

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC  
COMPANY, d/b/a NATIONAL GRID'S  
2011 ELECTRIC RETAIL RATE FILING AND  
2011 RES CHARGE AND RECONCILIATION

DOCKET NO. 4226

**REPORT AND ORDER**

**I. Introduction**

On February 23, 2011, Narragansett Electric Company d/b/a National Grid (“National Grid”) filed its 2011 Electric Retail Rate Filing requesting approval of a series of charges and adjustments resulting from the Company’s annual reconciliation of its Standard Offer Service, Transmission and Transition charges. The filing included the following proposals: the Standard Offer Service (“SOS”) Adjustment Factors for the period ending December 31, 2010; the SOS Administrative Cost Factors for the period April 1, 2011 through March 31, 2012 as well as the under recovery of SOS administrative expense for the period ending December 31, 2010; the Transition Charge and Transition Charge Adjustment Factor; Transmission Service Charges and Transmission Service Adjustment Factor; the Transmission Uncollectible Factors; and a distribution kWh surcharge relating the Company’s Qualifying Facilities Power Purchase Tariff.

On February 28, 2011, the Company filed its 2011 Renewable Energy Standard Charge and Reconciliation. The Commission reviewed this filing together with the 2011 Electric Retail Rate Filing.

## **II. 2011 Electric Retail Rate Filing**

### **A. SOS Adjustment Factor and Reconciliation**

For the period January 2010 through December 2010, the Company reported a net over recovery in Standard Offer Service revenues from the Residential, Commercial and Industrial Customer Groups of \$263,141.<sup>1</sup> This total reconciliation balance represents the difference between a net over collection of \$1,436,690 from the Small Customer Group and a net shortage of \$1,173,549 from the Large Customer Group.<sup>2</sup> In order to refund this money to these customers, the Company proposed separate SOS Adjustment Factors for the Residential, Commercial and Industrial Groups.<sup>3</sup> The reason for the different SOS Adjustment Factors for each customer class is due to the differences in the manner and pricing of SOS procurement for each customer class. The Company proposed SOS Adjustment factors of \$0.00075 for the Industrial Group; \$0.00027 for the Commercial Group; and a credit of \$0.00041 for the Residential Group.<sup>4</sup>

### **B. SOS Administrative Cost Adjustment Factor and Reconciliation**

For the period March 1, 2010 through December 31, 2010, the Company reported under recoveries of \$283,430 for the Large Customer Group and \$1,118,946 for the Small Customer Group.<sup>5</sup> These deferrals represent the difference in the Company's administrative costs associated with standard offer service and the previous year's revenues from the SOS Administrative Cost Adjustment Factor. The Company's administrative costs include without limitation working capital costs, RES compliance costs, SOS procurement costs including costs related to the Company's RFPs and

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<sup>1</sup> National Grid 1, pgs. 6-7.

<sup>2</sup> Id., JAL-3, p. 1.

<sup>3</sup> Id., p. 6.

<sup>4</sup> Id., JAL-3, p. 1.

<sup>5</sup> Id., p. 13; JAL-5, pgs. 1, 3; JAL-7, p. 1.

contract negotiation, and a previously approved allowance for uncollectible accounts receivables.<sup>6</sup> The Company disclosed the method of calculating all components of the Administrative Cost Adjustment Factors, including the uncollectible expense, which is the product of estimated revenue for the period April 1, 2011 through March 31, 2012, multiplied by the approved uncollectible rate of 0.94%.<sup>7</sup> Other administrative expenses, such as cash working capital, were based on each customer group's percentage share of actual 2010 expenses.<sup>8</sup> In order to recover these deferrals, the Company proposed SOS Administrative Cost Adjustment Factors for each customer class which were calculated by dividing the amount of the under collection for each customer class, including interest during the recovery period, by the forecasted SOS kWh deliveries for the period April 1, 2011 through March 31, 2012.<sup>9</sup> In developing the SOS Adjustment Factors and SOS Administrative Cost Adjustment Factors, the Company accounted for the re-classification of customer groups established in Docket 4149 by allocating the Small Customer Group deferral between the new Residential and Commercial Groups based on each group's SOS kWh deliveries in 2010 and transferring the G-02 deferrals from the former Large Group to the new Commercial Group.<sup>10</sup> The Company proposed the following SOS Administrative Cost Reconciliation Adjustment Factors for effect on April 1, 2011: \$0.00018 for the Industrial Group; \$0.00032 for the Residential Group; and \$0.00023 for the Commercial Group.<sup>11</sup> These factors are designed to recover an under collection of \$283,430 for the Large Group and an under recovery of \$1,118,946 for the Small

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<sup>6</sup> Id., p. 11. In Docket 4065, the Commission approved an allowance for the Company to recover 0.94% of uncollectible accounts receivables.

<sup>7</sup> Id., p. 12.

<sup>8</sup> Id.

<sup>9</sup> Id., pgs. 13-14; JAL-7.

<sup>10</sup> Id., pgs. 9-10, 14.

<sup>11</sup> JAL-7, p. 1.

Customer Group for the period ending December 31, 2010.<sup>12</sup> In addition, the Company proposed SOS Administrative Cost Factors of \$0.00106 for the Residential Group; \$0.00105 for the Commercial Group; and \$0.00097 for the Industrial Group. These factors represent the Company's estimate of administrative costs associated with standard offer service for the twelve month period ending March 31, 2012. These two factors combined result in total SOS Administrative Cost Factors of \$0.00138 for the Residential Group; \$0.00128 for the Commercial Group; and \$0.00115 for the Industrial Group.<sup>13</sup>

### **C. Transition Charge and Adjustment Factor**

Pursuant to the Non-Bypassable Transition Charge Adjustment Provision, each year, the Company reconciles its Customer Transition Charge ("CTC") revenue and CTC expense and recovers any over or under collections, with interest at the customer deposit rate, resulting from this reconciliation.<sup>14</sup> The Customer Transition Charge recovers from customers the charges billed to the Company by New England Power ("NEP").<sup>15</sup> The Company reported an over collection in the Customer Transition Charge of \$2,097,149 as of December 31, 2010.<sup>16</sup> To refund this over collection to customers, the Company proposed adding a Transition Charge adjustment credit factor of \$0.00026 to the weighted average base Transition Charge credit of \$0.00005 per kilowatt-hour, for a net Transition Charge credit of \$0.00031.<sup>17</sup>

### **D. Transmission Charge and Adjustment Factor**

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<sup>12</sup> Id., p. 13.

<sup>13</sup> Id., JAL-4, p. 1.

<sup>14</sup> Id., p.15, 20.

<sup>15</sup> Id., p. 14. The transition charge originated with the Electricity Restructuring Act of 1996 ("Act") which required the Company to divest its generation assets. In divesting its generation assets, the Company was required to terminate all requirements contracts with wholesale suppliers and pay a fee for this termination. The Act authorized the Company to recover this termination fee paid to the wholesale supplier through a transition charge billed to customers. R.I.G.L. §39-1-27.4.

<sup>16</sup> Id., JAL-8, p. 2. JAL-9, p. 7.

<sup>17</sup> Id., pgs.16-17, JAL-8, p. 2.

The Transmission Service Cost Adjustment Provision allows the Company to recover costs billed to the Company by the Independent System Operator of New England (“ISO-NE”) and New England Power (“NEP”).<sup>18</sup> ISO-NE is one of 3 regional transmission organizations in the country the primary function of which is to ensure the safety and reliability of New England’s interstate transmission system. The Company allocates transmission costs based on each customer class’ contribution to New England Power’s monthly peak.<sup>19</sup> Thus, each customer class has a base transmission charge which reflects its particular allocation of transmission costs for the current year. A uniform adjustment factor is applied to this base transmission charge in order to recover from or refund to customers under or over recoveries of the transmission charge from the prior year.<sup>20</sup> For 2011, the Company forecasted transmission expenses of \$120.7 million.<sup>21</sup> This is an increase from 2010 of approximately \$13.3 million.<sup>22</sup> To pay for this expense, the Company proposed the following base transmission charges: \$0.01593/kWh for the A16 and A60 Customer Classes; \$0.01724/kWh for the C06 Customer Class; \$0.00795/kWh for the G02 Customer Class; \$0.00650/kWh for the B32, B62, G32, G62, and X01 Customer Classes; and \$0.00833/kWh for the S10 and S14 Customer Classes.<sup>23</sup> The Company also proposed a Transmission Service Adjustment Factor of \$0.00015 to recover an under collection of \$1.2 million plus interest for the period January 2010 through December 2010.<sup>24</sup> The net transmission charge (which includes the Base Transmission Charge, the Transmission Adjustment

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<sup>18</sup> R.I.P.U.C. No. 2036.

<sup>19</sup> National Grid 1, p. 18.

<sup>20</sup> Id.

<sup>21</sup> Id., p.17

<sup>22</sup> Id.

<sup>23</sup> Id., JAL-10, p. 1.

<sup>24</sup> Id., pgs. 19-20.

Factor and Transmission Uncollectible Factor) appears on customers' bills.<sup>25</sup> Pursuant to the Transmission Service Cost Adjustment Provision, the Company also reconciled its uncollectible accounts relating to transmission cost adjustments and reported an under recovery of \$29,646 as of December 2010.<sup>26</sup> The Company proposed to carry over this balance to the next reconciliation period of January 1, 2011 through December 31, 2011.<sup>27</sup>

#### **E. Transmission Uncollectible Factor**

The Company proposed the following Transmission Uncollectible Factors which are designed to collect the estimated uncollectible allowance for the period April 1, 2011 through March 31, 2012: \$0.00015 (A16/A60 Customer Classes); \$0.00016 (C06 Customer Class); \$0.00015 (G02 Customer Class); \$0.00013 (B32/B62/G32/G62/X01 Customer Classes); \$0.00007 (S10/S14 Customer Classes).<sup>28</sup> These factors were derived by multiplying \$0.94% by the estimated transmission revenue from each rate class for the period April 1, 2011 through March 31, 2012.<sup>29</sup> Each rate class uncollectible amount is then divided by the forecasted kWh sales.<sup>30</sup>

#### **F. Low Income Credit**

The Company reported the status of the low income credit approved in Docket 3710. In that docket, the Commission approved a credit of \$0.01240/kWh to the first 450 kWhs consumed per month effective January 1, 2006 in order to credit customers

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<sup>25</sup> Id., p. 20.

<sup>26</sup> Id., JAL-14, p. 1.

<sup>27</sup> Id., p. 23.

<sup>28</sup> Id., JAL-13, p. 1.

<sup>29</sup> Id., p. 23. In Docket 4065, the Commission approved an uncollectible allowance of 0.94% for uncollectible accounts receivables.

<sup>30</sup> Id.

approximately \$2 million over a twelve month period.<sup>31</sup> The \$2 million credit arose out of an overall total amount of \$16.5 million in settlement proceeds which the Company acquired in 2005.<sup>32</sup> On December 22, 2005, The Commission approved a reduction in the Transition Charge sufficient to return \$8.5 million of the settlement proceeds to all ratepayers.<sup>33</sup> In Dockets 3788, 3902 and 4011, the Commission approved additional credits to the low income customers of approximately \$2 million each year, and in Docket 4140, the Commission ordered the remaining \$996,000 be credited to low income customers through a low income credit factor of \$0.00419.<sup>34</sup> The credit has been over refunded and carries a balance of \$142,190 as of January 31, 2011.<sup>35</sup> In this filing, the Company is not seeking to continue the low income credit beyond the pre-approved date of March 31, 2011; therefore, any balance in the account as of March 31, 2011 will be collected through the Transition Charge.<sup>36</sup>

#### **G. Distribution kWh Surcharge Relating to Net Metering**

Rhode Island General Law permits the Company to annually reconcile the distribution portion of Renewable Generation Credits paid to net metering customers and recover these amounts through a uniform per kilowatt-hour surcharge.<sup>37</sup> Accordingly, the Company reported the total sum of \$79,256 in Renewable Generation Credits paid to customers for the period ending December 2009 and the period covering January 1, 2010

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<sup>31</sup> Id., p. 24.

<sup>32</sup> Id.; Pre-Filed Testimony of Ronald T. Gerwatowski (Docket 3710), p. 3.

<sup>33</sup> Order No. 18510, January 24, 2006 (Docket 3710).

<sup>34</sup> National Grid I, p. 24.

<sup>35</sup> Id.

<sup>36</sup> Id., pgs. 24-25.

<sup>37</sup> R.I.G.L. §39-26-6(h).

through December 31, 2010.<sup>38</sup> To collect this sum, the Company proposed a uniform per kilowatt-hour surcharge of \$0.00001.<sup>39</sup>

#### **H. Lost Distribution Revenue From Transfer of Clariant Corporation**

In Docket 4140, the Commission approved a recovery factor of \$0.00003 to be applied to the B-32, B-62, G-32 and G-62 rates as a result of the transfer of Clariant Corporation from the G-62 to G-32 rate.<sup>40</sup> The Company reported lost revenues associated with Clariant Corporation's transfer to the G-32 rate in the amount of \$103,976.<sup>41</sup> The Company reported recovery of \$69,056 during the period March 2010 through January 2011, leaving a remaining balance of \$34,921 yet to be recovered.<sup>42</sup>

#### **III. Bill Impact**

The Company reported that the changes proposed in this filing are projected to result in a 1.6% decrease of \$1.33 in the monthly bill of a typical residential customer consuming 500 kilowatt-hours per month.<sup>43</sup> The Company proposed revised tariffs reflecting the rate changes proposed in this filing.

#### **IV. 2011 Renewable Energy Standard ("RES") Charge and Reconciliation**

On February 28, 2011, the Company requested approval of a Renewable Energy Standard credit of \$0.00031 per kilowatt-hour, effective April 1, 2011 through March 31, 2012, for the purpose of refunding to customers the amount of RES revenue billed to customers during 2010 in excess of the estimated costs to achieve RES compliance in 2011 and an estimate of the remaining costs for the 2010 RES year.<sup>44</sup> The Company

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<sup>38</sup> Id., pgs. 25-26; JAL-16, p. 1.

<sup>39</sup> Id., p. 26, JAL-16, p. 1.

<sup>40</sup> Id., p. 27; Commission Order # 20031 (Docket 4140).

<sup>41</sup> Id., p. 27, JAL-18.

<sup>42</sup> Id.

<sup>43</sup> Id., p. 28.

<sup>44</sup> National Grid's 2011 RES Charge and Reconciliation Filing, February 28, 2011, p. 1.

reported an over recovery of \$5,524,118 in RES expense for the period October 1, 2009 through December 31, 2010.<sup>45</sup> The Company attributed this over collection to the decline in RES market pricing since the November 19, 2009 filing when the rate was last estimated.<sup>46</sup> The over collection of \$5,524,118 was combined with the estimated 2010 RES compliance cost of \$650,000, leaving a net estimated over collection of \$4,874,118.<sup>47</sup> The Company arrived at the \$0.00031/kWh credit by subtracting the charge of \$0.00064 needed to meet the estimated 2010 RES compliance cost of \$ 650,000 from the credit of \$0.00095 needed to refund the 2010 over collection of \$4,874,118 from.<sup>48</sup> The impact of this credit on an average monthly residential bill would be a 1.0% decrease of approximately \$0.80.<sup>49</sup>

#### **V. Division's Position**

On March 22, 2011, the Division submitted a Memorandum to the Commission from Rate Analyst, David Stearns, and Chief Accountant, Stephen Scialabba. The Division reviewed the Company's filing, found the adjustment factors were correctly calculated and recommended approval.

#### **VI. Commission Findings**

On March 31, 2011, at an Open Meeting, the Commission approved the filings of National Grid in this docket, namely the Retail Electric Rate Filing of February 23, 2011 and the RES Charge and Reconciliation Filing of February 28, 2011.

(20504) ORDERED:

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<sup>45</sup> Id., Attachment 1, p. 2.

<sup>46</sup> Id., p. 2.

<sup>47</sup> Id., Attachment 1, p. 2.

<sup>48</sup> Id., p.1, Attachment 1, p. 1.

<sup>49</sup> Id., p. 1.

1. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Adjustment Factor of \$0.00075 for the Industrial Group is hereby approved for usage on or after April 1, 2011.
2. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Adjustment Factor of \$0.00027 for the Commercial Group is hereby approved for usage on or after April 1, 2011
3. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Adjustment Credit of \$0.00041 for the Residential Group is hereby approved for usage on or after April 1, 1011.
4. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Administrative Cost Factor of \$0.00115 for the Industrial Group is hereby approved for usage on or after April 1, 2011.
5. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Administrative Cost Factor of \$0.00128 for the Commercial Group is hereby approved for usage on or after April 1, 2011.
6. Narragansett Electric Company d/b/a National Grid's proposed Standard Offer Administrative Factor of \$0.00138 for the Residential Group is hereby approved for usage on or after April 1, 2011.
7. Narragansett Electric Company d/b/a National Grid's proposed weighted average base Transition credit of \$0.00005/kWh, Transition Adjustment Credit of \$0.00026/kWh and net Transition Credit of \$0.00031/kWh are hereby approved for usage after April 1, 2011.

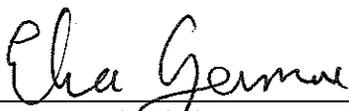
8. Narragansett Electric Company, d/b/a National Grid's proposed Base Transmission Charges are approved as follows, for effect on or after April 1, 2011: \$0.01593/kWh for the A16 and A60 Customer Classes; \$0.01724/kWh for the C06 Customer Class; \$0.00795/kWh for the G02 Customer Class; \$0.00650/kWh for the B32, B62, G32, G62 and X01 Customer Classes; and \$0.00833/kWh for the S10 and S14 Customer Classes.
9. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Service Adjustment Factor of \$0.00015/kWh is approved for usage on or after April 1, 2011.
10. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Uncollectible Factor of \$0.00015/kWh is approved for the A16 and A60 Customer Classes, effective April 1, 2011.
11. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Uncollectible Factor of \$0.00016/kWh is approved for the C06 Customer Class, effective April 1, 2011.
12. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Uncollectible Factor of \$0.00015/kWh is approved for the G02 Customer Class, effective April 1, 2011.
13. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Uncollectible Factor of \$0.00013/kWh is approved for the B32, B62, G32, G62 and X01 Customer Classes, effective April 1, 2011.

14. Narragansett Electric Company, d/b/a National Grid's proposed Transmission Uncollectible Factor of \$0.00007/kWh is approved for the S10 and S14 Customer Classes, effective April 1, 2011.
15. Narragansett Electric Company, d/b/a National Grid's proposal to collect the over refund in the low income credit account as of March 31, 2011 through the Transition Charge is hereby approved.
16. Narragansett Electric Company, d/b/a National Grid's proposed uniform per kilowatt-hour surcharge of \$0.00001 to collect Renewable Generation Credits paid to customers through December 2010 is approved for effect on April 1, 2011.
17. Narragansett Electric Company, d/b/a National Grid's proposed Renewable Energy Standard credit of \$0.00031/kWh is hereby approved for effect April 1, 2011.
18. Narragansett Electric Company, d/b/a National Grid shall file its next annual reconciliation filing for the period commensurate with the filing of the Standard Offer Service rate change at least 30 days prior to the proposed rate change.
19. Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained in this Order.

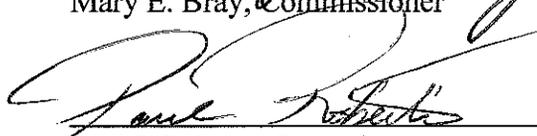
EFFECTIVE AT WARWICK, RHODE ISLAND ON MARCH 31, 2011  
PURSUANT TO AN OPEN MEETING DECISION ON MARCH 31, 2011. WRITTEN  
ORDER ISSUED OCTOBER 14, 2011.



PUBLIC UTILITIES COMMISSION

  
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Elia Germani, Chairman

  
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Mary E. Bray, Commissioner

  
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Paul J. Roberti, Commissioner