

December 7, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly 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 National Grid Reply Comments

Dear Ms Massaro:

In connection with the above-referenced docket, National Grid¹ hereby submits the Company's reply comments to the written comments submitted by the Division of Public Utilities and Carriers (the "Division") on December 6, 2012, regarding the Company's proposed Long-Term Contracting for Renewable Energy Recovery ("LTCRER") Factor. The Company is amendable to the recommendations set forth in the Division's December 6, 2012 memorandum as follows:

1. RI Genco Output

The Company agrees with the Division that the correct calculation of the estimated output of the Rhode Island LFG Genco ("RI Genco") facility is 32.1 MW total capacity multiplied by the estimated annual capacity factor of 85%, totaling 27.3 MW of contract capacity. The total estimated output for the first half of 2013 should be 119,508 MW. The Company has revised Section 1 on Page 2 of Attachment 1 of its initial filing to reflect this correction. A revised Attachment 1 is enclosed with this letter.

2. Capacity Revenue

The Company agrees with the Division's recommendation to include capacity revenues for the January through June 2013 period. The monthly capacity revenues have been calculated at a price of \$3.195/kw-month for the period January through May 2013, and estimated at the price of \$3.119/kW-month for the month of June 2013. This change is also reflected in the enclosed revised Attachment 1.

The Company would also like to take the opportunity to explain the difference in the capacity prices in the Company's calculation of the LTCRER Factor and the prices set forth in Division's memorandum. The Company used the Forward Capacity Price that RI Genco received from participating in the Forward Capacity Auction ("FCA") for 2011-12 capability

¹ The Narragansett Electric Company d/b/a National Grid (referred to herein as "National Grid" or the "Company").

Luly E. Massaro, Commission Clerk
Docket 4371 - National Grid Reply Comments
December 7, 2012
Page 2 of 2

year. As part of this FCA, RI Genco elected to receive the same capacity price of \$3.119/kW-month for five years, adjusted by an inflation factor. Mr. Hahn is correct in stating that the FCA clearing price for capability year 2012-13 is \$2.535/kW-month and for capability year 2013-14 is \$2.516/kW-month; however, these are not the prices that RI Genco will receive because of their five-year commitment period which began in June 2011. It should be noted that this five-year capacity commitment results in higher revenue for Rhode Island customers.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jennifer Brooks Hutchinson

Enclosures

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

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

(1) Above Market Cost	\$114,801
(2) Forecasted kWh Deliveries - January 2013 through June 2013	3,787,225,990
(3) Recovery Factor for Above Market Cost	\$0.00003
(4) Adjustment for Uncollectibles	0.94%
(5) LTCRER Factor for the period January 1, 2013 through June 30, 2013	\$0.00003
(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)	\$0.00010

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	\$119.80	\$14,317,094
				Total	\$14,317,094

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	\$52	\$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>\$114,801</u>
Total Estimated Above Market Cost	\$114,801

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 | |