

Division of Public Utilities and Carriers
Memorandum

To: Luly Massaro
Commission Clerk

Date: September 20, 2016

From: Alberico Mancini
Division of Public Utilities

Subject: National Grid's 2016 Renewable Energy (RE) Growth Program Factor Filing. RIPUC Docket 4626.

On June 30, 2016, National Grid filed the Company's RE Growth Program Factor filing proposing Renewable Energy Growth Factors and RE Growth Reconciliation Factors effective October 1, 2016, in accordance with state law and National Grid tariff RIPUC No. 2153, the Renewable Energy Growth Program Cost Recovery Provision. That tariff was approved by the Commission at open meeting on March 31, 2015. The applicable state law, Title 39, Chapter 26.6 pertains to the RE Growth Program. Sections 4, 12, 13, 18, 25 of Chapter 26.6 all pertain to various components of cost recovery for National Grid, associated with the Company's involvement in the RE Growth Program. Costs recoverable from all distribution ratepayers runs the gamut from OER/NGrid consultants to utility personnel costs (fully loaded with overheads), NGrid's 1.75% adder on top of performance-based incentive payments to RE developers, installation and capital costs associated with meter installation for small-scale solar projects, and NGrid billing system improvements necessary "to facilitate payments of performance-based incentives and administering net metering".

The Company is proposing RE Growth Factors which are based upon an estimate of the incremental cost subject to recovery for the 2016 Program year (April 2016 through March 2017). This filing also includes the first annual RE Growth Program reconciliation of actual RE Growth revenue for the period July 2015 through March 2016 as well as actual costs to implement and administer the RE Growth Program during the Period October 2014 through March 2016. The proposed RE Growth Factors and RE Growth Reconciliation Factors will be combined and presented as a single monthly charge on customer's bills to become effective October 1, 2016.

RE Growth Program Estimated Cost for the 2016 Program Year

NGrid Schedule NG-2, summarizes the forecasted expense for the 2016 Program year as follows:

(1) Est. Performance-Based Incentive Payments	\$1,821,337
(2) Less: Value of Market Products (RECs)	(<u>\$176,723</u>)
(3) Net Cost	\$1,644,614
(4) Est. Administrative Expense	\$798,477
(5) Revenue Requirement – Meter Investment	\$3,663
(6) Est. Remuneration	<u>\$31,873</u>
(7) Total est. RE Growth Program Expense	\$2,478,628

Additional detailed data was supplied to show how these numbers were developed.

The filing includes 2,334.7 kW of aggregate capacity for small scale solar projects for 2015 Program enrollees and forecasts an additional 5,500 kW of aggregate capacity for small scale residential and commercial solar projects during the 2016 Program year. The RE Growth Program now forecasts a total of 7,834.7 kW of aggregate capacity which has an estimated 12-month output of 4,915,801 kWh.

The net per kWh cost (for produced energy) for the performance-based incentive payments for the RE 2016 Program after sale of RECs is \$0.33/ kWh. ($\$1,644,614 / 4,915,801\text{kWh}$). The net per kWh cost after credit for REC sales and including administrative costs, meter investment, and NGrid's remuneration, is \$0.50/kWh ($\$2,478,628 / 4,915,801\text{ kWh}$). Over the ensuing program years, the total net cost per kWh should decline assuming program year output increases at a faster pace than the total of administrative cost, meter investment, and remuneration cost burden.

The RE Growth factors are calculated by allocating the estimated expense from the program year to each rate class based on a rate base allocator developed from the cost of service study approved in Commission Docket 4323. The calculation also

includes a 1.25% allowance for uncollectable amounts, which was approved in Commission Docket 4323. NGrid Schedule NG-2 provides the calculation of RE Growth Factors for each rate class. The proposed monthly RE Growth Factors for each rate class are as follows:

Rate Class	Proposed Factor
A-16/A-60	\$0.24
C-06	\$0.39
G-02	\$3.78
B-32/G-32	\$27.53
B-62/G-62	\$606.47
S-10/S-14	\$0.10
X-01	\$656.67

RE Growth 2015 Program Year Reconciliation

Included in this filing is the Company's first reconciliation which reconciles RE Growth revenue and cost in accordance with the RE Growth Cost Recovery Provision. The reconciliation reflects a total over-recovery of \$274,574, which dates back to October 2014, when the Company began incurring expenses, and continues through the 2015 Program year to March 2016.

NGrid Schedule NG-3, summarizes actual expenses for the October 2014 through March 2016 as follows:

(1) Total RE Growth Factor Revenue	\$1,213,282
(2) Total RE Growth Expense	<u>\$939,593</u>
(3) RE Growth Reconciliation – Over Recovery	(\$273,689)
(4) Interest during the Reconciliation Period	<u>(\$885)</u>
(5) Total Amount to be Credited to Customers	(\$274,574)

Additional detailed data was supplied to show how these numbers were developed.

The RE Growth Reconciliation Factors are calculated in the same manner as the proposed RE Growth Factors listed above, from the allocation to rate classes based on a rate base allocator. NGrid Schedule NG-3 provides the calculation of RE Growth Reconciliation Factors for each rate class. The proposed monthly RE Growth Reconciliation Factors for each rate class are as follows:

Rate Class	Proposed Factor
A-16/A-60	(\$0.02)
C-06	(\$0.04)
G-02	(\$0.41)
B-32/G-32	(\$3.04)
B-62/G-62	(\$67.17)
S-10/S-14	(\$0.01)
X-01	(\$72.73)

The Company has combined the proposed RE Growth Factors and RE Growth Reconciliation Factors which will be presented as a single monthly charge on customer's bills to become effective October 1, 2016. The proposed combined monthly RE Growth Cost Recovery Factors for each rate class for the Period October 1, 2016 through September 30, 2017 are as follows:

Rate Class	RE Growth Factor	RE Reconciliation Factor	Combined RE Growth Factor
A-16/A-60	\$0.24	(\$0.02)	\$0.22
C-06	\$0.39	(\$0.04)	\$0.35
G-02	\$3.78	(\$0.41)	\$3.37
B-32/G-32	\$27.53	(\$3.04)	\$24.49
B-62/G-62	\$606.47	(\$67.17)	\$539.30
S-10/S-14	\$0.10	(\$0.01)	\$0.09
X-01	\$656.67	(\$72.73)	\$583.94

The Division has reviewed National Grid's June 30, 2016 filing and believes that the proposed RE Growth Program cost recovery factors are in accordance with the statute and the approved tariff and should therefore go into effect October 1, 2016.