

May 15, 2014

**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 Rhode Island Public Utilities Commission (“PUC”) Rule 1.9 and R.I.P.U.C. Docket No. 4338, enclosed please find ten (10) copies of National Grid’s<sup>1</sup> Long-Term Contracting for Renewable Energy Recovery Factor (“LTC Recovery Factor”) filing proposing the LTC Recovery Factor for the period July 2014 through December 2014 (“Pricing Period”). The Company is proposing a factor of 0.039¢ per kWh, applicable to all customers, effective for consumption on and after July 1, 2014. The proposed LTC Recovery Factor is designed to recover the estimated above-market value of the Company’s executed long-term contracts for the Pricing Period. The impact of the proposed LTC Recovery Factor on a typical residential customer using 500 kWhs per month is an increase of \$0.15 per month, or 0.2%.

Proposed LTC Recovery Factor

The Company’s LTC Recovery 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. The LTC Recovery Factor proposed in this filing is designed to recover from customers the estimated above-market costs associated with the Company’s power purchase agreements (“PPAs”) pursuant to R.I.G.L. §39-26.1-5(f), and with DG standard contracts (collectively “Long Term Renewable Contracts”) associated with units that have entered commercial operation.

Page 1 of Attachment 1 shows the calculation of the proposed LTC Recovery Factor. The estimated above-market costs of \$300,946 shown on Line 1 is divided by the forecasted kilowatt-hours for the Pricing Period, resulting in a factor of 0.007¢ per kWh. The uncollectibles percentage of 1.25% is applied to the factor of 0.007¢ per kWh; however, since the calculated

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”)

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charge is truncated to five decimal places, the application of the uncollectible percentage does not result in a change to the proposed LTC Recovery Factor. The currently effective LTC Recovery Reconciliation Factor of 0.032¢, approved by the PUC in Docket No. 4485, is added to the proposed factor, resulting in a total LTC Recovery Factor of 0.039¢, as shown on line 7.

#### Calculation of the Estimated Above-Market Cost

The estimated above-market cost that is expected to be realized 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 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 144,697 MWh for all units. The estimated generation multiplied by the contract price per MW results in expected total payments of \$18,783,666.

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 July 1, 2014 through December 31, 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 \$18,482,720, which, when subtracted from the total expected payments of \$18,783,666, results in an estimated above-market cost of \$300,946, 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. The Company will be proposing a new Revenue Decoupling Mechanism ("RDM") Adjustment Factor in a separate filing. If approved by the PUC, both the RDM Adjustment Factor and LTC Recovery Factor proposed in this filing will be effective July 1, 2014. Therefore, the Company will file its Summary of Retail Delivery Service Rates incorporating all rate changes effective July 1, 2014 once the PUC has ruled on these proposals.

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

Enclosure

cc: Steve Scialabba  
Leo Wold, Esq.

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

(1) Above Market Cost for the period July 2014 through December 2014	\$300,946
(2) Forecasted kWh Deliveries - July 2014 through December 2014	4,062,010,372
(3) Recovery Factor for Estimated Above Market Cost	\$0.00007
(4) Adjustment for Uncollectibles	<u>1.25%</u>
(5) Proposed LTC Recovery Factor for the period July 1, 2014 through December 30, 2014	\$0.00007
(6) Currently Effective LTC Recovery Reconciliation Factor	<u>\$0.00032</u>
(7) Total LTC Recovery Factor	\$0.00039
(8) Current LTC Recovery Factor	<u>\$0.00011</u>
(9) Increase in LTC Recovery Factor	\$0.00028

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) x [1 + Line (4)], truncated to five decimal places
- (6) per R.I.P.U.C. Docket No. 4485, Schedule JAL-17, page 1, line 8
- (7) Line (5) + Line (6)
- (8) per tariff
- (9) Line (7) - Line (8)

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

**Section 1: Estimated Six-Month Contract Cost**

<u>Unit</u>	<u>Unit Capacity (MW)</u> (a)	<u>Unit Availability Factor</u> (b)	<u>Estimated Six-Month Output (MWh)</u> (c)	<u>Contract Price (\$ per MWh)</u> (d)	<u>Estimated Six-Month Contract Cost</u> (e)
PPA-1	32.100	85%	119,508.3	\$125.86	\$15,041,315
PPA-2	1.500	24%	1,576.8	\$133.50	\$210,503
PPA-3	2.000	14%	1,226.4	\$275.00	\$337,260
PPA-4	0.500	14%	306.6	\$316.00	\$96,886
PPA-5	0.499	14%	306.0	\$316.00	\$96,692
PPA-6	0.498	14%	305.4	\$316.00	\$96,498
PPA-7	0.128	14%	78.5	\$288.00	\$22,605
PPA-8	3.958	90%	15,602.4	\$92.82	\$1,448,218
PPA-9	2.340	14%	1,434.9	\$236.99	\$340,054
PPA-10	3.710	14%	2,275.0	\$239.00	\$543,718
PPA-11	0.181	14%	111.0	\$316.00	\$35,073
PPA-12	1.500	14%	919.8	\$209.00	\$192,238
PPA-13	0.300	14%	184.0	\$316.00	\$58,131
PPA-14	0.500	14%	306.6	\$316.00	\$96,886
PPA-15	0.500	14%	306.6	\$316.00	\$96,886
PPA-16	0.406	14%	<u>249.0</u>	\$284.00	<u>\$70,704</u>
Total			144,697		\$18,783,666

**Section 2: Estimated Market Value**

<u>Class</u>	<u>Estimated MWh Purchased Under Contracts</u> (f)	<u>Market Energy Proxy</u> (g)	<u>Energy Market Value</u> (h)	<u>REC Proxy</u> (i)	<u>REC Market Value</u> (j)	<u>Capacity</u> (k)	<u>Total Market Value</u> (l)
PPA-1	119,508.3	\$63.152	\$7,547,187	\$60.83	\$7,269,690	\$542,880	\$15,359,757
PPA-2	1,576.8	\$63.152	\$99,578	\$60.83	\$95,917		\$195,495
PPA-3	1,226.4	\$63.152	\$77,450	\$60.83	\$74,602		\$152,052
PPA-4	306.6	\$63.152	\$19,362	\$60.83	\$18,650		\$38,012
PPA-5	306.0	\$63.152	\$19,324	\$60.83	\$18,613		\$37,937
PPA-6	305.4	\$63.152	\$19,285	\$60.83	\$18,576		\$37,861
PPA-7	78.5	\$63.152	\$4,957	\$60.83	\$4,775		\$9,732
PPA-8	15,602.4	\$63.152	\$985,325	\$60.83	\$949,096		\$1,934,421
PPA-9	1,434.9	\$63.152	\$90,616	\$60.83	\$87,284		\$177,900
PPA-10	2,275.0	\$63.152	\$143,669	\$60.83	\$138,387		\$282,056
PPA-11	111.0	\$63.152	\$7,009	\$60.83	\$6,751		\$13,760
PPA-12	919.8	\$63.152	\$58,087	\$60.83	\$55,951		\$114,038
PPA-13	184.0	\$63.152	\$11,617	\$60.83	\$11,190		\$22,807
PPA-14	306.6	\$63.152	\$19,362	\$60.83	\$18,650		\$38,012
PPA-15	306.6	\$63.152	\$19,362	\$60.83	\$18,650		\$38,012
PPA-16	249.0	\$63.152	<u>\$15,722</u>	\$60.83	<u>\$15,144</u>		<u>\$30,866</u>
Total			\$9,137,912		\$8,801,928	\$542,880	\$18,482,720

**Section 3: Estimated Above Market Cost**

	<u>Estimated Above (Below) Market Cost</u> (m)
PPA-1	(\$318,442)
PPA-2	\$15,008
PPA-3	\$185,208
PPA-4	\$58,873
PPA-5	\$58,755
PPA-6	\$58,637
PPA-7	\$12,873
PPA-8	(\$486,203)
PPA-9	\$162,154
PPA-10	\$261,663
PPA-11	\$21,312
PPA-12	\$78,200
PPA-13	\$35,324
PPA-14	\$58,873
PPA-15	\$58,873
PPA-16	<u>\$39,838</u>
Total Estimated Above (Below) Market Cost	\$300,946

Column Descriptions:

- (a) commercially operable units
- (b) estimated
- (c) column (a) x column (b) x (8,760 ÷ 2) hours
- (d) per PPA
- (e) column (c) x column (d)
- (f) per column (c)
- (g) Standard Offer Service Spot Market Estimate for Commercial Group, excluding capacity and ancillary services components
- (h) column (f) x column (g)
- (i) REC price estimate based on most recent market information
- (j) column (f) x column (i)
- (k) Expected capacity revenue from ISO-NE
- (l) column (h) + column (j) + column (k)
- (m) column (e) - column (l)