

November 16, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**Re: Long-Term Contracting for Renewable Energy Recovery Factor
Docket No. _____**

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9 and R.I.P.U.C. Docket No. 4338, enclosed please find ten (10) copies of National Grid's¹ Long-Term Contracting for Renewable Energy Recovery (LTCRER) Factor filing for the period January 2013 through June 2013 ("Pricing Period"). The Company is proposing a factor of 0.023¢ per kWh, applicable to all customers, effective for consumption on and after January 1, 2013. The proposed LTCRER Factor consists of the current LTCRER Factor of 0.007¢ per kWh, approved in Docket No. 4308 and effective April 1, 2012, plus a proposed charge of 0.016¢ per kWh designed to collect the estimated costs associated with the Company's executed long-term contracts for the Pricing Period.² The impact of the proposed LTCRER factor on a typical residential customer using 500 kWhs per month is an increase of \$0.08 per month or 0.1 percent.

Proposed LTCRER Factor

The Company's LTCRER Provision, R.I.P.U.C. No. 2125, approved by the Commission in Docket No. 4338, allows for the recovery of payments made to projects under long-term contracts executed pursuant to R.I.G.L. §39-26.1 and distributed generation ("DG") standard contracts executed pursuant to R.I.G.L. §39-26.2, less the proceeds obtained from the sale of energy, capacity, Renewable Energy Certificates ("RECs") or other attributes. The LTCRER factor proposed in this filing is designed to recover the estimated above-market costs associated with the Company's power purchase agreement ("PPA") with Rhode Island LFG Genco, LLC ("RI Genco") pursuant to R.I.G.L. §39-26.1-5(f). In addition to this PPA, the Company has executed PPAs for three (3) other renewable energy projects, as well as several DG standard contracts. However, the Company does not expect to incur significant expense during the Pricing Period under these contracts since few of these projects will likely be commercially operating during that period. Therefore, only the expected cost associated with the RI Genco PPA is included in the LTCRER Factor proposed in this filing, effective January 1, 2013.

Page 1 of Attachment 1 shows the calculation of the proposed LTCRER factor. The estimated above-market costs of \$617,277 shown on Line 1, divided by the forecasted kilowatt-hours for the Pricing

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

² As shown in Attachment 1, the current LTCRER Factor of 0.007¢ per kWh will terminate on March 31, 2013. Effective April 1, 2013, the LTCRER Factor will be 0.016¢ per kWh.

Period results in a charge of 0.016¢ per kWh. The uncollectibles percentage of 0.94 percent is applied to the charge of 0.016¢ per kWh; however, since the calculated charge is truncated to five decimal places, the application of the uncollectible percentage does not result in a change to the proposed LTCRER Factor.

Calculation of the Above-Market Cost

The estimated above-market cost that is expected to be incurred during the Pricing Period is shown on Page 2 of Attachment 1, Section 3. The above-market cost is calculated as the total expected payments to be made under the RI Genco PPA for the six-month Pricing Period, less the market value associated with the sale of the energy and RECs. The calculation of the total expected payments is shown in Section 1 of Page 2. The expected unit generation is estimated by applying a unit availability factor of 85 percent to the unit capacity of 27.3MW, resulting in an expected six-month generation of 101.6 MWh. The estimated generation multiplied by the contract price of \$119.80 per MW results in expected total payments of approximately \$12.2 million.

The estimated market value of the energy and RECs is shown in Section 2 of Page 2. The market energy proxy is the estimated average spot market price during the Pricing Period and is the same value (excluding the capacity component) that is used in the calculation of the proposed Standard Offer Service rates for the Commercial Group for the period January 1, 2013 through June 30, 2013. The REC proxy value is based upon the Company's most recent market estimate. The market value of the sale of the contract products for the Pricing Period is approximately \$11.6 million, which when subtracted from the total expected payments of \$12.2M results in an estimated above-market cost of \$617,277, as shown in Section 3.

Please note that the Company is not filing its Summary of Retail Delivery Rates, R.I.P.U.C. No. 2095, at this time. There are other proposed rate changes currently pending approval by the Commission for January 1, 2013. Once the Commission has rendered its decisions in all pending dockets, the Company will submit a revised Summary of Retail Delivery Rates reflecting all rate changes approved for January 1, 2013.

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: Steve Scialabba, Division
Leo Wold, Esq.

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

(1) Above Market Cost	\$617,277
(2) Forecasted kWh Deliveries - January 2013 through June 2013	3,787,225,990
(3) Recovery Factor for Above Market Cost	\$0.00016
(4) Adjustment for Uncollectibles	0.94%
(5) LTCRER Factor for the period January 1, 2013 through June 30, 2013	\$0.00016
(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)	\$0.00023

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	27.3	0.85	101,638	\$119.80	<u>\$12,176,220</u>
				Total	\$12,176,220

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	101,638	\$52	\$5,257,394	\$62	\$6,301,550	n/a	<u>\$11,558,944</u>
						Total	\$11,558,944

Section 3: Estimated Above Market Cost

	Estimated Above Market Cost (m)
PPA-1	<u>\$617,277</u>
Total Estimated Above Market Cost	\$617,277

Column Descriptions:

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|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| (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) |
| (f) per column (c) | (m) column (e) - column (l) |
| (g) Standard Offer Service Spot Market Estimate for Commercial Group, excluding capacity component | |