

September 5, 2023

VIA ELECTRONIC MAIL

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

**RE: Docket No. 23-01-EL – Last Resort Service Procurement Plan
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company” or “Rhode Island Energy”), attached please find the Company’s responses to the Public Utilities Commission’s First Set of Data Requests

Thank you for your attention to this filing. If you have any questions concerning this matter, please do not hesitate to contact me at 401-784-4263.

Sincerely,



Andrew S. Marcaccio

Attachments

cc: Docket No. 23-01-EL Service List

PUC 1-1

Request:

Referring to the graphs on pages 16 and 17 of the testimony, please provide pricing estimates, for illustrative purposes, based upon the following hypotheticals.

- (a) Assume, hypothetically, that the procurement plan for procuring power for the 2022- 23 winter period (Oct. 1 through March 31) was 100% on 7/13/2022. Please provide an estimate of what the last resort rate would have been for residential customers for the 2022-23 winter period.
- (b) Assume, hypothetically, that the procurement plan for procuring power for the 2022- 23 winter period (Oct. 1 through March 31) was 50% on 1/12/22 and 50% on 7/13/2022. Please provide an estimate of what the last resort rate would have been for residential customers for the 2022-23 winter period.
- (c) Assume, hypothetically, that the procurement plan for procuring power for the 2023- 24 winter period (Oct. 1 through March 31) was 100% on 7/12/2023. Please provide an estimate of what the last resort rate would have been for residential customers for the 2023-24 winter period.
- (d) Assume, hypothetically, that the procurement plan for procuring power for the winter period (Oct. 1 through March 31) was 50% on 1/11/23 and 50% on 7/12/2023. Please provide an estimate of what the last resort rate would have been for residential customers for the 2023-24 winter period.

Response:

The Commission-approved Last Resort Service (“LRS”) Procurement Plan requires a layered and laddered product procurement methodology which has been employed by RIE in development of the 2023/24 LRS winter rates. Scenarios (a) and (c) specifically do not meet this requirement; however, they do show the ongoing trend that wholesale electric prices have decreased from highs in 2021 and 2022 to present.

- (a) The following LRS rate for the Residential Group for October 2022 through March 2023 is calculated as if the transaction executed on 7/13/2022 is for 100% of the LRS load:

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PUC 1-1, page 2

	Residential
Weighted Average Base Last Resort Service Charge	26.882
Last Resort Service Administrative Cost Factor	0.233
Last Resort Adjustment Factor	-0.318
<u>Renewable Energy Standard Charge</u>	<u>0.721</u>
Total Estimated Last Resort Service Price Cents per kWh	27.518

The approved LRS rate for the Residential Group for October 2022 through March 2023 was 17.785 Cents per kWh.

- (b) The following LRS rate for the Residential Group for October 2022 through March 2023 is calculated as if the transaction executed on 1/12/2022 is for 50% of the LRS load and the transaction executed on 7/13/2022 is for the remaining 50% of the LRS load:

	Residential
Weighted Average Base Last Resort Service Charge	20.833
Last Resort Service Administrative Cost Factor	0.233
Last Resort Adjustment Factor	-0.318
<u>Renewable Energy Standard Charge</u>	<u>0.721</u>
Total Estimated Last Resort Service Price Cents per kWh	21.469

The approved LRS rate for the Residential Group for October 2022 through March 2023 was 17.785 Cents per kWh.

- (c) The following LRS rate for the Residential Group for October 2023 through March 2024 is calculated as if the transaction executed on 7/12/2023 is for 100% of the LRS load:

	Residential
Weighted Average Base Last Resort Service Charge	15.643
Last Resort Service Administrative Cost Factor	0.383
<u>Renewable Energy Standard Charge</u>	<u>0.833</u>
Total Estimated Last Resort Service Price Cents per kWh	16.859

PUC 1-1, page 3

The proposed LRS rate for the Residential Group for October 2023 through March 2024 is 17.741 Cents per kWh.

- (d) The following LRS rate for the Residential Group for October 2023 through March 2024 is calculated as if the transaction executed on 1/11/2023 is for 50% of the LRS load and the transaction executed on 7/12/2023 is for the remaining 50% of the LRS load:

	Residential
Weighted Average Base Last Resort Service Charge	17.614
Last Resort Service Administrative Cost Factor	0.383
<u>Renewable Energy Standard Charge</u>	<u>0.833</u>
Total Estimated Last Resort Service Price Cents per kWh	18.830

The proposed LRS rate for the Residential Group for October 2023 through March 2024 is 17.741 Cents per kWh.

PUC 1-2

Request:

For purposes of this question, assume hypothetically, that the Commission denied the last resort service rate increase in this case, requiring the Company to financially absorb the losses on the difference between the current rate for last resort service and the proposed rate for this winter period.

- (a) Please provide an estimate and explanation that reasonably forecasts what the hypothetical financial and operational impacts would be on the Company.
- (b) Please provide the Company's position relating to any legal issues that are implicated in the given hypothetical

Response:

- (a) In answering this question assuming hypothetically that the Public Utilities Commission ("PUC") denied the last resort service ("LRS") rate increase in this case, requiring the Company to financially absorb the losses on the difference between the current rate for LRS and the proposed rate for this winter period would result in an under-collection of \$85.730 million ($(\$191,433,059 - (1,158,382,200 \text{ kWhs} \times \$0.09125))$) of LRS costs for the residential class and \$28.723 million ($(\$64,148,035 - (403,061,371 \text{ kWhs} \times \$0.08789))$) of LRS costs for the commercial class. These calculations were based on the same level of projected kWhs for the six months from October 2023 through March 2024. When compared to the Company's annual target distribution revenue requirement of \$299,305,226¹, absorbing a \$114.45 million (residential + commercial) loss would equate to approximately 38% of the Company's revenue.
- (b) R.I. Gen. Laws § 39-1-27.3 sets forth the legal process for procuring last resort service. Per subsection (c) of the statute, the Company is required to procure and provide last resort service for customers who are not otherwise receiving their supply from a competitive supplier or through a municipal aggregation plan. The statute directs the Company to procure last-resort service supply from wholesale power suppliers consistent with the Company's procurement plan as reviewed and approved by the PUC. Finally, the statute expressly authorizes the Company to recover the costs incurred from providing last-resort service. Unless there is evidence that proves noncompliance or negligent execution of the procurement plan which caused higher costs to be incurred, the hypothetical given in the question would be inconsistent with the express terms of R.I.

¹ Per the Company's Revenue Decoupling Mechanism Provision, RIPUC No. 2218.

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Gen. Laws § 39-1-27.3. In this case, the evidence shows the rates were calculated correctly and the Company complied with its PUC-approved procurement plan.²

² See Division of Public Utilities and Carriers Position Memorandum dated August 25, 2023.

PUC 1-3

Request:

For purposes of this question, assume hypothetically, that the Commission issued an order to spread the last resort increase for residential customers over 12 months.

Please provide the Company's perspective on such a result and the potential consequences, taking into account the fact that customers can opt to take service from third-party suppliers through the retail market when market prices drop in the spring and, in many communities, customers may be served through municipal aggregators.

Response:

If the Public Utilities Commission ("PUC") were to issue an order requiring the Company to spread the Last Resort Service ("LRS") increase for residential customers over 12 months it would increase overall costs for customers as customers would pay more in taxes. In addition, the order could unintentionally incentivize customers to leave municipal aggregation programs in the winter and then leave LRS in the summer. This could potentially place an additional financial burden on the customers who remain on LRS.

Spreading the LRS increase over 12 months would mitigate the savings to customers that stem from the suspension of the gross earnings tax ("GET"). Last legislative season, the General Assembly passed a law that will suspend the GET for 4 months from December 2023 through March 2024. During that 4-month time period, which aligns with the final 4 months of the LRS winter increase, customers will not be responsible for paying GET. If the PUC were to spread the LRS increase over 12 months, customers would be responsible for paying GET on the LRS increases during the 6-month summer period. Accordingly, customers would end up paying more in GET for the LRS increase over a 12-month period than if it were paid over a 6-month period.

Additionally, spreading the LRS increase for residential customers over a 12-month period disassociates the wholesale energy supply costs from when they were incurred, expanding the lag between cost and cost recovery. While there would be a short-term cost mitigation in the winter 2023/24 period, the action to spread costs over 12-months increases the costs in the summer 2024 LRS term and potentially future terms as well. As such, there is a risk of costs being compounded as the summer 2024 and winter 2024/25 LRS rates are not fully procured and actual customer usage is yet to be determined. Such a dissociation could also incentivize customers to leave a municipal aggregation program to take advantage of the artificially lower winter LRS rate and then shop with a competitive supplier to avoid the artificially higher LRS summer rate.

PUC 1-3, page 2

In a memorandum from a municipal aggregation consultant to the Town of South Kingstown, the same concern about a 12-month rate (for municipal aggregation) was raised:

“Due to ongoing price volatility between summer and winter months Good Energy, informed by information from and the experience of NextEra, believes that we should retain the option of staying on 6-month rates. While it is feasible to move to a 12-month rate structure, it would likely result in significant savings, when compared to RI Energy’s Last Resort Service (“LRS”), during the winter months when prices are highest, though we would likely be noticeably above the summer LRS rates. While the rate would, in aggregate, provide savings over the 12 months, the difference in the summer would logically lead to individuals leaving the program.”
See Attachment PUC 1-3 for a copy of the memorandum.

If customers end up swapping in and out of LRS, it could cause a significant under-collection of LRS costs. Per the Last Resort Service Adjustment Provision, R.I.P.U.C. No. 2237, these costs may be recovered from all customers or only LRS customers.

To: Members of the South Kingstown Town Council

From: Good Energy, Town Aggregation Consultant

Cc: James Manni, Town Manager
Mike Ursillo, Town Solicitor
Amy Goins, Assistant Town Solicitor
Mark Russo, Facilities Superintendent

Date: July 21, 2023

Re: Amendment to Electricity Services Agreement with NextEra Energy Services

As a brief update, the South Kingstown Community Electricity program is off to a good start. Beginning in May residents and businesses began to receive electricity supply service through the program, and this change was reflected in bills that were received in June. From a quantitative perspective, the program enrollment is as follows:

- 10,305 accounts are receiving service from the program
 - 9,542 are on the standard product
 - 735 selected the basic product
 - 21 selected the Green 50 product
 - 36 selected the Green 100 product
- In total, 2,462 eligible accounts opted-out of the program

When the program was initially approved, by the signing of an Electricity Services Agreement (“ESA”) with NextEra Energy Services almost a year ago, one of the goals was to move to longer term rates beyond the 6-month rates with which we are currently familiar. As such, the contract initially had us moving to a 12-month rate following the first 6-month rate.

Due to ongoing price volatility between summer and winter months Good Energy, informed by information from and the experience of NextEra, believes that we should retain the option of staying on 6-month rates. While it is feasible to move to a 12-month rate structure, it would likely result in significant savings, when compared to RI Energy’s Last Resort Service (“LRS”), during the winter months when prices are highest, though we would likely be noticeably above the summer LRS rates. While the rate would, in aggregate, provide savings over the 12 months, the difference in the summer would logically lead to individuals leaving the program.

In other jurisdictions, prior to this current volatility cycle, this risk was mitigated by the more limited variance between winter and summer rates. In the current environment, the difference between these two periods makes it difficult to blend them together to offer a price that is competitive for the entire year. This contract change would still allow the transition to a 12-month rate term, though it would be done only when there is less risk for program migration.

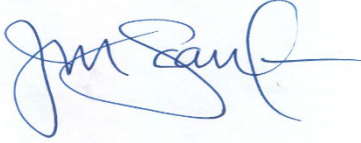
The recommended amendments to the ESA would provide this optionality and align the schedule for procuring electricity to deliver 6-month rate periods.

Good Energy fully supports these changes and believes that it best positions the program to deliver benefits to its participants.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was 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.



Joanne M. Scanlon

September 5 2023

Date

**Docket No. 23-01-EL – Narragansett Electric Co. d/b/a Rhode Island Energy
– Last Resort Service Rates 2023
Service List updated 8/17/23**

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