

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC	:	
COMPANY d/b/a NATIONAL GRID'S 2016	:	DOCKET NO. 4599
ELECTRIC RETAIL RATE FILING	:	
	:	
IN RE: THE NARRAGANSETT ELECTRIC	:	
COMPANY d/b/a NATIONAL GRID'S 2016	:	DOCKET NO. 4556
RENEWABLE ENERGY STANDARD CHARGE	:	
AND 2015 RECONCILIATION	:	

REPORT AND ORDER

I. National Grid's Proposed 2016 Electric Retail Rate Filing

On February 15, 2016, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its 2016 Electric Retail Rate Filing.¹ The retail rate filing proposed rate adjustments pertaining to the reconciliation of the Company's Standard Offer Service (SOS) related costs, transition costs, transmission related charges, the Net Metering charge, and the Long-Term Contracting for Renewable Energy Recovery factor. Each rate adjustment is the result of a cost reconciliation process whereby the Company compares billed charges to actual revenues for a specific reconciliation period. In this docket, the Company also projects costs of transmission, transition, and net metering over the upcoming twelve-month period. On March 21 and 25, 2016, the Company filed revised schedules and testimony after errors were found in the original filing.² These errors impacted the 2015 reconciliation balances for each customer group and ultimately the proposed standard offer related adjustment factors. The overall combined impact of all the

¹ [http://www.ripuc.org/eventsactions/docket/4599-NGrid-AnnualRates-2016\(2-15-16\).pdf](http://www.ripuc.org/eventsactions/docket/4599-NGrid-AnnualRates-2016(2-15-16).pdf).

² Letter of Jennifer Brooks Hutchinson, Esq. (Mar. 21, 2016); [http://www.ripuc.org/eventsactions/docket/4599-NGrid-RevASCschedules\(3-21-16\).pdf](http://www.ripuc.org/eventsactions/docket/4599-NGrid-RevASCschedules(3-21-16).pdf). The errors primarily consisted of invoicing errors from a SOS supplier, data entry errors, erroneous inclusion of pension and post-retirement benefits other than pension (PBOP) expenses, a revised cash working capital expense, improper allocation of service company expenses, and erroneous inclusion of an allocated share of training expenses. *Id.* at 3; ASC-19 Revised at 1.

rate changes presented in the March 21 revised filing on a typical residential customer was an increase of \$1.53.³

A. Standard Offer Service Adjustment Factors

The proposed standard offer service adjustment factors are designed to collect a total over-recovery of \$9.9 million from the Company's three customer groups for the period January 1, 2015 through December 31, 2015.⁴ This total reconciliation balance consists of three separate reconciliation balances, one for each of the three customer groups. For the Industrial Group, the Company reported an over-recovery of \$3.4 million.⁵ For the Commercial Group, the Company reported an under-recovery of \$2.0 million, and for the Residential Group, the Company reported an over-recovery of \$8.6 million.⁶ The proposed factor for each group is calculated based on the projected sales for that group in the upcoming twelve-month period.

B. Standard Offer Service Administrative Cost Factors

The Company is authorized to collect administrative costs associated with arranging, administering, and providing SOS.⁷ The administrative costs that the Company is allowed to recover as part of this adjustment factor include the cost of working capital, administrative costs of complying with the Renewable Energy Standard, the costs of creating the environmental disclosure label, the costs associated with the New England Power Pool's (NEPOOL) Generation Information System (GIS) attributable to SOS, costs

³ *Id.* at 3; ASC-19 Revised at 1.

⁴ ASC-3 Revised at 1. The Company proposed the following SOS rate adjustment factors for the Industrial, Commercial, and Residential Groups: Industrial Group \$0.01014 credit; Commercial Group \$0.00206 charge; Residential Group \$0.00318 credit.

⁵ ASC-2 Revised at 4. Reconciliation balances include interest. The industrial group is comprised of rates G-32, G-62, and X-1.

⁶ ASC-2 Revised at 2-3. The commercial group is comprised of rates C-06, G-02, and all outdoor lighting rates S-05, S-06, S-10, and S-14. The residential group is comprised of rates A-16 and A-60

⁷ Test. of Adam S. Crary, 9.

pertaining to the issuance of requests for bids, contract negotiation, execution and contract administration, costs of notifying SOS customers of the rates for SOS, costs associated with updating rate changes in the Company's billing system, and an SOS-related uncollectible expense.⁸

The SOS administrative cost reconciliation factors are designed to collect an under-recovery of \$467,124 for the twelve month period ending December 31, 2015 in the Industrial Group; an under-recovery of \$733,602 for the Commercial Group, and an under-recovery of \$2,401,837 for the Residential Group.⁹ The factors for each class were calculated by dividing the respective under-collections (plus interest) by the forecasted kilowatt-hour sales for each respective customer group for the twelve month period ending March 31, 2017, using the prospective 2016 SOS administrative costs.¹⁰

C. Transition Adjustment Factors

National Grid is authorized to charge electric distribution customers a base transition charge to recover contract termination fees paid by National Grid to wholesale power suppliers as a result of electricity restructuring.¹¹ The base transition charge is reconciled each year by comparing revenue and expenses billed through the transition charge against the contract termination fees billed to National Grid by New England Power. The 2016 base transition charge is a weighted average base transition charge reflecting the

⁸ *Id.* at 10. The Company proposed the following SOS administrative cost factors for the Industrial, Commercial, and Residential Groups: Industrial Group \$0.00359; Commercial Group \$0.00278; Residential Group \$0.00291

⁹ ASC-7 Revised at 1. The SOS administrative cost reconciliation balances do not include interest. The Company proposed the following SOS administrative cost reconciliation adjustment factors, which are included within the SOS administrative cost factors: Industrial Group \$0.00140; Commercial Group \$0.00075; Residential Group \$0.00088.

¹⁰ *Id.* For the period ending March 31, 2017, the Company forecasted kWh deliveries of 338,642,847 for the Industrial Group; 993,180,075 for the Commercial Group; and 2,752,764,881 for the Residential Group.

¹¹ R.I. Gen. Laws § 39-1-27.4 (a)-(e).

individual contract termination fees paid by National Grid in 2016 and estimated gigawatt-hour sales for The Narragansett Electric Company,¹² and the former Blackstone Valley Electric and Newport Electric.¹³ The total proposed transition charge for the period April 1, 2016 through March 31, 2017, including base transition charge and transition adjustment factors, was a credit of \$0.00058/kWh.¹⁴

D. Transmission Adjustment Factors

National Grid is authorized to collect transmission-related costs billed to it by the Independent System Operator of New England (ISO-NE), New England Power (NEP), and any other transmission service provider that is authorized to bill the Company directly for transmission services.¹⁵ Similar to other retail charges, the transmission charge is comprised of a base transmission charge and a transmission adjustment factor.¹⁶ The base transmission charge is a forecast of upcoming transmission expenses for the period April 1, 2016 through March 31, 2017. The forecasted amount of transmission expense for 2016 is then allocated to each rate class using a coincident peak demand allocation factor.¹⁷ The base transmission charge is largely controlled by the provisions of the ISO-NE Transmission, Markets and Services Tariff (ISO/RTO Tariff). National Grid, like other electric distribution facilities in the northeast region, receives transmission-related services

¹² The use of Narragansett Electric is important here because the contract termination charges resulting from restructuring were different for The Narragansett Electric Company and the Eastern Utilities companies which included Blackstone Valley Electric Company and Newport Electric Company.

¹³ Test. of Adam S. Crary at 17; ASC-9 at 1.

¹⁴ Test. of Adam S. Crary at 19; ASC-9 at 2.

¹⁵ R.I.P.U.C. No. 2115; Testimony of Adam S. Crary at 20.

¹⁶ The transmission charge includes a transmission related uncollectible expense. Test. of Adam S. Crary at 20.

¹⁷ The allocation factor is a calculated by first taking customers' coincident peak data from years 2008 and 2011 (years with relatively normal weather) and then multiplying these load factors by each class's weather normalized forecasted kilowatt-hours for the period April 1, 2016 through March 31, 2017. Test. of Adam S. Crary at 21-22.

from ISO-NE, including regional and local transmission service, as well as transmission scheduling and market administration services.¹⁸

National Grid forecasted transmission expenses of \$178,150,000 for 2016 which represents an increase of \$21,660,000, or 13.84%, from 2015, most of which is attributable to increased ISO-NE charges.¹⁹ Most of this increase is the result of an increase in pool transmission costs which are designed to allocate and recover costs associated with transmission additions.²⁰

National Grid reported a net under-recovery of transmission related revenue and expense of approximately \$6,000,000 for the reconciliation period from January 2015 through December 2015.²¹ In order to recover the \$6,000,000 transmission service reconciliation balance, as well as transmission-related uncollectible expenses, the Company proposed separate per-kWh transmission charges, including the base transmission charge, the transmission adjustment factor, and the transmission uncollectible factor, allocated by customer rate class.²²

E. Net Metering Charge and Reconciliation

National Grid is authorized to collect a uniform, per kWh Net Metering charge from all distribution customers to recover net metering credits paid to eligible net metering

¹⁸ ISO-NE charges also include charges billed to ISO-NE by the New England States Commission on Electricity (NESCOE). NESCOE is a committee comprised of Governor-appointed individuals from the New England states tasked with promoting a regional electric system that ensures the lowest reasonable costs for customers while maintaining reliable service and environmental qualify. Test. of Tiffany M. Forsyth at 8.

¹⁹ Test. of Tiffany M. Forsyth at 12-13; TMF-1 at 2.

²⁰ *Id.* at 17-19. Pool transmission facilities (PTF) are, “generally speaking, any transmission facility operating at 69 kV or higher and connected to other transmission lines or transmission systems PTF falls under the authority of ISO New England and the construction of new PTF facilities is generally funded through the ISO on a load ratio share basis among its member utilities.” Vermont Electric Power Company glossary <http://www.velco.com/about/learning-center/glossary> (last visited June 28, 2016).

²¹ Test. of Adam S. Crary at 24.

²² ASC-11 at 1 (base transmission charge); ASC-13 (transmission adjustment factor); ASC-14 (transmission uncollectible factor); ASC-1 Revised (Summary of Proposed Rate Changes).

customers, less any payments received from ISO-NE for sales of excess generation. The charge also includes the difference, whether positive or negative, between the payments made to Renewable Generation Qualifying Facilities and the payments received from ISO-NE for energy sold into the wholesale market from those projects.²³ The Company proposed a net metering charge of \$0.00007/kWh in order to collect a 2015 net under-recovery of \$551,915.²⁴

F. Long-Term Contracting for Renewable Energy Recovery Reconciling Factor

The Long-Term Contracting for Renewable Energy Recovery factor is designed to compensate National Grid for the costs associated with the Company's Long-Term Contracts for Renewable Energy, net of the proceeds received by National Grid from the sale of the energy, capacity, and/or Renewable Energy Certificates (RECs) resulting from those contracts. The factor is set semi-annually for effect in January and July.²⁵ In the instant docket, the Company reconciles any under- or over-recovery resulting from that charge. National Grid proposed a long-term contracting for renewable energy recovery reconciling factor for effect on April 1, 2016 of \$0.00234/kWh in order to collect an under-recovery from 2015 of \$8.8 million.²⁶

II. National Grid's 2016 Renewable Energy Standard Charge and Reconciliation

National Grid is authorized to collect a Renewable Energy Standard (RES) charge from distribution customers to recover the estimated costs associated with National Grid's

²³ Test. of Adam S. Crary at 32.

²⁴ *Id.* at 33, ASC-16 at 1.

²⁵ R.I. Gen. Laws §39-26.1-5(f). National Grid is required by law to enter into long-term contracts with newly developed renewable energy resources for a total, aggregate capacity of 90 MW by December 30, 2014. R.I. Gen. Laws §39-26.1-2 and §39-26.1-3.

²⁶ Test. of Adam S. Crary at 35-36; ASC-18 at 1. Under-recovery of \$8.8 million includes interest of \$59,223. ASC-18 at 1.

annual compliance with the renewable energy standard.²⁷ On February 24, 2016, National Grid filed a proposed RES charge of \$0.00288/kWh for effect on April 1, 2016, a decrease from the current RES charge of \$0.00294/kWh.²⁸ The bill impact of this proposed RES charge on a typical residential customer consuming 500/kWh per month is a decrease of \$0.03.²⁹

The proposed RES charge is based on National Grid's estimated costs for the 2016 RES obligation year and remaining costs from the 2015 RES obligation year. National Grid projected a net, over-collection for 2015 of approximately \$4.8 million.³⁰ The Company estimated the 2016 incremental RES cost to be \$3.80/MWh using a market-based, estimated REC cost of \$47.50 and the 2016 RES new renewable resource obligation of 8%.³¹

III. Division of Public Utilities and Carriers

The Division of Public Utilities and Carriers (Division) reviewed National Grid's retail rate and RES charge filings and all supporting documentation and filed a memorandum on March 16, 2016 recommending approval.³² The Division found the proposed charges to be reasonable and consistent with applicable tariffs, as well as consistent with underlying data provided to the Division. Based on these findings, the Division recommended approval of the proposed 2016 electric retail rates and proposed 2016 RES charge.

²⁷ R.I. Gen. Laws §39-26-4, §39-26-6(b).

²⁸ Attach. 1 to filing at 1.

²⁹ Attach. 3 to filing at 1.

³⁰ Attach. 1 to filing at 2. The 2015 RES obligation year ends June 15, 2016. Letter of Jennifer Brooks Hutchinson at 2.

³¹ Attach. 1 to filing at 1; R.I. Gen. Laws §39-26-4(a).

³² Mem. of Richard Hahn and Mary Neal (Mar. 16, 2016); http://www.ripuc.org/eventsactions/docket/4599-4556-DPU-Memo_3-16-16.pdf.

IV. Hearing

At a hearing held on March 28, 2016, National Grid presented its proposed 2016 electric retail rates and 2016 RES charge and reconciliation. The Company presented the sworn testimony of Adam S. Crary, Senior Analyst for Electric Pricing; Tiffany Forsyth, Director in Regulation and Pricing; James Reubenacher, Manager of Wholesale Electric Supply New England; and William Richer, Director of Revenue Requirements for Rhode Island.³³

Mr. Richer reviewed the errors that had occurred as a result of the Company's billing system conversion which occurred in 2011. He indicated that following the conversion from its Advantage Billing System to Customer Service System, the Company encountered inconsistencies between data entries into the new Customer Service System and transfers of that information to the general ledger.³⁴ These inconsistencies resulted in an understatement of accounts receivable in the general ledger for electric and a corresponding overstatement in the general ledger for gas.³⁵ Mr. Richer indicated that rates on the gas side were not affected because the cash working capital factors for the gas business, unlike electric, correspond to those approved in Docket No. 4323, which predates the 2011 billing conversion, while the electric cash working capital is adjusted annually in the retail rate filing.³⁶

In response to further questioning, Mr. Richer later testified that the cash working capital study reflected in the original filing was correct and the only correction the

³³ Jennifer Brooks Hutchinson appeared on behalf of National Grid. Leo Wold appeared on behalf of the Division of Public Utilities and Carriers. Cynthia G. Wilson-Frias represented the PUC.

³⁴ Tr. at 18-19 (Mar 28, 2016). General ledger means the books and records of the Company. *Id.* at 109.

³⁵ *Id.* at 18-20.

³⁶ *Id.* at 20.

Company made between the initial filing and the March 31 filing was because of the double counting of one power supplier's invoice in the calculation of the cash working capital.³⁷ He indicated that the Company has continued to adjust the Customer Service System through the passage of time, and the differences between the Customer Service System and the general ledger have thus far been very small.³⁸ Mr. Richer indicated the Company did not intend to seek recovery of any under-collections that may have impacted retail rate filings from 2012-2014.³⁹

Mr. Crary confirmed that the reason for the large over-collection in 2015 for the Industrial Group was partially due to customer migration caused by the high rates in the winter of 2014-2015.⁴⁰ The over-collection was also due to invoicing errors that one of the Company's Standard Offer suppliers had made in allocating expense among customer groups.⁴¹ Even after correcting the invoicing errors, Mr. Crary noted that the Industrial Group over-collection is still relatively high because of a decrease in forecasted deliveries based on customer migration over the past year.⁴² The supplier's error was difficult to detect, according to Mr. Crary, because the total Standard Offer expense was correct. It was just the allocations between the three customer groups that was incorrect.⁴³ Mr. Crary indicated that once this supplier's error was discovered, the Company had checked other suppliers' invoices for similar errors, but the error appeared to have been isolated to this one particular supplier.⁴⁴

³⁷ *Id.* at 43.

³⁸ *Id.*

³⁹ *Id.* at 24.

⁴⁰ *Id.* at 25.

⁴¹ *Id.*

⁴² *Id.* at 26.

⁴³ *Id.* at 27.

⁴⁴ *Id.* at 28.

Mr. Richer testified that the Company owes customers a refund as a result of having inadvertently recovered pension and post-retirement benefits other than pension expenses both in the pension adjustment mechanism and through the retail rate filings dating back to the most recent rate case which was filed in 2012.⁴⁵ The refund could be accomplished through the next retail rate filing or in the upcoming pension adjustment filing.⁴⁶ Mr. Richer was not able to immediately quantify the refund.⁴⁷

Mr. Crary testified that the \$8.8 million under-recovery from 2015 within the Long-Term Contracting factor was primarily attributable to the above market value of the Long-Term Contracts.⁴⁸ Mr. Reubenacher stated that the Company uses NYMEX future prices in developing the Long-Term Contracting Recovery factor, and the future status of the under-recovery will depend more on the accuracy of this forecast than on the above-market costs of the contracts.⁴⁹

The Division presented Mr. Hahn in support of its recommendations in this matter. When asked to comment on the Company's filings in this matter and, in particular, the number of corrections made to the original filing, Mr. Hahn stated that it would have been helpful to have received the March 21, 2016 revisions sooner. He also recommended the PUC require work papers be provided when the filing is made to help expedite the process.⁵⁰

Mr. Hahn was asked whether he had a concern about the ratepayer impact of the Long-Term Contract recovery factor. Mr. Hahn conceded that rates will probably increase

⁴⁵ *Id.* at 50.

⁴⁶ *Id.* at 50-51.

⁴⁷ *Id.* at 51-52.

⁴⁸ *Id.* at 103

⁴⁹ *Id.* at 125-127.

⁵⁰ *Id.* at 140.

when the Deepwater Wind project achieves commercial operation since the initial price of that contract is approximately \$0.25 per kWh.⁵¹ He noted, however, that long-term contracts may or may not be a burden on ratepayers in the future, depending on the market price of energy.⁵²

V. Commission Findings

At an Open Meeting held on March 30, 2016, the PUC reviewed the Company's proposed 2016 Electric Retail Rate Filing made February 15, 2016, as revised March 21, 2016, and the proposed 2016 RES Charge and Reconciliation. The PUC agreed with the Division's witness, Mr. Hahn, that the rates, as revised, were appropriately calculated. However, the PUC also noted that in order for the Division to provide the PUC with all necessary information, it is imperative that the Division have the underlying information in a timely manner. Therefore, in order to improve the review process going forward, the PUC directed National Grid to submit all work papers in support of the retail rate filing to the Division in electronic form, with all formulas intact, at the same time it makes its filing with the PUC. The retail rate filing is filed only forty-five days prior to the effective date of the rates, making timely submission of documentation all the more important.

In this case, it appears that Mr. Hahn's inquiries led to the discovery of information requiring revisions to the filing. However, Mr. Hahn did not have the benefit of any additional supporting material in favor of the revisions prior to the hearing in order to form a complete recommendation. Going forward, the PUC stated, should any revisions need to be made, the Company should submit supporting work papers to the Division at the time all revisions are filed with the PUC. It would behoove the Company to follow the practice

⁵¹ *Id.* at 152.

⁵² *Id.* at 151-152.

of providing the schedules and work papers in electronic form to the Division contemporaneously with all of its filings in all dockets.

Finally, National Grid shall include the over-collection of pension and post-retirement benefits other than pension expense, and corresponding refund to retail electric customers, in the Company's next pension adjustment reconciliation filing.

Accordingly, it is hereby

(22650) ORDERED:

1. The proposed 2016 Electric Retail Rates filed by The Narragansett Electric Company d/b/a National Grid in Docket No. 4599 on February 15, 2016, and further revised on March 21, 2016, are hereby approved for effect on April 1, 2016.
2. The proposed 2016 RES charge of \$0.00288/kWh filed by The Narragansett Electric Company d/b/a National Grid's in Docket No. 4556 is approved for effect on April 1, 2016.
3. The Narragansett Electric Company d/b/a National Grid shall submit all work papers in support of the retail rate filing to the Division in electronic form, with all formulas intact, at the same time it makes its filing with the PUC. In the event further revisions need to be made, the Company shall submit supporting work papers at the time all revisions are filed with the PUC.
4. The Narragansett Electric Company d/b/a National Grid shall include the over-collection of pension and post-retirement benefits other than pension expense and corresponding refund to retail electric customers in the Company's next pension adjustment reconciliation filing.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2016
PURSUANT TO AN OPEN MEETING DECISION ON MARCH 30, 2016. WRITTEN
ORDER ISSUED JANUARY 11, 2017.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

*Paul J. Roberti, Commissioner

Herbert F. DeSimone, Commissioner

*Commissioner Roberti concurs with the decision but is unavailable for signature.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (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.