



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Rhode Island Division of  
Public Utilities and Carriers  
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MEMORANDUM

TO: LULY MASSARO  
PUC CLERK

DATE: 6/7/12

FROM: STEPHEN SCIALABBA

SUBJECT: DOCKET 4327. NATIONAL GRID RDM RECONCILIATION FOR THE  
TWELVE MONTHS ENDED 3/31/12.

On May 15, 2012, National Grid filed its first annual reconciliation filing under its approved Revenue Decoupling Mechanism, tariff R.I.P.U.C. No. 2073. The Company tracked revenues ("actual billed distribution revenues") applicable to kWh sales occurring between April 1, 2011 and March 31, 2012, which was the RDM measurement year. The billed revenue is compared to the Annual Target Revenue (ATR) to arrive at the RDM revenue reconciliation and adjustment factor.

The ATR starting point was the revenue requirement approved by the Commission in rate case Docket 4065, Second Amended Compliance Filing. This starting point is \$230,771,000. From this starting point, approximately \$6.5 million was deducted, as that was the amount of Vegetation Management and Inspection & Maintenance expense included in the Docket 4065 revenue requirement that was subsequently removed from base rates and transferred to a separate ISR factor in docket 4218, effective April 1, 2011. The adjusted ATR is \$224,221,632.

Actual Billed Distribution Revenue is revenue derived from customer charges, demand charges, distribution energy charges, and other charges the company records as distribution revenue. To the extent the company monthly revenue reports include revenue recovered through separate rate mechanisms, the reported revenue must be adjusted to remove revenue associated with the rate mechanisms, such as the Cap Ex and O&M factor revenues (ISR mechanisms). Additionally, there were certain specific-purpose rate factors (i.e. low-income credit and Lost Revenue factor approved in docket 4065) that expired on March 31, 2011 in which the April 2011 revenue report would have included revenue applicable to consumption prior to April 1, 2011. It appears the Company made the appropriate adjustments to the April 2011 revenue report so the adjusted billed distribution revenue for that month was comprised of distribution revenue

as defined by the tariff for usage on and after April 1. Adjusted Annual Billed Revenue is \$225,321,575.

National Grid has calculated an excess of Actual Billed Revenue over Target Revenue of \$1,141,012, including a calculation of interest for the RDM year and the refund period (April, 2011 through June, 2013). As a result, the proposed RDM factor (credit) is (\$0.00014), which is a bill reduction of 7 cents/month for a 500 kWh customer.

I have reviewed the RDM filing and I believe it is calculated in accordance with the Commission's Order in docket 4206 (Docket establishing the RDM mechanism) and the approved tariff. In my opinion the adjustments made to both the Annual Target Revenue and the Actual Bill Distribution Revenue are appropriate and in conformance with the tariff and the intent of the RDM. The Division therefore recommends that the proposed RDM credit factor of (\$0.00014) / kWh be approved effective July 1, 2012, along with the filed Summary of Retail Delivery Rates, R.I.P.U.C. No. 2095, which will now include the RDM Adjustment Factor.