



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
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Memo to: Luly Massaro, Commission Clerk

From: Christy Hetherington, Division Chief Legal Counsel
John Bell, Division Chief Accountant

Date: March 4, 2022

Subject: Docket 4686 – Storm Contingency Fund Replenishment
Division Position Memorandum

On February 23, 2022, The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”) filed with the Rhode Island Public Utilities Commission (“Commission”) a Joint Petition from National Grid and the Rhode Island Division of Public Utilities and Carriers (“Division”) in connection with Docket 4686. The Petition, which contains supporting Testimony from the Company, represents the agreed upon proposal between National Grid and the Division, focused on the singular issue to be addressed in Docket 4686, namely, the means by which storm costs are recovered with the purpose of addressing the growing negative balance of the Storm Contingency Fund (“Storm Fund”). Prior to the filing of the Petition, the Division worked closely with the Company to consider options, ultimately agreeing with and fully supporting the proposal contained therein. The Division provides this Memorandum as independent verification of and rationale for its support of the Petition, which is explained in greater detail as follows:

As represented in the Petition, the Storm Fund balance had a deficit of approximately \$160 million as of December 31, 2021, *see* Recitals at p.2, and the Division joins the universal concern that without adjusting the funding level for the Storm Fund in the near-term, the negative balance will continue trending toward an even larger deficit over time. Indeed, the Division has been monitoring the Storm Fund balance and considering possible solutions prior to the Commission’s Open Meeting of September 23, 2021 at which the negative balance was discussed and an action plan of review formally implemented. The Division welcomes these avenues of review and consideration of remedies to be addressed in Docket 4686 and Docket 5188.

The Storm Fund’s purpose and usefulness is frustrated when a high deficit develops and continues to grow. Beyond that, of particular concern to the Division are the carrying costs borne by the

ratepayers. As explained in the Petition, both the Company and the Division believe that a reasonable, measured and effective remedy is to increase the Storm Fund Replenishment Factor (“SFRF”) by \$0.005 from \$0.00288 per kilowatt-hour (“kWh”) to \$0.00788 per kWh for effect on April 1, 2022 and to maintain a uniform factor. As evidenced by the supporting Schedules sponsored by Company Analyst Jeffrey D. Oliveira in his pre-filed Direct Testimony, this proposal is based on reasonable assumptions of continued storm costs and provides a realistic option of working toward replenishing the Storm Fund measured over time and without causing significant bill impacts. It should be noted that the Division carefully reviewed these Schedules in advance of the Petition filing, and it found the assumptions reasonable and the calculations accurate.

The Division takes the position that maintaining the SFRF at \$0.00288 per kWh, predicted to result in a Storm Fund deficit for at least another 37 years, *see* Oliveira pre-filed Testimony at p.9 and Company Schedule NECO-2-A, is not a viable option. Given that a change to the funding level is in order, the option proposed is fair, measured and reasonable. It is fair given that it is uniformly applied across rate classes. *See* Company Schedule NECO-7. Moreover, it is measured given that it aims to restore a positive balance relatively gradually over the course of the next three years. Finally, it is palatable given that the overall bill impact to a typical residential Last Resort Service customer using 500 kWh per month is an increase of \$2.60, but that taken in totality with proposed rate adjustments (Electric ISR, Retail Rates, RES) due for effect on April 1, 2022 is projected to result in a bill decrease of approximately \$13.05. Although this favorable bill impact is sure to vary over time, the bill impact attributed to the proposed increase in the SFRF is de minimus and provides benefit. One tangible benefit is the estimated \$961,455 of savings for customers due to reduced carrying costs. *See* Company Schedule NECO-4.

For the reasons cited, the Division supports approval of the solution proposed in its Joint Petition with National Grid that the SFRF increase by \$0.005 to \$0.00788 per kWh for effect on April 1, 2022.