

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID'S ELECTRIC REVENUE :  
DECOUPLING MECHANISM RECONCILIATION : DOCKET NO. 4327  
FILING FOR THE YEAR ENDING MARCH 31, 2012 :

ORDER

On May 20, 2010, Governor Carcieri signed the "Decoupling Act" passed by the Rhode Island General Assembly.<sup>1</sup> The Act requires that the electric and gas revenues of The Narragansett Electric Company d/b/a National Grid ("NGrid" or "Company") be fully decoupled from sales.<sup>2</sup> In accordance with the Decoupling Act, NGrid filed with the Public Utilities Commission ("Commission") a decoupling proposal that was investigated by and approved by the Commission on July 26, 2011.<sup>3</sup> In accordance with the Decoupling Act, NGrid's approved proposal included "a decoupling mechanism that reconciles annually the revenue requirement allowed in the company's base distribution rate case to revenues actually received for the applicable twelve (12) month period."<sup>4</sup> The applicable twelve (12) month period chosen by NGrid is the Company's fiscal year, April through March.

Under the approved proposal, on or before June 1<sup>st</sup> of each year, the Company is required to make a filing with the Commission comparing its actual revenues during the applicable twelve month period to an Annual Target Revenue ("ATR"). The ATR is the revenue requirement approved by the Commission in the Company's last rate case with certain necessary adjustments to assure proper accounting and to avoid double recovery of a particular component in the base distribution rate. Billed distribution revenue would be any and all revenue generated from base

---

<sup>1</sup> R.I. Gen. Laws § 39-1-27.7.1.

<sup>2</sup> R.I. Gen. Laws § 39-1-27.7.1(a).

<sup>3</sup> R.I. Gen. Laws § 39-1-27.7.1(c); Order No. 20745 (In re: Narragansett Electric Company d/b/a National Grid's Proposed Revenue Decoupling Mechanism, Docket No. 4206).

<sup>4</sup> R.I. Gen. Laws § 39-1-27.7.1(c).

distribution rates such as customer charges, distribution energy charges, demand charges, high voltage metering and delivery credits. The Company would then apply the difference to customers' bills as a Revenue Decoupling Mechanism ("RDM") Adjustment Factor.<sup>5</sup>

In accordance with the approved decoupling proposal, on May 15, 2012, NGrid filed with the Commission its first annual RDM revenue reconciliation for the twelve month period ending March 31, 2012. In its filing, NGrid proposed an RDM Adjustment Factor credit of \$0.00014 per kWh to return to customers an over-collection of approximately \$1.1 million for effect on usage on and after July 1, 2012.<sup>6</sup> The effect of this proposal on a typical residential customer using 500 kWh per month is \$0.07 per month.<sup>7</sup> In support of its filing, NGrid submitted the Pre-Filed Direct Testimony of Jeanne A. Lloyd, Manager of Electric Pricing, New England. Ms. Lloyd explained that the ATR is made up of the Company's annual distribution revenue requirement less the Vegetation Management and Inspection and Maintenance Operation and Maintenance Expense which is included in the Company's Infrastructure, Safety and Reliability Mechanism. This is done to recognize a reduction to base distribution rates and to avoid double counting of revenues.<sup>8</sup> The result is an ATR of \$224,221,632.<sup>9</sup>

Next, Ms. Lloyd needed to calculate the actual revenues or billed distribution revenue against which to compare the ATR. Explaining that "billed distribution revenue is the equivalent of the revenue that supports the Company's base distribution revenue requirement," Ms. Lloyd removed any amounts "included with distribution rates for reporting purposes, but recovered through rate mechanisms other than base distribution rates."<sup>10</sup> For purposes of this proceeding,

---

<sup>5</sup> Order No. 20745 at 2-3.

<sup>6</sup> NGrid Exhibit 1 (RDM Filing).

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

<sup>8</sup> NGrid Exhibit 1 (Pre-Filed Testimony of Jeanne A. Lloyd) at 4-5.

<sup>9</sup> *Id.* at Schedule JAL-2, p. 1.

<sup>10</sup> NGrid Exhibit 1 (Pre-Filed Testimony of Jeanne A. Lloyd) at 6-7.

Ms. Lloyd recognized the following adjustments: (1) Standard Offer Service Administrative Factor Revenue; (2) CapEx Revenue; (3) O&M Factor Revenue; (4) M-1 (Station Power) revenue; (5) Net Metering Surcharge Revenue/Renewable Generation Credits; (6) Standard Offer Service and Transmission Service related High Voltage Metering Credits; (7) Lost Revenue Recovery Factor; (8) Low Income Credit; and (9) G-62 Lost Revenue Recovery Factor.<sup>11</sup> The result was annual billed revenue of \$224,952,969. In addition, Ms. Lloyd made two other adjustments to increase the billed distribution revenue by the 2010 service quality penalty incurred by National Grid and to reduce billed distribution revenue to reflect the final under-recovery of the G-62 long distribution revenue reconciliation.<sup>12</sup> The result was adjusted annual billed revenue of \$225,321,575 for an over-collection of \$1,099,943 plus interest of \$17,507 for a total to be returned to customers of \$1,117,450.<sup>13</sup> The resulting RDM Adjustment Factor of (\$0.00014) per kWh, applicable to all customers for effect July 1, 2012 was included on Tariff R.I.P.U.C. No. 2095, Summary of Retail Delivery Rates, reflecting the proposed RDM Adjustment Factor and new Renewable Energy Distribution Charge designed to reflect recovery of costs related to the Net Metering Charge and the Long-Term Contracting for Renewable Energy Charge in compliance with the Commission Orders in Docket Nos. 4314 and 4308.<sup>14</sup>

On June 7, 2012, the Division of Public Utilities and Carriers (“Division”) submitted a Memorandum from Stephen Scialabba, Chief Accountant, summarizing NGrid’s filing. Mr. Scialabba stated that he had “reviewed the RDM filing and [he] believed it is calculated in accordance with the Commission’s Order in Docket 4206....”<sup>15</sup> He opined that the adjustments made to the ATR and actual billed distribution revenue were appropriate and in conformance

---

<sup>11</sup> *Id.* at 7-8.

<sup>12</sup> *Id.* at 9-10.

<sup>13</sup> *Id.* at Schedule JAL-2, p. 1.

<sup>14</sup> *Id.* at Schedule JAL-1.

<sup>15</sup> Division Exhibit 1 (Memorandum of Stephen Scialabba), at 2.

with the tariff provisions. He indicated that the Division recommends approval of the proposed RDM credit factor for effect July 1, 2012.<sup>16</sup>

On June 12, 2012, at an Open Meeting, the Commission considered the filings and approved the proposed RDM Adjustment Factor and Tariff R.I.P.U.C. No. 2095, Issued 05/15/2012, Effective 07/01/2012. The Commission finds that the calculation of the ATR and the billed distribution revenue for the RDM year April 1, 2011 through March 31, 2012 is in accordance with Tariff R.I.P.U.C. No. 2093 (RDM Provision) approved by the Commission in Docket No. 4206. The Commission also finds that good cause exists under R.I. Gen. Laws § 39-3-12 to approve the rates without a hearing on the basis that the rates are the result of an approved tariff and are calculated correctly in accordance with the tariff provisions. In addition, ratepayers will be seeing a small decrease in rates. Finally, the procedural schedule in this docket allowed an opportunity for interested parties to request a hearing and none was requested.

Accordingly, it is hereby

(20757) ORDERED:

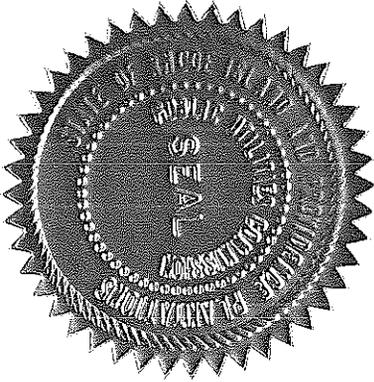
1. The Narragansett Electric Company d/b/a/ National Grid's Revenue Decoupling Mechanism Adjustment Factor of \$0.00014 per kWh is hereby approved for effect on usage on and after July 1, 2012.
2. Tariff R.I.P.U.C. No. 2095, Issued 05/15/12 is hereby approved for effect on usage on and after July 1, 2012.

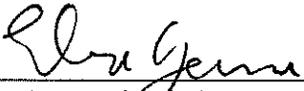
---

<sup>16</sup> *Id.*; The Conservation Law Foundation and Environment Northeast intervened, filed no positions in this matter.

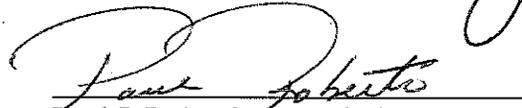
EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2012 PURSUANT TO AN OPEN MEETING DECISION ON JUNE 12, 2012. WRITTEN ORDER ISSUED JUNE 20, 2012.

PUBLIC UTILITIES COMMISSION



  
Elia Germani, Chairman

  
Mary E. Bray, Commissioner

  
Paul J. Roberti, Commissioner

**NOTICE OF RIGHT OF APPEAL** PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.