

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :  
d/b/a NATIONAL GRID'S LONG-TERM CONTRACTING : DOCKET NO. 4673  
FOR RENEWABLE ENERGY RECOVERY FACTOR :

REPORT AND ORDER

On November 14, 2016, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC or Commission) its semi-annual Long-Term Contracting for Renewable Energy Recovery Factor (Recovery Factor) for the period January 1, 2017 through June 30, 2017.<sup>1</sup> In its filing, National Grid estimated that the six-month contract cost for twenty-nine renewable energy contracts, which include twenty-six distributed generation contracts and three non-distributed generation contracts, would be \$36,083,301.<sup>2</sup> The market value for the energy, Renewable Energy Certificates (RECs), and capacity procured under the contracts is projected to total \$13,851,208.<sup>3</sup> The difference between the estimated contract costs and net market value is expected to be \$22,232,093.<sup>4</sup> When this above-market value is divided by National Grid's forecasted kWh deliveries for the upcoming six-month period, and adjusted for uncollectibles, the result is a proposed Recovery Factor of 0.63¢ per kWh.<sup>5</sup> When this factor is added to the currently effective Recovery Factor of 0.116¢ per kWh, the total proposed Recovery Factor is 0.746 cents per kWh.<sup>6</sup> This is an increase of 0.409¢ per kWh from

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<sup>1</sup> National Grid's Long-Term Contracting for Renewable Energy Recovery Factor (Nov. 14, 2016); [http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER\(11-14-16\).pdf](http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER(11-14-16).pdf).

<sup>2</sup> *Id.* Attach. 1 at 2.

<sup>3</sup> *Id.* Attach. 1 at 4.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* Attach. 1 at 1.

<sup>6</sup> *Id.*

the currently effective factor.<sup>7</sup> The impact on a residential customer using 500 kWh per month is an increase of \$2.13 per month.<sup>8</sup>

On December 14, 2016, following an exchange of discovery with National Grid, the Division of Public Utilities and Carriers (Division) filed with the PUC a memorandum recommending a lower recovery factor of 0.667 cents based on alternative methods to project energy output and market energy prices.<sup>9</sup> With respect to energy output, the Division recommended using actual output for the previous years rather than capacity factor estimates that existed at the time contracts were signed for the following projects: RI LFG Genco (landfill methane gas to energy facility); Wind Energy Development NK Green, LCC; and Black Bear Orono B Hydro.<sup>10</sup> The Division recommended computing the actual output for the first six months of prior years to estimate the output for the first six months of 2017. This calculation reduces the total output of these resources from 136,687.5 MWh to 122,669 MWh.<sup>11</sup>

Additionally, the Division asserted that National Grid relied upon futures prices for the ISO-NE energy hub as of November, 7, 2016 to estimate the market value for the energy procured under the contracts.<sup>12</sup> Noting that futures prices have risen significantly since November 7, 2016, the Division recommended using more recent market pricing data from December 6, 2016, which reflects market conditions that are nearer to the effective date of the new recovery factor.<sup>13</sup>

Finally, the Division pointed out that the Company has listed the value of capacity for only one project, yet the Company is authorized by contract to capture the capacity value of all projects

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<sup>7</sup> *Id.*

<sup>8</sup> National Grid's Nov. 14, 2016 Filing at 1.

<sup>9</sup> Memorandum of Dick Hahn and Carrie Gilbert, Daymark Energy Advisors (Dec. 14, 2016) [http://www.ripuc.org/eventsactions/docket/4587-DPU-Memo\\_12-8-15.pdf](http://www.ripuc.org/eventsactions/docket/4587-DPU-Memo_12-8-15.pdf).

<sup>10</sup> *Id.* at 2.

<sup>11</sup> *Id.* at 3.

<sup>12</sup> *Id.* at 1.

<sup>13</sup> *Id.*

for which recovery is sought.<sup>14</sup> The Division stated that it was unable to determine what effort the Company has made to capture the generation capacity value from the other projects. The Division recommended that National Grid work with the Division and other interested parties to identify opportunities to capture the capacity value of projects for which recovery is sought.<sup>15</sup>

On December 16, 2016, National Grid submitted to the PUC a revised filing that accepts the alternative estimates for energy output and market pricing that were recommended by the Division.<sup>16</sup> Using these estimates, the market value for the energy, RECs, and capacity procured under the contracts is projected to total \$14,790,836.<sup>17</sup> The difference between the estimated contract costs and net market value is expected to be \$19,449,756.<sup>18</sup> Dividing the above-market value by National Grid's forecasted kWh deliveries for the upcoming six-month period, and adjusted for uncollectibles, results in a revised total recovery factor of 0.667¢ per kilowatt-hour (kWh), which is 0.079¢ per kWh less than the factor that the Company originally proposed in its November 14, 2016 filing.<sup>19</sup> This is an increase of 0.330¢ per kWh from the currently effective factor. The impact on a residential customer using 500 kWh per month is an increase of \$1.72 per month and is 41¢ less than the increase that would have resulted from the Company's originally proposed recovery factor.<sup>20</sup>

At an Open Meeting held on December 20, 2016, the PUC reviewed the filing and approved the revised proposed Recovery Factor to apply to electricity consumed on and after January 1, 2017. The Commission commends the work by the Division's consultant to lower the Recovery

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<sup>14</sup> *Id.* at 4. National Grid included in its filing 26MW of capacity from the RI LFG Genco project (landfill gas to energy facility located in Johnston, Rhode Island). See National Grid's Nov. 14, 2016 Filing at Attachment 1, p. 3.

<sup>15</sup> *Id.* at 4.

<sup>16</sup> National Grid's Long-Term Contracting for Renewable Energy Recovery Factor Revised Filing (Dec. 16, 2016) [http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER-Rev\(12-16-16\).pdf](http://www.ripuc.org/eventsactions/docket/4673-NGrid-LTCRER-Rev(12-16-16).pdf)

<sup>17</sup> *Id.* Attachment 1 at 1.

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 1.

<sup>20</sup> *Id.*

Factor by suggesting the use of more up-to-date and accurate information regarding market prices and capacity values. In addition, the Division's recommendation that the Company work with the Division to capture the capacity value of all the projects is sound. Specifically, the parties should determine if there is more than 26 MW of capacity from the RI LFG Genco project and whether the Company can obtain capacity credits for the smaller projects. It is critical that full financial value reflecting all the assets of these projects be captured for the benefit of all ratepayers.

Accordingly, it is hereby,

(22671) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's proposed Long-Term Contract Recovery Factor of 0.746¢ per kWh is hereby denied.
2. The Narragansett Electric Company d/b/a National Grid's Revised Long-Term Contract Recovery Factor of 0.667¢ per kWh is hereby approved. The new rate shall apply to electricity consumed on and after January 1, 2017.
3. The Narragansett Electric Company d/b/a National Grid shall engage with the Division, the PUC, and other interested parties to identify opportunities to capture the capacity value of contracts in which National Grid seeks recovery under paragraph two of this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING  
DECISION ON DECEMBER 20, 2016. WRITTEN ORDER ISSUED FEBRUARY 20, 2017.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Herbert F. DeSimone, Jr., Commissioner



Marion S. Gold, Commissioner

**NOTICE OF RIGHT OF APPEAL:** Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.