

September 19, 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
Supplemental Response to PUC 1-2**

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 supplemental response to data request PUC 1-2.

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 1-2 - Supplemental

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

Supplemental Response:

The Company is providing the following supplemental information to its initial response:

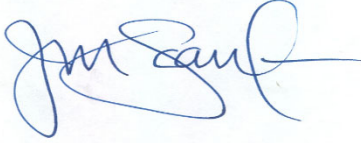
- (a) If the Company were required to absorb the financial loss of \$114.45 million, the practical consequence for the Company is that it could potentially significantly impact the Company's credit rating, impact the Company's ability to raise capital, and it could lead to an increase in the Company's borrowing costs.
- (b) Depending on the Commission's final order and rationale, the Company would explore all legal options, including but not limited to an unconstitutional taking.

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

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 19, 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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