

March 20, 2014

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4485 - 2014 Retail Rates Filing  
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's<sup>1</sup> responses to the first set of data requests issue by the Public Utilities Commission in the above-referenced proceeding.

Thank you for your attention to this transmittal. If you have any questions, please contact me at (401) 784-7288

Very truly yours,



Jennifer Brooks Hutchinson

Enclosure

cc: Steve Scialabba, Division  
Leo Wold, Esq.

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted to the individuals listed below.

Paper copies of this filing are being hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.



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Joanne M. Scanlon

March 20, 2014  
Date

**National Grid – 2014 Annual Retail Rate Filing - Docket No. 4485  
Service List Updated 2/19/14**

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<b>File an original &amp; 10 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a>	401-780-2017
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The Narragansett Electric Company  
d/b/a National Grid  
R.I.P.U.C. Docket No. 4485  
In Re: 2014 Retail Rate Filing

Responses to the Public Utilities Commission's First Set of Data Requests  
Issued on February 27, 2014

PUC 1-1

Request:

According to a recent ISO-NE press release, capacity costs in New England for the period 2017-2018 are estimated to exceed \$3 billion. Please estimate the rate impact on Rhode Island ratepayers, by customer class, of \$3 billion in total regional capacity costs for the period 2017-2018.

Response:

Calendar Year <sup>a</sup>	Capacity Charges \$ (SOS & Competitive Supply)				Capacity ¢ / kWh				FCM Price \$/ kW-month <sup>b</sup>
	RI Total	Residential	Commercial	Industrial	Total	Residential	Commercial	Industrial	
2014	86,578,871	41,743,237	23,163,648	21,671,987	1.06	1.22	1.10	0.81	3.067
2015	94,277,208	45,454,922	25,223,290	23,598,995	1.15	1.33	1.20	0.89	3.340
2016	92,247,389	44,476,263	24,680,225	23,090,901	1.13	1.30	1.17	0.87	3.268
2017	159,571,995	76,936,226	42,692,511	39,943,257	1.95	2.24	2.03	1.50	5.654
2018 <sup>c</sup>	87,519,437	42,196,723	23,415,290	21,907,424	2.71	3.19	2.82	2.04	7.442

<sup>a</sup> Calculated for calendar year to be consistent with the response to PUC 1-2.

<sup>b</sup> The annual price is a blended average of two capacity years. For example: 2017 calendar year is a blend of five months of the June 2016 to May 2017 FCM price and seven months of the June 2017 to May 2018 FCM price.

<sup>c</sup> Calendar year 2018 includes estimated charges through May only. The FCA for period beginning June 2018 will be held next year.

Capacity Period	RI Total	Capacity ¢ / kWh	FCM Price \$/ kW-month
6/1/2017 - 5/31/2018	210,046,532	2.56	7.442

Rhode Island historically has been approximately 7% of the ISO-NE capacity requirements. Therefore, Rhode Island's share of the estimated \$3.05 billion in total capacity costs for June 2017 through May 2018 can be estimated by multiplying \$3.05 billion by 7%, or approximately \$215 million. The Narragansett Electric Company ("National Grid" or the "Company") performed its own analysis and estimated the capacity cost as \$210 million.

The Forward Capacity Market ("FCM") consists of annual Forward Capacity Auctions ("FCA") held over three years prior to the period when the capacity is delivered. An FCA can result in separate capacity clearing prices for new capacity resources and existing resources when there is inadequate supply and/or insufficient competition. When that happens, Load Serving Entities will pay a weighted average of these two clearing prices. The recently completed FCA (FCA 8)

PUC 1-1, page 2

was for the June 2017 to May 2018 capacity period<sup>1</sup> and the new capacity resources are paid \$15.00/kW-month and the existing resources are paid \$7.025/kW-month<sup>2</sup>. Prior to this most recent FCA, the Rest-of-Pool capacity clearing prices were the same for new and existing resources.

The Company's customers are in the Rest-of-Pool Capacity Zone and will pay the net regional clearing price<sup>3</sup> of that zone. To isolate the capacity price impact to Rhode Island customers, this analysis utilizes the same annual load and capacity obligation for each calendar year. For the capacity period beginning June 2017, the Company roughly estimates a blended capacity price of \$7.442/kW-month<sup>4</sup>.

The 2014 capacity charges include actual settlement values for January and February. The most recent FCA was for the period ending May 2018; therefore, capacity charges can only be estimated through May 2018. The next FCA for the June 2018 to May 2019 capacity period will be held next year.

The annual capacity charges are divided by the total Standard Offer Service ("SOS") and competitive wholesale loads to determine a capacity  $\phi$  / kWh rate per year for each customer class.

The tables below demonstrate the estimated monthly bill impacts for each class associated with the change in annual capacity costs for the years 2015 through 2018. For Residential A-16, the monthly bill impact calculated based upon a monthly usage of 500 kWh. For Rate C-06, Small Commercial and Industrial, the monthly impact is based upon usage of 1,000 kWh per month.

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<sup>1</sup> A capacity period is one year beginning in June and ending in May.

<sup>2</sup> Rest-of-Pool clearing prices.

<sup>3</sup> The net regional clearing price is close to the FCM price established in the FCA. It includes the results of annual reconfiguration auctions.

<sup>4</sup> This is estimated from Rhode Island's estimated share of payments to new and existing capacity resources.

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PUC 1-1, page 3

Rate A-16, Residential (Residential SOS Class): 500 kWh per Month

	Incremental Monthly Increase/(Decrease) (from prior year)	Cumulative Monthly Increase/(Decrease) (from 2014)	Percentage Increase/(Decrease) (from prior year)	Cumulative Percentage Increase/(Decrease) (from 2014)
2015	\$0.59	\$0.59	0.7%	0.7%
2016	(\$0.16)	\$0.43	(0.2%)	0.5%
2017	\$5.02	\$5.45	5.6%	6.1%
2018	\$5.08	\$10.52	5.4%	11.1%

Rate C-06, Small Commercial and Industrial (Commercial SOS Class): 1,000 kWh per Month

	Incremental Monthly Increase/(Decrease) (from prior year)	Cumulative Monthly Increase/(Decrease) (from 2014)	Percentage Increase/(Decrease) (from prior year)	Cumulative Percentage Increase/(Decrease) (from 2014)
2015	\$1.07	\$1.07	0.6%	0.6%
2016	(\$0.32)	\$0.75	(0.2%)	0.4%
2017	\$9.18	\$9.93	5.2%	5.6%
2018	\$8.44	\$18.37	4.5%	9.8%

Usage characteristics for commercial and industrial customers receiving service on Rate G-02, General Service Demand, Rate G-32, Large Demand and Rate G-62 Optional Large Demand vary significantly, and it is difficult to define a “typical” customer usage for these classes. Therefore, the tables below indicate a range of monthly bill impacts applicable to each rate class.

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PUC 1-1, page 4

Rate G-02, General Service Demand (Commercial SOS Class):

	Percentage Increase/(Decrease) (from prior year)	Cumulative Percentage Increase/(Decrease) (from 2014)
2015	0.5% to 0.6%	0.5% to 0.6%
2016	(0.1%) to (0.2%)	0.4% to 0.5%
2017	3.9% to 4.7%	4.3% to 5.7%
2018	3.2% to 3.8%	7.4% to 8.7%

Rate G-32, Large Demand and Rate G-62 Optional Large Demand (Industrial SOS Class):

	Percentage Increase/(Decrease) (from prior year)	Cumulative Percentage Increase/(Decrease) (from 2014)
2015	0.4% to 0.5%	0.4% to 0.5%
2016	(0.1%)	0.3% to 0.4%
2017	3.5% to 4.1%	3.8% to 4.5%
2018	2.9% to 3.4%	6.5% to 7.6%

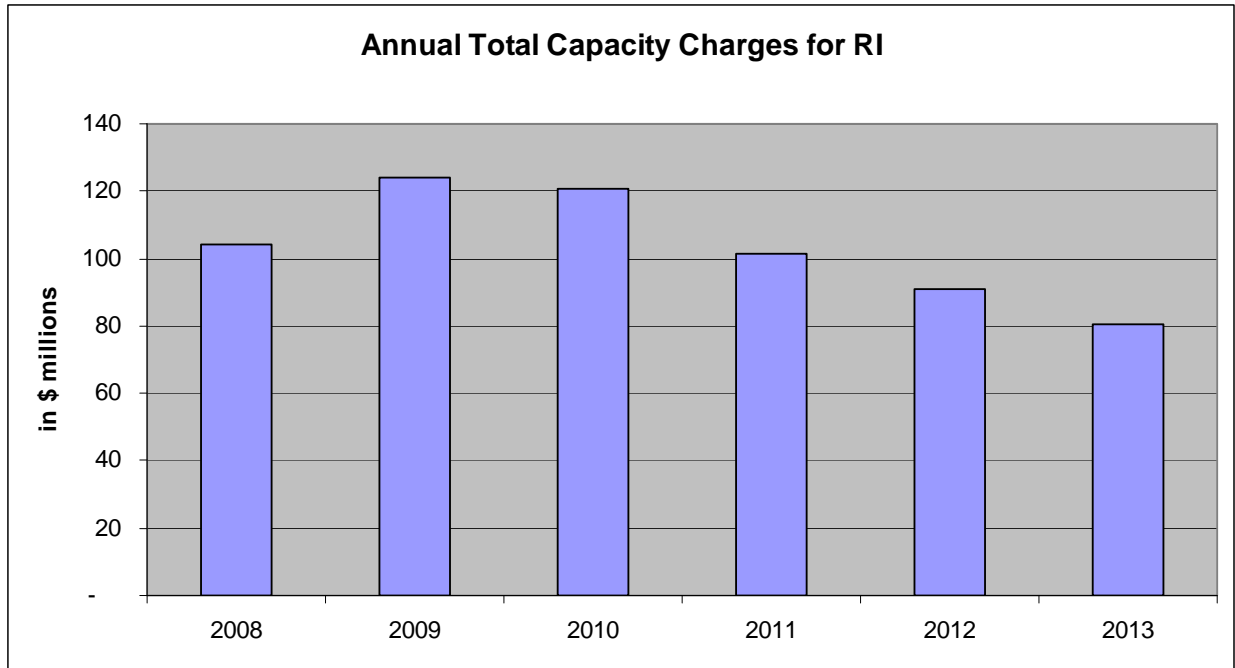
These estimated monthly bill impacts include estimates for capacity prices and capacity obligations. Actual monthly bill impacts will vary from these estimates once the capacity obligations and net regional clearing prices are determined.

PUC 1-2

Request:

Please provide a chart showing total capacity costs incurred annually by Rhode Island ratepayers from 2008 to the present date and the associated per kilowatt rate over that timeframe.

Response:



Calendar Year	RI Capacity Charges \$	ISO-NE Price \$/ kW-month	Capacity ¢ / kWh
2008	104,132,568	3.451	1.26
2009	124,054,355	3.955	1.57
2010	120,904,073	4.023	1.47
2011	101,454,891	3.570	1.24
2012	90,965,055	3.155	1.13
2013	80,671,168	2.839	0.99

PUC 1-2, page 2

Prior to 2010, 100% of SOS was provided by load following full requirements service ("FRS") transactions. FRS suppliers were responsible for the energy, capacity, ancillary services and miscellaneous ISO New England ("ISO-NE") charges of all SOS customers and the suppliers settled directly with the ISO-NE. Therefore, National Grid does not have access to ISO-NE capacity settlement reports for SOS load prior to 2010. However, National Grid was able to estimate the total zonal capacity charges using information obtained from other settlement reports and the Rhode Island zone's ICAP tags.

Beginning January 1, 2010, National Grid purchased a portion of the Residential and Commercial Groups' (originally the Small Customer Group) load in the ISO-NE spot market. National Grid became responsible for all ISO-NE charges for a portion of SOS load and received capacity settlement reports.

Capacity charges are calculated using Installed Capacity ("ICAP") tags which are also known as Customer Peak Contributions in the settlement report. Each customer group has its own daily ICAP tags and National Grid is charged based on its percentage of the Residential and Commercial Groups' SOS load. For this data request, the Company recalculated its capacity settlement reports using the entire Rhode Island zone's ICAP tags to determine the annual capacity charges for all Rhode Island electric customers (including those on competitive supply).

The annual capacity charges are divided by the total SOS and competitive wholesale load to determine a capacity  $\text{¢} / \text{kWh}$  rate per year. The annual capacity charges are also divided by the capacity obligation to determine a capacity price  $\text{\$/kW-month}$ .