



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION
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Memorandum

To: Docket No. 4545 Stakeholders
From: Cynthia G. Wilson-Frias
Date: March 25, 2015
Re: Outline for March 26, 2015 meeting

The topic for the March 26, 2015 meeting is: How rate design changes will incent certain customer/developer/utility behavior without changes to assets. How modernization of rates can be developed in a revenue neutral environment (not requiring rate increases in programs outside of the base distribution rates).

In a revenue neutral review, the revenue requirement will be a set figure and the docket will focus on how costs are incurred by the utility and how those costs will be allocated to particular rate classes. If the rates are designed such that the utility is allowed to recover its cost of service (revenue requirement), the utility should be neutral as to how the costs are recovered.

I spoke with National Grid to request an overview of how the current rate design operates to incent various customer behaviors. At the end of this memorandum is a basic outline which will allow National Grid to start the conversation about how costs are allocated and rate design developed.

In preparation for tomorrow's meeting, it would be helpful for participants to think about what customer behavior they hope to encourage and how they think rates might be developed to encourage that behavior. This will also be an opportunity to discuss how innovations in technology or customer-sided programs can be encouraged through rate design, while ensuring appropriate cost allocation to all customer classes. This will hopefully lead to a robust discussion in the Rate Structure – Variations section. It will also allow for a thoughtful discussion of whether certain goals can be encouraged under the constraints that the rate design be "revenue neutral".

1. Basics of Allocated Cost of Service and Rate Design
 - a. Guiding Principles
 - b. Allocated Cost of Service Study
 - i. Purpose
 - ii. Rate Class Determination
 - iii. Primary Objectives
 - iv. Primary Components
 - c. Rate Design
 - i. General Criteria and Considerations

- ii. Types of Charges (Customer, Demand, Energy)
- 2. Rate Structure - Variations
 - a. Objectives
 - b. Options
 - c. Fixed Charges
 - i. Customer Charges
 - ii. Minimum Charges
 - iii. Demand Charges
 - iv. Other
 - d. Variable (Energy) Charges (Including Time-Varying)
 - e. Other Revenues and Fees
 - i. Interconnection
 - ii. CIACs
 - iii. Other
- 3. Distributed Generation
 - a. "Issues" Related to DG
 - b. Types of Rates Applied to DG Across the Industry