

December 14, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

Re: Docket 4371 - Long-Term Contracting for Renewable Energy Recovery Factor Responses to Record Requests

Dear Ms. Massaro:

Enclosed are National Grid's¹ responses to the Record Requests that were issued at the Commission's hearing on December 10, 2012, concerning the above-referenced proceeding.

Thank you for your attention to this filing. Please feel free to contact me if you have any questions concerning this matter at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson, Esq.

Enclosures

cc: Docket 4371 Service List
Steve Scialabba, Division
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid.

Record Request #1

Request:

Should the RI LFG Genco contract price of \$119.80 escalate on January 1, 2013 pursuant to Section 5.1(b) and Exhibit E of the PPA?

Response:

Yes. Pursuant to Section 5.1(b) of the RI LFG Genco PPA, the first escalation date is January 1, 2013, unless RI LFG Genco elects to extend the Commercial Operation Date pursuant to Section 3.1(c) of the PPA or as a result of a force majeure under Section 10.1 of the PPA, in which case each escalation date occurring thereafter is delayed by the period of the extension. Section 3.1(a)(vi) of the PPA provides that the Commercial Operation Date must be achieved within 180 days after December 31, 2012. Thus, the deadline for commercial operation is June 29, 2013. There has been no extension of the Commercial Operation Date. Accordingly, the contract price of \$119.80 will escalate on January 1, 2013.

Prepared by or under the supervision of: Corinne M. Abrams

Record Request #2

Request:

Was it anticipated that the RI LFG Genco PPA price would escalate prior to commercial operation?

Response:

Although at the time of negotiations commercial operation was expected to be achieved in October 2012, the PPA contemplates the possibility that the contract price could escalate prior to commercial operation if it were to occur after January 1, 2013. See the Company's response to Record Request #1.

Prepared by or under the supervision of: Corinne M. Abrams

Record Request #3

Request:

If the \$119.80 contract price should have been escalated as of January 1, 2013, please recalculate the proposed LTCRER factor based on the escalated price.

Response:

Based upon a contract price of \$122.80 per MW, the proposed LTCRER for January 1, 2013 will be \$0.00019 per kWh (inclusive of the current LTCRER factor of \$0.00007). The calculation of the revised proposed factor is demonstrated in Attachment 1- RR3.

Prepared by or under the supervision of: Jeanne Lloyd

**Long-Term Contracting for Renewable Energy Recovery
Factor Calculation
For the Period January 2013 through June 2013**

(1) Above Market Cost	\$473,326
(2) Forecasted kWh Deliveries - January 2013 through June 2013	3,787,225,990
(3) Recovery Factor for Above Market Cost	\$0.00012
(4) Adjustment for Uncollectibles	0.94%
(5) LTCRER Factor for the period January 1, 2013 through June 30, 2013	\$0.00012
(6) Current LTCRER Factor (in effect until March 31, 2013)	\$0.00007
(7) LTCRER Factor (in effect for the period January 1, 2013 through March 31, 2013)	\$0.00019

Line Descriptions:

- (1) per page 2, column (m)
- (2) per Company forecast
- (3) Line (1) ÷ Line (2), truncated after five decimal places
- (4) uncollectible percentage approved in R.I.P.U.C. Docket No. 4065
- (5) Line (3) x [1 + Line (4)], truncated to five decimal places
- (6) approved in Docket No. 4308
- (7) Line (5) + Line (6)

**Long-Term Contracting for Renewable Energy Recovery
Estimated Contract Cost and Market Value
For the Period January 2013 through June 2013**

Section 1: Estimated Six-Month Contract Cost

Unit	Unit Capacity (MW) (a)	Unit Availability Factor (b)	Total Estimated Six- Month Output (MWh) (c)	Contract Price (\$ per MWh) (d)	Estimated Six- Month Contract Cost (e)
PPA-1	32.1	0.85	119,508	\$122.80	\$14,675,619
				Total	\$14,675,619

Section 2: Estimated Market Value

Class	Estimated MWh Purchased Under Contracts (f)	Market Energy Proxy (g)	Energy Market Value (h)	REC Proxy (i)	REC Market Value (j)	Capacity (k)	Total Market Value (l)
PPA-1	119,508	\$51.727	\$6,181,771	\$62	\$7,409,515	\$611,008	\$14,202,294
						Total	\$14,202,294

Section 3: Estimated Above Market Cost

	Estimated Above Market Cost (m)
PPA-1	<u>\$473,326</u>
Total Estimated Above Market Cost	\$473,326

Column Descriptions:

- | | |
|--|--|
| (a) Rhode Island LFG Genco, LLC | (h) column (f) x column (g) |
| (b) estimated | (i) REC price estimate based on most recent market information |
| (c) column (a) x column (b) x (8,760 ÷ 2) hours | (j) column (f) x column (i) |
| (d) per PPA | (k) Expected capacity revenue from ISO-NE |
| (e) column (c) x column (d) | (l) column (h) + column (j) + column (k) |
| (f) per column (c) | (m) column (e) - column (l) |
| (g) Standard Offer Service Spot Market Estimate for Commercial Group, excluding capacity component | |

Record Request #4

Request:

What are the expected total revenues of the RI LFG Genco PPA for the 15-year contract term based on a 2012 contract price of \$119.80, escalating at 2.5% commencing January 1, 2013.

Response:

The following table shows the estimated contract payments to be received by the RI LFG Genco project each year for the life of the contract. This calculation includes the following assumptions: (i) a Commercial Operation Date of January 1, 2013, and (ii) an average annual output of 239,002 MWhs.

Year	Estimated Output (MWh)	Contract Price (\$/MWh)	Total Contract Payments
2013	239,002	\$122.80	\$29,348,251
2014	239,002	\$125.86	\$30,081,957
2015	239,002	\$129.01	\$30,834,006
2016	239,002	\$132.24	\$31,604,856
2017	239,002	\$135.54	\$32,394,977
2018	239,002	\$138.93	\$33,204,852
2019	239,002	\$142.40	\$34,034,973
2020	239,002	\$145.96	\$34,885,847
2021	239,002	\$149.61	\$35,757,994
2022	239,002	\$153.35	\$36,651,943
2023	239,002	\$157.19	\$37,568,242
2024	239,002	\$161.12	\$38,507,448
2025	239,002	\$165.15	\$39,470,134
2026	239,002	\$169.27	\$40,456,888
2027	239,002	\$173.51	\$41,468,310
		Total	\$526,270,677
		NPV (7%)	\$309,832,804

Prepared by or under the supervision of: Corinne M. Abrams

Record Request #5

Request:

Please calculate the above- or below-market cost of the RI LFG Genco PPA over the 15-year term of the contract.

Response:

The table below is based on the most recent August 2012 ESAI market price forecast for energy, RECs and capacity. Estimates were developed using a load weighted 7 x 24 annual energy price. Assumptions for the calculations include 32 MW capacity obligation in the Forward Capacity Market and an estimated Commercial Operation Date of January 1, 2013.

Year	Estimated Output (MWh)	Contract Price (\$/MWh)	Total Contract Payments	Market Value	Above Market Cost
2013	239,002	\$122.80	\$29,348,251	\$26,164,245	\$3,184,006
2014	239,002	\$125.86	\$30,081,957	\$25,621,657	\$4,460,300
2015	239,002	\$129.01	\$30,834,006	\$26,980,221	\$3,853,785
2016	239,002	\$132.24	\$31,604,856	\$29,192,948	\$2,411,908
2017	239,002	\$135.54	\$32,394,977	\$29,818,647	\$2,576,330
2018	239,002	\$138.93	\$33,204,852	\$30,583,555	\$2,621,297
2019	239,002	\$142.40	\$34,034,973	\$32,029,222	\$2,005,751
2020	239,002	\$145.96	\$34,885,847	\$33,908,954	\$976,893
2021	239,002	\$149.61	\$35,757,994	\$35,486,665	\$271,329
2022	239,002	\$153.35	\$36,651,943	\$37,323,405	(\$671,461)
2023	239,002	\$157.19	\$37,568,242	\$35,690,566	\$1,877,676
2024	239,002	\$161.12	\$38,507,448	\$33,793,087	\$4,714,361
2025	239,002	\$165.15	\$39,470,134	\$31,756,318	\$7,713,816
2026	239,002	\$169.27	\$40,456,888	\$31,770,929	\$8,685,958
2027	239,002	\$173.51	\$41,468,310	\$31,791,033	\$9,677,276
				Total	\$54,359,226
				NPV (7%)	\$30,127,151

Prepared by or under the supervision of: Corinne M. Abrams