

November 15, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4412 - Long-Term Contracting for Renewable Energy Recovery Factor

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 2014 through June 2014 ("Pricing Period"). The Company is proposing a *credit* factor of (0.007¢) per kWh, applicable to all customers, effective for consumption on and after January 1, 2014. The proposed LTCRER Credit Factor is designed to refund the estimated below market value of the Company's executed long-term contracts for the Pricing Period. The impact of the proposed LTCRER factor on a typical residential customer using 500 kWhs per month is a decrease of \$0.02 per month or 0.00%.

Proposed LTCRER Factor

The Company's LTCRER Provision, R.I.P.U.C. No. 2127, 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. Pursuant to R.I.G.L. § 39-26.1-5(f), the LTCRER factor proposed in this filing is designed to credit to customers the estimated below market costs associated with the Company's power purchase agreements ("PPAs") and with DG standard contracts ("DG Contracts") associated with units that became commercially operational in 2013.

Page 1 of Attachment 1 shows the calculation of the proposed LTCRER factor. The estimated below market costs of (\$289,415) shown on Line 1 is divided by the forecasted kilowatt-hours for the Pricing Period, resulting in a credit factor of (0.007¢) per kWh. The uncollectibles percentage of 1.25% is applied to the factor of (0.007¢) per kWh; however, since

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

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 Estimated Below Market Cost

The estimated below market cost that is expected to be realized during the Pricing Period is shown on Page 2 of Attachment 1, Section 3. The below market cost is calculated as the total expected payments to be made under the contracts for the Pricing Period less the estimated market value associated with the sale of the energy, RECs, and capacity. The calculation of the total expected payments is shown in Section 1 of Page 2. The expected unit generation is estimated by applying the unit availability factor to the unit capacity, resulting in an expected six-month generation of 123,229 MWh for all units. The estimated generation multiplied by the contract price per MW results in expected total payments of \$15,879,153.

The estimated market value of the energy, RECs, and capacity 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 and ancillary components) that is used in the calculation of the proposed Standard Offer Service rates for the Commercial Group for the period January 1, 2014 through June 30, 2014. The REC proxy value is based upon the Company's most recent market estimate. The capacity market value is the estimated capacity revenue to be received by each PPA from ISO New England for the Pricing Period. The market value of the sale of the contract products for the Pricing Period is \$16,168,568, which, when subtracted from the total expected payments of \$15,879,153, results in an estimated below market cost of (\$289,415), as shown in Section 3 of Page 2 of Attachment 1.

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 will be other proposed rate changes currently pending approval by the Commission for January 1, 2014. 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, 2014.

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

Enclosures

cc: Steve Scialabba
Leo Wold, Esq.

**Long-Term Contracting for Renewable Energy Recovery
Factor Calculation
For the Period January 2014 through June 2014**

(1) Above (Below) Market Cost for the period January 2014 through June 2014	(\$289,415)
(2) Forecasted kWh Deliveries - January 2014 through June 2014	3,742,920,095
(3) Recovery Factor for Estimated Above (Below) Market Cost	(\$0.00007)
(4) Adjustment for Uncollectibles	<u>1.25%</u>
(5) LTCRER Factor for the period January 1, 2014 through June 30, 2014	(\$0.00007)
(6) Current LTCRER Factor	<u>(\$0.00003)</u>
(7) Increase/(Decrease) in LTCRER Factor	(\$0.00004)

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. 4323
- (5) Line (3) ÷ [1 - Line (4)], truncated to five decimal places
- (6) per tariff
- (7) Line (5) - Line (6)

**Long-Term Contracting for Renewable Energy Recovery
Estimated Contract Cost and Market Value
For the Period January 2014 through June 2014**

Section 1: Estimated Six-Month Contract Cost

<u>Unit</u>	<u>Unit Capacity (MW)</u>	<u>Unit Availability Factor</u>	<u>Estimated Six-Month Output (MWh)</u>	<u>Contract Price (\$ per MWh)</u>	<u>Estimated Six-Month Contract Cost</u>
	(a)	(b)	(c)	(d)	(e)
PPA-1	32.1	0.85	119,508.3	\$125.86	\$15,041,315
PPA-2	1.5	0.24	1,576.8	\$133.50	\$210,503
PPA-3	2.0	0.14	1,226.4	\$275.00	\$337,260
PPA-4	0.5	0.14	306.6	\$316.00	\$96,886
PPA-5	0.499	0.14	306.0	\$316.00	\$96,692
PPA-6	0.498	0.14	<u>305.4</u>	\$316.00	<u>\$96,498</u>
Total			123,229		\$15,879,153

Section 2: Estimated Market Value

<u>Class</u>	<u>Estimated MWh Purchased Under Contracts</u>	<u>Market Energy Proxy</u>	<u>Energy Market Value</u>	<u>REC Proxy</u>	<u>REC Market Value</u>	<u>Capacity</u>	<u>Total Market Value</u>
	(f)	(g)	(h)	(i)	(j)	(k)	(l)
PPA-1	119,508	\$63.552	\$7,594,939	\$63.25	\$7,558,900	\$542,880	\$15,696,719
PPA-2	1,577	\$63.552	\$100,208	\$63.25	\$99,733	\$0	\$199,941
PPA-3	1,226	\$63.552	\$77,940	\$63.25	\$77,570	\$0	\$155,510
PPA-4	307	\$63.552	\$19,485	\$63.25	\$19,392	\$0	\$38,877
PPA-5	306	\$63.552	\$19,446	\$63.25	\$19,354	\$0	\$38,800
PPA-6	305	\$63.552	<u>\$19,407</u>	\$63.25	<u>\$19,315</u>	<u>\$0</u>	<u>\$38,722</u>
Total			\$7,831,425		\$7,794,263	\$542,880	\$16,168,568

Section 3: Estimated Above Market Cost

	<u>Estimated Above (Below) Market Cost (m)</u>
PPA-1	(\$655,404)
PPA-2	\$10,562
PPA-3	\$181,750
PPA-4	\$58,008
PPA-5	\$57,892
PPA-6	<u>\$57,776</u>
Total Estimated Above (Below) Market Cost	(\$289,415)

Column Descriptions:

- | | |
|--|--|
| (a) commercially operable units | (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 and ancillary services components | |