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December 13, 2024

VIA ELECTRONIC MAIL AND HAND DELIVERY

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

**RE: Docket No. 24-20-EL - The Narragansett Electric Company d/b/a
Rhode Island Energy's 2025 Last Resort Service Procurement Plan
Compliance Filing**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (the "Company"), enclosed please find the Company's Compliance Filing made pursuant to directives issued by the Public Utilities Commission ("PUC") at an Open Meeting that occurred on November 21, 2024. Specifically, the PUC directed the Company to specify the substantive components of the 2025 Last Resort Service Procurement Plan including a quantitative contingency threshold.

Thank you for your attention to this matter. If you have any questions, please contact me at 401-784-4263.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew S. Marcaccio".

Andrew S. Marcaccio

Enclosure

cc: Docket No. 24-20-EL Service List

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

In Re: 2025 Last Resort Service Procurement Plan)	Docket No. 24-20-EL
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**THE NARRAGANSETT ELECTRIC COMPANY d/b/a RHODE ISLAND ENERGY
2025 LAST RESORT SERVICE PROCUREMENT PLAN
COMPLIANCE FILING**

Purpose

Consistent with directives issued at an Open Meeting on November 21, 2024, by the Public Utilities Commission (“PUC”), the purpose of this filing is to specify the substantive components of the 2025 Last Resort Service (“LRS”) Procurement Plan (the “2025 LRS Procurement Plan” or “Plan”) including a quantitative contingency threshold.

Effective Date

The 2025 LRS Procurement Plan is effective for all procurements of LRS supply made on or after January 1, 2025. The Plan will remain in place until January 1, 2027, unless it is modified by the PUC before that time, or extended by the PUC.

Background

Pursuant to R.I. Gen. Laws §39-1-27.3(c), The Narragansett Electric Company d/b/a Rhode Island Energy (the “Company”) is required to arrange for a last-resort power supply (referred to as “Last Resort Service” or “LRS”) for customers who are not otherwise receiving their electric supply from a competitive supplier or “Nonregulated Power Producer” or “NPP”. The Company procures LRS supply from wholesale power suppliers in accordance with an LRS procurement plan that is developed by the Company and reviewed by the PUC. Once an LRS procurement plan is approved by the PUC, the Company is authorized to acquire LRS supply consistent with the approved plan and recover its costs incurred from providing LRS. The Company does not recover any profit margin on the sale of LRS.

2025 LRS Plan

Customer Groups

The Plan separates customers into three groups: Residential customers (Residential Rate A-16 and Low Income Rate A-60); Commercial customers (General C&I Rate G-02, Small C&I Rate C-06, Limited Private Lighting Rate S-10, Customer-Owned Streetlighting Equipment Rate S-05, Decorative Street and Area Lighting Service Rate S-06, and General Streetlighting Rate S-14); and Industrial Customers (Large Demand Rate G-32, Backup Service Rate B-32, and Electric Propulsion Rate X-01).

Full Requirements Service Contracts or Bid Blocks

Through the Plan, the Company acquires load-following, Full Requirements Service (“FRS”) contracts or “bid blocks” with differing term durations through quarterly Request for Proposals (“RFPs”) or solicitations from wholesale electric suppliers. With a FRS contract, the supplier is responsible for the energy, ancillary services, and miscellaneous Independent System Operator-New England (“ISO-NE”) charges of the particular LRS customer group for a fixed dollar per megawatt-hour (\$/MWh) price. For this fixed price, the supplier assumes all price and load risks associated with these market components.

Laddered and Layered Approach for Residential and Commercial Customers

For Residential and Commercial customers, the Plan involves a combination of laddered and layered FRS bid blocks and ISO-NE spot market purchases. The quarterly procurement sequence is a repeating cycle whereby various terms are procured via six-month bid blocks.

For Industrial customers, the Plan involves acquiring FRS contracts for 100% of the load via three-month bid blocks. Industrial transactions are not laddered and layered.

The 2025 Last Resort Service (LRS) Plan includes two notable features for the Residential and Commercial customer classes.

- i. Starting in 2025, the Company will increase the spot market procurement from 10% to 15% (See Figure 1.)
- ii. To accommodate the 5% increase in spot market procurement, each July (Q3) quarterly procurement will procure 5% less load via wholesale electric suppliers for a winter and summer rate period.

The net result of this change is that a total of 85% of Residential and Commercial LRS load will be procured through wholesale electricity RFPs, and the remaining 15% will be procured through the ISO-NE spot market. Historical analysis has demonstrated that this strategy may reduce customer costs.

Figure 1.
Updated 2025 LRS Procurement Sequence for Residential and Commercial Customers

Quarterly RFP	Winter Rate October - March	Summer Rate April - September
Q1 - January 2025	15%	15%
Q2- April 2025	-	20%
Q3 - July 2025	20%	15%
Q4 - October 2025	-	20%
Q1 - January 2026	15%	15%
Q2 - April 2026	20%	
Q3 - July 2026	15%	
Supplier Contracts	85%	85%
Spot Market	15%	15%
Total	100%	100%

Quantitative Contingency Plan

The 2025 LRS Plan includes a quantitative contingency which flags market conditions and wholesale supplier bids for rejection during a RFP. The Company will only consider rejecting bids in extreme or extraordinary market conditions. The quantitative contingency flags are calculated based on the conditions below.

- i. Flag 1: Market Flag. For the bid blocks being procured, if the average of the S&P Global published futures prices at the date of RFP issuance or indicative bids are greater than the third upper quartile of historical S&P Global published futures pricing a Market Flag will be raised.
- ii. Flag 2: Bid Flag. If a supplier bid is greater than the third upper quartile of historical winning bids rates for the last four pricing periods (summer or winter) a bid flag will be raised.

The Company will not reject a bid based on a quantitative flag alone. If a flag is raised during an RFP, the Company will meet internally to evaluate and analyze whether to issue a rejection. If one or more flags are raised, and if the bid block is the final purchase for an upcoming rate period, the Company will conduct a spot market analysis to determine if the load would be better served on the ISO-NE spot market. In addition, a National Oceanic and Atmospheric Administration (“NOAA”) seasonal temperature forecast will be examined to gauge market sensitivity.

Before a rejection of a bid, the Company will notify the Division of Public Utilities and Carriers (“Division”) prior to the final bid date that such a bid price warrants a rejection, along with the reasoning. If a bid is rejected, the Company will reissue the rejected bid block period in the next RFP, or if it is the final purchase for the start of an upcoming rate period the load will be procured via the ISO-NE spot market.

Given that there are ever changing market conditions, the calculations for the quantitative flags will periodically be reevaluated to ensure that this methodology is best capturing extreme or extraordinary market conditions.

Pricing Options

Residential customers have two six-month retail rate periods (April through September and October through March). The LRS rate applicable to Residential customers is a fixed-price rate that represents a weighted average of the actual monthly contract prices over the six-month period plus an estimate of the costs of any supply not procured through FRS contracts including, but not limited to, spot market purchases and capacity costs from ISO-NE.

Like Residential customers, Commercial customers have two six-month retail rate periods from April through September and October through March. There are two rate options available to Commercial customers. The first option is referred to as the “Fixed Price Option.” The Fixed Price Option represents a weighted average of the actual monthly contract prices over six-month period plus an estimate of the costs of any supply not procured through FRS contracts including, but not limited to, spot market purchases and capacity costs from ISO-NE. Customers receiving retail delivery service on Rate C-06 are placed on the Fixed Price Option when initially

requesting LRS from the Company. The second option is referred to as the “Variable Price Option.” The Variable Price Option represents the actual monthly contract prices from the applicable winning bids for each month of the same six-month period plus an estimate of the costs of any supply not procured through FRS contracts including, but not limited to, spot market purchases and capacity costs from ISO-NE. Customers receiving retail delivery service on Rates G-02, S-06, S-10, and S-14 are placed on the Variable Price Option when initially requesting LRS from the Company. The rates for each option change at the end of each six-month period.

The rates applicable to Industrial customers are fixed monthly prices, representing the actual monthly contract prices for each month of the period, or may be based upon estimates of the cost of any supply not procured through FRS contracts including, but not limited to, capacity costs from ISO-NE.

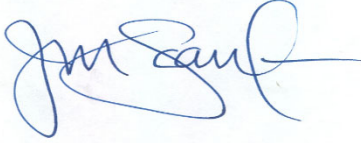
Reconciliation

The Company is required to reconcile LRS revenue and expenses in accordance with the Last Resort Service Adjustment Provision, which is RIPUC No. 2237 as of the date of this filing. This provision requires the Company to reconcile, on an annual basis, its total cost of purchased power for LRS supply against its total LRS revenue, and to credit the excess to or recover the deficiency from customers. This occurs via a rate recovery/refund methodology approved by the PUC when the Company files its annual reconciliation. Total revenue is generated from charges billed to LRS customers through the LRS rates for the applicable reconciliation period, which has traditionally been the calendar year. Since the Company procures and prices LRS separately for Residential, Commercial, and Industrial customers, the Company performs separate reconciliations for each group. The LRS reconciliations and the proposed LRS Adjustment factors for each customer group are filed each year as part of the Company’s annual retail rate filing in February.

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

December 13, 2024

Date

Docket No. 24-20-EL – The Narragansett Electric Co. d/b/a Rhode Island Energy – 2025 Last Resort Service Procurement Plan Service List updated 10/3/2024

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