 through March 2025 period, the Company will procure another 15% in the first quarter of 2024, 20% in the second quarter of 2024, and 20% in the third quarter of 2024. Those procurements will total 90% for the October 2024 through March 2025 period and 10% will be made in the spot market.

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

With this most recent solicitation for another 20% of the load requirements for the **October 2023 through March 2024** period, **90%** of the load requirements for the Residential Group for the October 2023 through March 2024 period have now been procured (15% in January 2022, 20% in July 2022, 15% in January 2023, 20% in April 2023 and 20% in July 2023). For the October 2023 through March 2024 period, the Company will purchase the remaining 10% of the load in the spot market as the approved plan specifies.

Also, 20% of the Residential Group’s load requirements for the **April 2024 through September 2024** period have been procured in the July 2023 solicitation. With this most recent solicitation, **55%** of the load requirements have been purchased for the April 2024 through September 2024 period (15% in January 2023, 20% in April 2023 and 20% in July 2023). For the April 2024 through September 2024 period, the Company will procure another 20% in the fourth quarter of 2023 and 15% in the first quarter of 2024. Those procurements will total 90% for the April 2024 through September 2024 period and 10% will be made in the spot market.

Also, 20% of the Residential Group’s load requirements for the **October 2024 through March 2025** period have been procured in the July 2023 solicitation. With this most recent solicitation, **35%** of the load requirements have been purchased for the October 2024 through March 2025 period (15% in January 2023 and 20% in July 2023). For the October 2024 through March 2025 period, the Company will procure another 15% in the first quarter of 2024, 20% in the second quarter of 2024, and 20% in the third quarter of 2024. Those procurements will total 90% for the October 2024 through March 2025 period and 10% will be made in the spot market.

Last Resort Service Proposed Rates and Trends

Industrial Group Rates

The LRS rates proposed for the **Industrial Customer Group** for the October 2023 through December 2023 period, including the current per-kWh Administrative Cost Factor of \$0.00780, and the Renewable Energy Charge of \$0.00833 are:

- October 2023: \$0.07674 / kWh
- November 2023: \$0.11141 / kWh
- December 2023: \$0.18261 / kWh

The three-month average of the proposed October 2023 through December 2023 Industrial Group LRS rate is \$0.12359/kWh, which results in a \$0.00824/kWh or 7% increase when compared with the current July 2023 through September 2023 average Industrial Last Resort rate of \$0.11535/kWh. In comparison, the proposed three-month average rate represents a decrease

of \$0.13698/kWh or 53% when compared to last year's October 2022 through December 2022 Industrial average rate of \$0.26057/kWh.

Commercial Rates

The **fixed price option** LRS rate proposed for the **Commercial Customer Group** for the October 2023 through March 2024 period, including the current per-kWh Administrative Cost Factor of \$0.00375 and the Renewable Energy Charge of \$0.00833 is:

- October 2023 – March 2024: \$0.17123 / kWh

The proposed rate represents an increase of \$0.07126/kWh or 71% when compared with the current fixed price option charge of \$0.09997/kWh but compared to last year's October 2022 through March 2023 Commercial Group LRS fixed winter rate of \$0.18279/kWh, the proposed rate represents a decrease of \$0.01156/kWh or 6% 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 Administrative Cost Factor of \$0.00375, and the Renewable Energy Charge of \$0.00833 are as follows:

- October 2023 \$0.13376 / kWh
- November 2023 \$0.14949 / kWh
- December 2023 \$0.18410 / kWh
- January 2024 \$0.20103 / kWh
- February 2024 \$0.19789 / kWh
- March 2024 \$0.16024 / kWh

Residential Rates

The LRS rate proposed for the **Residential Customer Group** for the October 2023 through March 2024 period, including the current per-kWh Administrative Cost Factor of \$0.00383, and the Renewable Energy Charge of \$0.00833 is:

- October 2023 – March 2024: \$0.17741/kWh

The proposed rate represents an increase of \$0.07400/kWh or 71% when compared with the current LRS rate of \$0.10341/kWh but compared to last year's October 2022 through March 2023 LRS average winter rate of \$0.17785/kWh, the proposed rate represents a decrease of \$0.00044/kWh or less than 1% for the same six-month period in the previous year.

The LRS Adjustment Factor for the Industrial, Commercial, and Residential Customer Groups is currently not included in the proposed LRS rates. Per Commission order in Docket 23-03-EL, the LRS Adjustment Factor has been included in the Company's Distribution Charge as of April 1, 2023.

Last Resort Service Rate Bill Impact

The trend over the last several years has been higher electric supply prices in the winter versus the summer season. The graph, G-1 on the following page, shows this trend going back to the winter of 2018 - 2019.

G-1

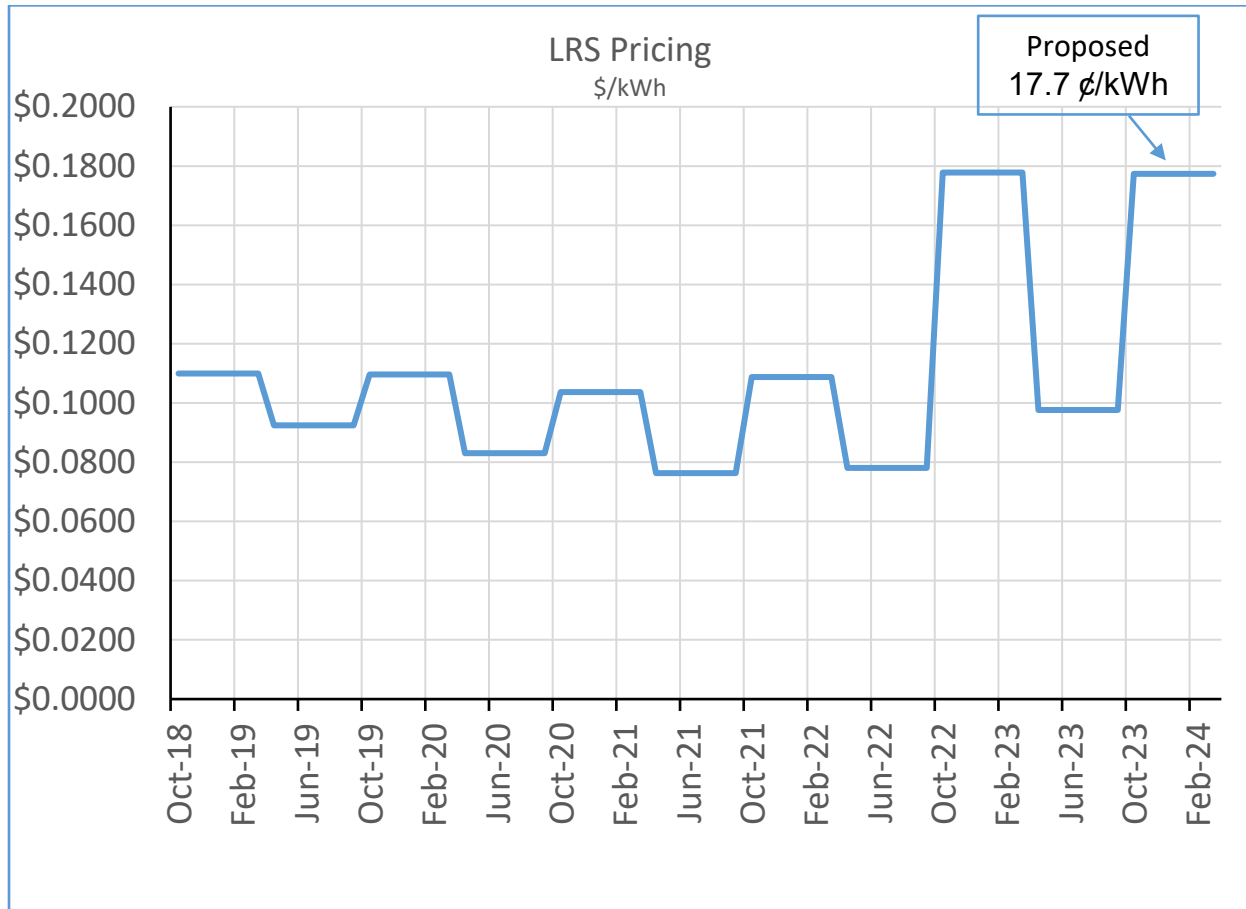


Table 1 – Residential A-16 Rate Class

Monthly kWh	Current Bill	Proposed Bill	Total Increase	% Increase
300	\$86.52	\$103.40	\$16.88	19.5%
500	\$134.24	\$166.53	\$32.29	24.1%
1200	\$301.19	\$387.44	\$86.25	28.6%

As presented in Table 1, a typical A-16 residential customer using 500 kWh's per month would see a \$32.29 or 24.1% overall increase in their monthly bill.

As explained in RIE's August 4, 2023 testimony, the proposed rates are the result of the Company following the approved LRS Procurement Plan and obtaining competitive responses to its RFPs with the resulting prices reflecting market conditions. The Company's testimony also provided the following explanation of higher winter electric prices:

It is the Company's understanding that natural gas pipeline constraints into the New England market and high natural gas demand both from heating and natural gas generators in the winter season results in higher and more volatile natural gas prices during the winter period. Electric prices are closely correlated to natural gas prices as natural gas generators typically set the marginal price of wholesale electric power in New England. Higher natural gas prices and high volatility in natural gas which typically translates to increased risk premiums have resulted in elevated electric prices in winter periods as compared to summer periods.

The Division's understanding of the reasons for higher winter electric prices is the same as the Company's. It is difficult to mitigate electric prices since they are market driven, however customers have options to Last Resort Service that may provide lower rates, including, if available, participation in their city or town's municipal aggregation program² or participation in the competitive market. The Division understands that the options for residential customers to participate in the competitive market is more limited than that for larger commercial and industrial customers. For comparison, based on June 2023 statistics, 76% of residential supply service is provided through LRS, while this amount is 43% for commercial and less than 10% for the industrial class. For residential customers that cannot secure rates lower than Last Resort Service, they may be able to mitigate their energy usage through conservation measures, and by taking advantage of energy efficiency measures provided through RIE's energy efficiency program. Further, customers can mitigate the bill impacts of higher winter rates by participating in RIE's budget billing program which attempts to levelized bill payments over a 12-month period.

Division Recommendation

After review, the Division finds 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 22-02-EL at the March 13, 2023, open meeting.

The Division also finds 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.

² Municipal Aggregation is available in: Providence, Central Falls, Barrington, Portsmouth, Newport, Narragansett and South Kingstown.