



To: RHODE ISLAND PUBLIC UTILITIES COMMISSION

From: Carrie Gilbert, and Aliea Afnan, DAYMARK ENERGY ADVISORS

Date: March 17, 2020

Subject: 2020 Renewable Energy Standard Charge and Reconciliation Filing
Docket No. 4935

INTRODUCTION

On February 27, 2020, National Grid (“NGrid” or the “Company”) filed its proposed 2020 Renewable Energy Standard (“RES”) Charge and Reconciliation. This filing consists of the three following attachments:

- Attachment 1 - Calculation of the proposed RES Charge for 2020
- Attachment 2 - RES reconciliation for the period January 1, 2019 through December 31, 2019
- Attachment 3 - Analysis of the typical bill impacts of the proposed RES Charge

The proposed RES Charge will increase a typical 500 kWh/month Standard Offer Service residential customer’s bill by 3.5%, which is an increase of \$4.18 per month. The Company has provided Excel files of its workpapers supporting the 2020 RES Charge and Reconciliation Filing. This filing was designated as Docket No. 4935.

The Rhode Island Division of Public Utilities and Carriers (the “Division”) has retained Daymark Energy Advisors to assist in its review of these filings to ensure the various reconciliations are accurately calculated and are in accordance with the relevant tariffs. In summary, we find that NGrid calculated all the charges appropriately based on the underlying data the Company presented and the Company’s tariff and we recommend approval.

This memorandum presents the full results of our review.

RENEWABLE ENERGY STANDARD CHARGE AND RECONCILIATION

In its February 27, 2020 filing in Docket 4935, the Company seeks approval for a proposed 2020 RES Charge of \$0.00866 per kWh. The charge consists of two components. The first component is the estimated cost of complying with the RES for 2020, estimated by NGrid to be \$0.00606 per kWh. The second component is the adjustment charge to reconcile previous estimates of the cost of complying with prior years' RES with actual costs, \$0.00260 per kWh.¹

The first component - \$0.00606 per kWh – is based upon estimated Renewable Energy Credit (“REC”) prices of \$40.08 for new RECs and \$1.23 for existing RECs.² These prices are consistent with recent actual purchases made by the Company and our outlook of the current REC market, and we find them to be reasonable. The proposed charge is based upon the 2020 RES values that require new RECs to be 14.0% of supply obligation and existing RECs to be 2.0%. Using the above assumptions, we concur with the Company’s calculation of the \$0.00606 per kWh figure.

The proposed adjustment is \$0.00260 per kWh to adjust for the estimated under-recovery through the 2019 Compliance Year. This is mostly due to a cumulative under-collection for the 2019 RES compliance year costs of (\$9,960,684) as of December 31, 2019.³ Additionally, the Company estimates an under-recovered amount of (\$650,785) from prior RES compliance years through 2018 would be recovered from customers during the period April 1, 2020 through March 31, 2021.⁴ We examined in detail the calculation of the cumulative under-collection. Unlike prior years where there has been an over-recovery that has carried forward, this filing includes an under-recovery. This under-recovery is largely driven by significant increases in REC prices. The 2019 RES charge was based on a \$13.35 per MWh REC price for New RECs, while the REC price increased steadily over the last year to an estimated price of \$40.08 for 2020. Figure 1 displays the increase in REC prices over the last 2 years.

¹ Docket No. 4935, Attachment 1, p. 1.

² *Id.*

³ *Id.*, p. 2.

⁴ *Id.*, p. 2.

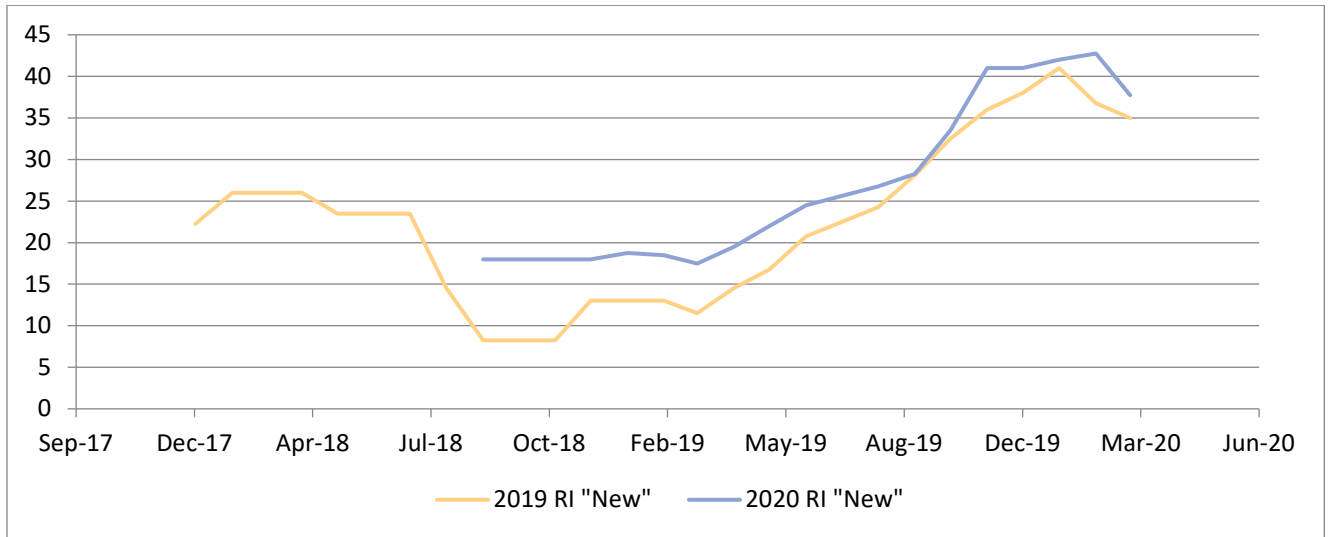


Figure 1: Broker Quotes for RI "New" RECs⁵

Based upon the above discussion, we find the proposed 2020 Renewable Energy Standard (RES) Charge of \$0.00866 per kWh to be reasonable and recommend that it be approved.

⁵Spectrometer: US Environmental Broker Quotes, based on 1st of the month prices.