

February 5, 2018

BY HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4774 - Proposed 2018 Renewable Energy Growth Program Tariff and Rule Changes
Responses to Record Requests

Dear Ms. Massaro:

I have enclosed ten copies of National Grid's¹ responses to the record requests issued at the PUC's evidentiary hearing on January 24, 2018 in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4774 Service List
Leo Wold, Esq.
Jon Hagopian, Esq.

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

Certificate of Service

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

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

February 5, 2018
Date

**Docket No. 4774 – Renewable Energy Growth Program for Year 2018
RI Distributed Generation Board and National Grid**

Service List updated 1/17/17

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Record Request No. 1

Request:

National Grid explained that the credit allocation cap on each individual customer in a CRDG project is equal to that customer's three-year average use, much like a net metering customer and small RE Growth customer. Is that customer's allocation fixed for the life of the CRDG tariff, or can that customer's allocation go up if the customer's three-year average use goes up? If so, what are the limits on the timing of that increase? Are the limitations to resizing the allocation for a CRDG customer similar to system expansion limitations for other RE Growth classes and net metering systems? If a customer leaves a CRDG project, can they rejoin whenever they choose, and if so, can they then have their allocation adjusted to an updated three-year use history upon rejoining the CRDG project?

Response:

Under the CRDG program, each enrollee will have their own three-year average usage at the start of their enrollment in the offtake from a CRDG facility. This amount would be the same during the length of the enrollee's enrollment with that facility unless the enrollee requested that the Company review the amount. The Company would review such three-year history with any request to increase the allocation of credits upward. Changes to the CRDG Payment and Credit Transfer (PCT) form are currently allowed twice per year. The customer, through the facility owner (the Applicant and COE holder of the facility), would be able to provide to the Company documentation of new load that would be served if installed and operating, such as heat pumps or the ownership of an electric vehicle, to increase their allowed three-year annual average. A customer could unenroll in the offtake from a CRDG facility either at the end of their preset allocation period (provided by the COE holder), which could reflect a contract with the recipient, or at their choosing, if there is no fixed term under a contract. In either case, this would be provided by the COE holder on the PCT form, not by the customer. If a customer rejoined the same or a different COE holder's facility for receipt of credits, the same processes would apply to the customer as a new enrollee of that facility.

Record Request No. 2

Request:

Why is remuneration under the RE Growth Program forward-looking but remuneration under the Long-Term Contracting Standards program backward-looking?

Response:

The difference in the recovery of remuneration between the Renewable Energy (RE) Growth Program and the Long-Term Contracting Standards Program is not by design, but rather, is the result of the issues raised during the course of each program's docketed proceeding involving each program's cost recovery provision.

In the proceeding associated with the Long-Term Contracting for Renewable Energy Provision, filed on July 2, 2012 in RIPUC Docket No. 4338, the Company initially requested concurrent recovery of remuneration subject to reconciliation to actual earned remuneration based on actual contract payments. However, in its September 10, 2012 memorandum, the Division of Public Utilities and Carriers (Division) recommended a revision of the tariff to "collect Contract Remuneration on a retrospective basis." The Division's position regarding the timing of the recovery of remuneration was that the statute that provided for remuneration on long term renewable energy contracts, R.I. Gen. Laws § 39-26.1-4, Financial remuneration and incentives, required that remuneration be based on actual contract payments. In its September 21, 2012 response to the Division's memo, the Company did not object to the Division's recommendation. Although the statute did not prohibit concurrent recovery of remuneration subject to reconciliation for actual contract payments, the Company chose not to object to the Division's position. As a result, in its tariff compliance filing, the Company removed the recovery of estimated remuneration from the formula used to calculate the LTCRER Factor. Please see Attachment PUC RR-2 for relevant excerpts reflecting these events. Specifically, in the Revised Long-Term Contracting for Renewable Energy Provision filed on July 2, 2012 in Docket No. 4338, the Company proposed recovery of estimated Contract Remuneration. Please see Attachment PUC RR-2, Page 1. On September 10, 2012, the Division issued a memorandum summarizing its review of the Company's proposed tariff revisions. On Page 5 of this memo (included as Attachment PUC RR-2, Page 2), the Division recommended a revision of the tariff to "collect Contract Remuneration on a retrospective basis". In the Company's response to the aforementioned memo, filed on September 21, 2012, the Company did not object to the Division's recommendation. Please see Attachment PUC RR-2, Page 3. In the Company's subsequent Compliance filing, The Long Term Contracting for Renewable Energy Recovery Provision, R.I.P.U.C. No. 2127, the Company removed the estimated Contract Remuneration from the formula used to calculate the LTCRER Factor. Please see Attachment PUC RR-2, Page 4.

Record Request No. 2, page 2

The Company administers the Renewable Energy (RE) Growth Program pursuant to R.I. Gen. Laws § 39-26.6, with the Company able to earn remuneration pursuant to R.I. Gen. Laws § 39-26.6-12. In its November 14, 2014 initial filing, the Company submitted its first RE Growth Program tariff and solicitation rules filing along with the RE Growth Program Cost Recover Provision (RIPUC Docket No. 4536). In that filing, the Company proposed concurrent recovery of remuneration based upon an estimate of incentive payments under the RE Growth Program. No party objected to the Company's proposal to recover remuneration concurrently as earned on an estimated basis subject to reconciliation to actual remuneration based on actual incentive payments. At its open meeting on March 31, 2015, the PUC approved the RE Growth Program's tariffs, as amended during the course of the proceeding. The PUC approved the RE Growth Program Cost Recovery Provision, as initially filed.

R.I.P.U.C. No. 2125
Cancelling R.I.P.U.C. No 2081
Sheet 3

THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
RECOVERY PROVISION

approved uncollectible allowance rate, to the actual expenses incurred, including the approved uncollectible allowance, during the reconciliation period, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be refunded to, or collected from, all customers in the two subsequent period's LTCRER factor. The Company may file to adjust the LTCRER at any time should significant over or under recovery of costs occur.

The LTCRER factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the Forecasted kWhs during the six month period that the LTCRER factor will be in effect. For billing purposes, the LTCRER factor will be included with the Renewable Energy Distribution kWh charge on customers' bills.

The LTCRER factor will be calculated as follows:

$$\text{LTCRER Factor}_x = \frac{\{[(AM_x + CR_x) \div \text{FkWh}_x] + [\text{PPRA}_x(i) \div \text{FkWh}_{[x+(x+1)]}]\}}{(1 + \text{UP})} \times$$

where

- x = The six-month period during which the annual LTCRER will be in effect;
- LTCRER Factor_x = The Long-term Contracting Renewable Energy Recovery Factor for the current six-month period;
- AM_x = The estimated annual above-market cost associated with Long-term Contracts and Distributed Generation Standard Contracts, calculated as the sum of the estimated payments expected to be made during period x under each of the approved Contracts less the expected proceeds to be received during period x by the Company resulting from the sale of the Contract Products;
- CR_x = The estimated Contract Remuneration associated with approved Long-term Contracts and Distributed Generation Standard Contracts, calculated as the estimated payments expected to be made under the contracts during period x multiplied by 2.75 percent;

§ 39-26.1-4 Financial remuneration and incentives. – *In order to achieve the purposes of this chapter, electric distribution companies shall be entitled to financial remuneration and incentives for long-term contracts for newly developed renewable energy resources, which are over and above the base rate revenue requirement established in its cost of service for distribution ratemaking. Such remuneration and incentives shall compensate the electric distribution company for accepting the financial obligation of the long-term contracts. The financial remuneration and incentives described in this subsection shall apply only to long-term contracts for newly developed renewable energy resources. The financial remuneration and incentives shall be in the form of annual compensation, equal to two and three quarters percent (2.75%) of the actual annual payments made under the contracts for those projects that are commercially operating.*

This section of Rhode Island statute is different from other enabling statutes in that it specifically allows a utility to collect 2.75% of actual costs. This language raises the question of whether or not NGRID should be forecasting Contract Remuneration and collecting these amounts from customers in advance. The Contract Remuneration component is unlike the PPA payments to the project owner. The Company needs to forecast long-term PPA payments and develop a tariff charge to collect these amounts prospectively so it can have cash on hand to make these payments. This is in contrast with Contract Remuneration, which is an additional revenue stream or profit to the Company that has no offsetting expense or cost that needs to be collected in advance. NGRID could collect Contract Remuneration in 2014 based upon actual PPA payments in 2013. Given the use of the word “actual” in the enabling legislation, I believe that this is a reasonable interpretation. In November 2012, the Company could not forecast Contract Remuneration in the first half of 2013 for projects that would not be commercially operating until December 31, 2012. I recommend that NGRID collect Contract Remuneration on a retrospective basis. The tariff language should be revised to reflect this approach.

e. Contract Remuneration

The Division recommends that the Company collect its financial remuneration pursuant to Rhode Island General Laws § 39-26.1-4 on a retrospective basis. The Company does not object to the Division's proposal related to the application of the remuneration.

f. Spot Market Price Methodology

Although the Division did not address capacity costs embedded in the spot market estimate in its comments, the Company has reevaluated its calculation methodology used to estimate the capacity component of the spot market price based on discussions with the Division's consultant, Richard Hahn. In the Company's response to Division Data Request 1-4, the Company provided the calculations to estimate the 10% spot market purchases for the July 2012 through December 2012 rate period. The Company would like to take this opportunity to propose an enhanced calculation methodology based on discussions with Mr. Hahn.

The Company's current methodology calculates the estimated monthly capacity charges using the peak demand in the previous year multiplied by the Forward Capacity Market price. The Company then converts this charge to a \$/MWh format by utilizing a load factor percentage. In the most recently completed rate period (January to June 2012), the estimated capacity \$/MWh charge included in the January to June 2012 SOS rates was underestimated by approximately 21% for the Residential Group, and by approximately 1% for the Commercial Group.

In Order 20431 in Docket No. 4227, the Commission ordered the Company to include a bid premium calculation as part of the SOS solicitation process. This bid premium calculation, based on examples provided by the Division's consultant, utilizes Installed Capacity ("ICAP") tags for the capacity cost component. The capacity calculation is essentially the same as that

R.I.P.U.C. No. ~~2125~~2127
Cancelling R.I.P.U.C. No 2081
Sheet 3

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RECOVERY PROVISION

Company's currently approved uncollectible allowance rate, ~~to the actual expenses incurred, including the approved uncollectible allowance, during the reconciliation period, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be refunded to, or collected from, all customers in the two subsequent period's LTCRER factor. The Company may file to adjust the LTCRER at any time should significant over or under recovery of costs occur.~~

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where

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- AM_x = The estimated annual above-market cost associated with Long-term Contracts and Distributed Generation Standard Contracts, calculated as the sum of the estimated payments expected to be made during period x under each of the approved Contracts less the expected proceeds to be received during period x by the Company resulting from the sale of the Contract Products;
- ~~CR_x = The estimated Contract Remuneration associated with approved Long term Contracts and Distributed Generation Standard Contracts, calculated as the estimated payments expected to be made under the contracts during period x multiplied by 2.75 percent;~~