

Memorandum

RECEIVED

2013 JUN 11 PM 3: 25

PUBLIC UTILITIES COMMISSION

To: L. Massaro
Commission Clerk

From: D. R. Stearns
S. Scialabba
Division of Public Utilities & Carriers

Date: 06/11/2013

Re: Narragansett Electric – RDM Reconciliation for the Period April 1, 2012
Through March 31, 2013 **Docket 4411**

On May 15, 2013 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Commission its annual Revenue Decoupling Mechanism Adjustment as directed by Commission Order Number 20745 issued in Docket 4206.

The Company tracked revenues (“actual billed distribution revenues”) applicable to kWh sales occurring between April 1, 2012 and March 31, 2013, the RDM measurement year. The billed revenue was then compared to the annual target revenue (“ATR”) to arrive at the RDM revenue reconciliation and adjustment factor.

The ATR for the twelve month period April 2012 through March 2013 was developed as follows:

The beginning amount was the revenue requirement approved by the Commission in rate case Docket No. 4065, \$230,771,000, reduced by about \$6,549,368, which represents Vegetation Management (“VM”) and Inspection and Maintenance (“IM”) Operations and Maintenance (“O&M”). These items were included in the base rates in Docket 4065, but were subsequently removed from base rates and transferred to a separate ISR factor in Docket 4218, effective April 1, 2011. There have been two additional base rate changes, which have been prorated during the RDM measurement year:

1. As of April 23, 2012 National Grid’s revenue requirement was increased prospectively by \$3,195, 027. This increase resulted from the 1/23/12 RI Supreme Court decision pertaining to Docket 4065. An approved Settlement Agreement between the Division and National Grid reflecting the implementation of the RI Supreme Court decision is included in the Docket 4411 filing at NR-2.
2. As of February 1, 2013 the Company’s annual base rate distribution revenue increased to \$251,173,000, as approved by the Commission in R.I.P.U.C. Docket No. 4323.

Combined, these adjustments during the RDM Year result in an annual ATR for the RDM measurement year of \$230,960,412. The Division believes that the ATR calculated for the FY13 RDM has correctly reflected these events.

Actual Billed Distribution Revenue is the equivalent of the revenue that supports the Company's base distribution cost of service. Specifically, it is revenue derived from customer charges, distribution demand charges, distribution energy charges, high voltage metering and delivery credits under the Company's general service rate classes, paperless bill credit, and luminaire and pole charges under the Company's street and area lighting rates. The reported revenue must be adjusted to remove revenue associated with rate mechanisms, such as the Cap Ex and O&M factor revenues (ISR mechanisms). The Company's revenue report shows Adjusted Annual Billed Revenue for the 2013 RDM measurement year of \$234,088,246.

National Grid has included with the RDM factor calculation the 2011 Service Quality Plan penalty of \$184,000. This amount would be credited to customers by way of the RDM adjustment factor.

The amount to be refunded to customers through the RDM adjustment factor, including the Service Quality Plan penalty and interest for both the RDM year and the refund period, is calculated by National Grid as \$3,397,140.

The proposed RDM adjustment factor is a credit factor of \$(0.00044) per kWh, and would be effective for the twelve months July 1, 2013 through June 30, 2014.

Applying the factor to a typical residential customer's 500 kWh monthly bill would result in a bill reduction of \$0.15, or about 0.2%.

Having reviewed the RDM Reconciliation Filing, the Division believes the calculations are in accordance with the Commission's order in docket 4206, the docket by which the RDM mechanism was established.

The Division therefore recommends approval of the proposed RDM credit factor of \$(0.00044) per kWh., effective July 1, 2013.

Cc: Thomas Ahern,
Administrator, Division of Public Utilities and Carriers