

# Memorandum

**To: L. Massaro**

**Commission Clerk**

**From: D. R. Stearns**

**S. Scialabba**

**Division of Public Utilities & Carriers**

**Date: 9/27/2006**

**Re: Narragansett Electric – RES Charge Filing**

**Docket 3765**

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On August 31, 2006 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission a Renewable Energy Standard (RES) Charge Filing. The RES filing is in compliance with Rhode Island General Law (“RIGL”) § 39-26, which was enacted as a means to increase the use of renewable energy in the state. This RIGL states at § 39-26-6 (b), in part:

**Duties of the commission.** – The commission shall:

“Authorize rate recovery by electric utility distribution companies of all prudent incremental costs arising from the implementation of this chapter, including, without limitation, the purchase of NE-GIS certificates, the payment of alternative compliance payments, required payments to support the NE-GIS, assessments made pursuant to § 39-26-7(c) and the incremental costs of complying with energy source disclosure requirements.”

The filing has raised two concerns by the Division. These concerns are:

- A. The presentation of the annual RES reconciliation proposed by National Grid, and
- B. The Company’s proposed inclusion of the RES charge as an addition to the Standard Offer and Last Resort Service charges.

Regarding item A above, the filing proposes that the reconciliation of RES revenue and expense be combined with the Standard Offer and Last Resort Service reconciliations, by simply adding one column to the current reconciliation. The new column would contain RES expenses. This would result in one combined over / under recovery amount, rather than separate amounts, one for the energy

charge, the second for RES costs. To be better able to track these amounts and determine the appropriateness of any Commission-approved RES charge, the Division recommends a separate reconciliation for RES. Revenue and expense associated with RES, and the resulting over / under recovery, along with any accrued interest, would be presented separately in both the Standard Offer and Last Resort filings.

Regarding item B above, the Division recommends that the Commission instruct the Company to present the RES charge as a separate line item on customer bills. One possible description on the RES line is "RES Charge per RIGL § 39-26". In addition, the Division recommends adding a footnote to the bill, explaining the RES charge. This would provide customers with increased information and clarity regarding the monthly bill.

On September 26, 2006 Ridgewood Power Management, L.L.C. ("Ridgewood") filed a motion to intervene in this docket. Ridgewood believes that "National Grid has underestimated its incremental costs for procuring RI RECs from existing and new renewable energy sources." Interestingly, substituting Ridgewood's estimated incremental costs for those used by National Grid increases National Grid's requested RES charge of 0.062 cents/kWh to 0.063 cents/kWh, an increase of only 0.001 cent per kWh. This would result in an increase of \$0.32 for a 500 kWh residential bill, compared to a \$0.31 increase proposed in the Company's filing.

To put this into perspective, the Company's requested \$0.00062 per kWh would result in estimated RES revenue during 2007 of \$4,340,000. Assuming the charge of \$0.00063 per kWh suggested by Ridgewood, 2007 RES revenue would be approximately \$4,410,000, a difference of \$70,000.

While the Division finds the RES charge calculation mathematically correct, and does not oppose the RES charge as filed, the Division has no information regarding either the availability of renewable energy suppliers which have the necessary Commission certification qualifying them to operate in Rhode Island, nor the average incremental price for either existing or new renewable generation. Therefore, the Division can not confidently offer an opinion as to whether the RES charge proposed by either Ridgewood or the Company will be adequate to cover prudently incurred RES costs. Since RES costs are ultimately fully reconcilable with RES revenues, any shortfall will be added to the next period's calculation of an RES factor.

The Division recommends that the Commission approve the RES charge as filed for all usage on and after January 1, 2007.

Cc: Thomas Ahern,

Administrator, Division of Public Utilities and Carriers