

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID 2018 RENEWABLE ENERGY : **DOCKET NO. 4847**
GROWTH PROGRAM FACTOR FILING :

REPORT AND ORDER

On June 29, 2018, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (PUC or Commission) proposed Renewable Energy Growth Program factors (program factors) and Renewable Energy Growth Program Reconciliation factors (reconciliation factors) for effect October 1, 2018.¹ The proposed program factors were based on an estimate of costs for the 2018 program year, April 1, 2018 through March 31, 2019. The proposed reconciliation factors were based on the actual costs for the third program year, April 1, 2017 through March 31, 2018.² The program factors and reconciliation factors are fixed monthly charges that vary by rate class and appear together as a single separate line item on customer bills.³ Following an exchange of discovery, evidentiary hearing, and review of the Division of Public Utilities and Carriers’ (Division) recommendation, on September 24, 2018, the PUC approved the program factors and reconciliation factors with three conditions.

In support of the factors, National Grid submitted the joint testimony of Adam Crary, Senior Analyst for Electric Pricing, New England, and Kathleen M. Hammer, Lead Analyst of

¹ National Grid’s 2018 Renewable Energy Growth Factor Filing (June 29 2018); [http://www.ripuc.org/eventsactions/docket/4847-NGrid-REG-FactorFiling-2018\(6-29-18\).pdf](http://www.ripuc.org/eventsactions/docket/4847-NGrid-REG-FactorFiling-2018(6-29-18).pdf). On August 29, 2018, the Company filed revised schedules affected by the PUC’s approval of an amended settlement agreement filed in the Company’s base distribution rate case in Docket Nos. 4770 and 4780. National Grid’s 2018 Renewable Energy Growth Factor Revised Schedules; [http://www.ripuc.org/eventsactions/docket/4847-NGrid-REGrowth-RevSchedules\(8-29-18\).pdf](http://www.ripuc.org/eventsactions/docket/4847-NGrid-REGrowth-RevSchedules(8-29-18).pdf)

² National Grid’s witnesses explained that the Company began incurring program-related expenses in October of 2014, but the factor was not approved until July 1, 2015. Going forward, the reconciling period will be a twelve-month period spanning April to March to match the program year.

³ See R.I. Gen. Laws § 39-26.6-25.

New England Revenue Requirements in Regulation and Strategy. They explained how the program factors are calculated: (1) the sum of the estimated performance-based incentive payments to enrolled projects, (2) reduced by the value of the market products, (3) plus the estimated administrative expense, (4) plus the cost of additional meters on participating projects, (5) plus the cost for consultants hired by the Rhode Island Office of Energy Resources (OER) or the Company and approved by the PUC to perform ceiling price studies and other reports or studies, (7) minus forfeited performance guarantee deposits.⁴

The total projected expense for the 2018 program year was \$15,484,734.⁵ Approximately \$14 million of this total is for the net performance-based incentives after removing the estimated value of the market products and the customers' share of Forward Capacity Market proceeds. Another \$1.5 million was estimated administrative expenses.⁶

The reconciliation factor is designed to credit customers for an over-recovery of \$398,416, including interest, for the period April 1, 2017 through March 31, 2018. The factor is calculated by comparing the billed revenue for the period to the expenses for the same period.⁷ The result was a combined positive charge to all customers ranging from \$0.17 per month to \$363.62 per month depending on rate class.

The Company proposed a change in the way the reconciliation is filed to better match the reconciliation to the incurrence of costs in the program year. It sought to ultimately reconcile the twelve-months of the prior period expenses for the period April through March with the revenues for the recovery period October through September. To transition to that design, the Company

⁴ Pursuant to the PUC's Order in Docket No. 4774, the Company no longer includes an estimate of the financial remuneration at 1.75% of estimated total tariff based incentive payments in the program factors for concurrent recovery, but rather, includes it in the reconciliation factors. Crary and Hammer Test. at 9.

⁵ Sched. NG-2 at 1.

⁶ Sched. NG-2 Revised.

⁷ Crary Test. at 18-19; Sched. NG-3 at 1.

provided the expenses for the period April 2017 through March 2018 and the revenues for the period April 2017 through September 2018, some of which were projected. Next year's reconciliation filing will compare expenses for the period April 2018 through March 2019 with revenues for the period October 2018 through September 2019, some of which are projected. Any difference in the projected and actual revenues will be addressed in the next reconciliation.⁸ On September 14, 2018, the Division of Public Utilities and Carriers (Division) filed a memorandum with the PUC summarizing National Grid's filing and recommending approval of the factors.⁹

On September 21, 2018, the PUC conducted an evidentiary hearing to address issues raised in discovery. The first issue involved understanding the new reconciliation process and ensuring that the proposed changes would not include estimates of remuneration on a projected basis. Mr. Crary testified that the remuneration would be based only on actual expenses after incurred. He explained that the purpose of the proposed change was to realign the revenues to more closely match the costs the Company is attempting to recover.¹⁰

Explaining the reason for the proposed change in the filing, Mr. Crary testified that the Renewable Energy Growth Program is designed to grow aggressively. Because the program factors are set six months into the program year, in a growing program that always results in above-market costs to be recovered, the mismatch between revenues and expenses will also grow. For example, the current program costs that were set in October 2017 were designed to recover the 2017 program costs through September 30, 2018 but were not designed to recover costs for the first half of the 2018 program year. The 2018 program year is more expensive than the 2017 program year. Therefore, the revenues collected for the period April 2017 through September

⁸ Crary and Hammer Test. at 21-23.

⁹ Div. Mem. at 5; [http://www.ripuc.org/eventsactions/docket/4707-DPU-Memo\(9-12-17\).pdf](http://www.ripuc.org/eventsactions/docket/4707-DPU-Memo(9-12-17).pdf).

¹⁰ Hr'g. Tr. at 17 (Sept. 21, 2018).

2018 were inadequate to recover those incremental costs of the new program. The same will hold true for the 2019 program year; each year starts with a deficit.

The Company's proposed change is to reconcile the prior program year's expenses (ending in March) with the revenues recovered through the start of the next rate period (commencing in October). According Mr. Crary, this will better align the expenses and revenues in a growing program to reduce the under-recovery potential and reduce the magnitude of increases.¹¹ Mr. Crary noted that if the Company had not included the four months of estimated revenue in the proposed reconciliation factors, the under-recovery would have been \$3,000,000 instead of a \$399,000 over-recovery.¹²

The second issue concerned the apparent over-enrollment of projects into the Renewable Energy Growth Program above the statutory cap in Program Year 2017. National Grid has some flexibility to reallocate capacity at the end of a program year based on need after conferring with the Distributed Generation Board. The statute, however, does not allow for enrollment in excess of the overall annual cap without PUC approval, something which was not sought.¹³

Ian Springsteel, National Grid's Director of Regulatory Strategy, testified that over-enrollment in the small solar category was caused by the smaller projects that are enrolled on a rolling first-come, first-enrolled basis. Because of the number of enrollments in the small solar category, especially as the class enrollments move closer to the annual allocation, it has been difficult for the Company to close the program at exactly the right time. This has resulted in over-enrollments both within the class and overall.¹⁴ Mr. Springsteel explained that for the 2018

¹¹ *Id.* at 14-16.

¹² *Id.* at 16 (Sept. 21, 2018); National Grid's Response to RR-1 (Oct. 22, 2018).

¹³ Hr'g. Tr. at 71;

¹⁴ *Id.* at 42-43, 46, 49-50, 70-71. However, as shown in National Grid's response to a record request, there are cancellations that occur which can offset the over-enrollment. National Grid's Response to RR-3 (Oct. 22, 2018).

program year, the Company has developed a portal to more closely monitor the applications. Those applications can now be uploaded directly to the portal, reducing processing time. According to Mr. Springsteel, this should help avoid problems with over-enrollment.¹⁵

A related enrollments concern touched on at the hearing was a practice designed to assist customers through the enrollment process that had a potential unintended consequence. Mr. Springsteel explained that certain incomplete applications had been kept “on hold” because the customers had a right to cure their applications. Those customers thus retained their queue positions potentially preventing other customers with complete applications from enrolling.¹⁶ Mr. Springsteel testified that a possible solution would be to separate the completed applications from the incomplete ones and allow the completed applications to proceed. That could avoid conflict between the desire to accommodate customers and the fact that customers with completed applications may be kept out of the program in favor of those with incomplete applications.¹⁷ He stated that more clarity is needed in future program rules and tariffs.¹⁸

The third issue at the hearing related to a specific project that appeared to have been mis-enrolled based on its size. The project had been categorized as a solar one facility eligible for a performance-based incentive of 34.75 cents per kWh. However, the actual size required it to be categorized as a solar two facility, eligible for a lower performance-based incentive of 27.7 cents per kWh. Mr. Springsteel and Jorge Sousa, Manager of Customer Solutions, testified that the project had changed between the initial application and design phases. Mr. Springsteel stated that those changes, coupled with human error at the Company, had resulted in the issuance of an incorrect certificate of eligibility and payment at the higher rate. When the error was discovered,

¹⁵ Hr’g. Tr. at 54.

¹⁶ Hr’g. Tr. at 42-51.

¹⁷ *Id.* at 49-50.

¹⁸ *Id.* at 72-74.

the Company issued a corrected certificate of eligibility to the customer, indicating payment at the lower solar two rate. Mr. Crary stated that the customer's bill would include an adjustment subtracting the overpayment made using the higher rate.¹⁹ The Company noted that an investigation of the matter was pending before the Division.²⁰ Mr. Springsteel stated that given the unique nature of this application, he did not foresee any additional measures being implemented resulting from this "one-off" situation.²¹

At an Open Meeting held on September 24, 2018, the PUC reviewed the record and approved the program factors and reconciliation factors, including the proposed change to the calculation of the factors that were filed on August 29, 2018, with the following three conditions. First, the approval of the factors was conditioned upon PUC review of the results of the Division's investigation of the mis-enrolled project and any recommendations regarding recovery of performance-based incentive payments or disallowance of financial remuneration. The PUC reserved the right to revise the factors and consider whether remuneration should accrue on the performance-based incentives related to that facility. Notwithstanding any other provision of Title 39, the PUC always has jurisdiction and the obligation to ensure that rates are just and reasonable. Furthermore, R.I. Gen. Laws § 39-26.6-14 specifically provides that the PUC retains the statutory authority to protect ratepayers from unreasonable rates. If there is evidence a utility has acted imprudent, the PUC has the authority to disallow recovery of costs through rates, even if recovery of costs has been specifically contemplated by a statute.

Second, approval of the factors was conditioned on the receipt of outstanding record requests on the enrollment and timelines showing that first, any failure to meet the annual

¹⁹ *Id.* at 58-67.

²⁰ *Id.* at 59.

²¹ *Id.* at 64.

enrollment target was outside of the Company's control and second, that the Company was processing applications for service and interconnecting projects in a timely manner. The purpose of this condition was so the PUC could determine whether any portion of recovery of financial remuneration should be disallowed. The applicable statute, R.I. Gen. Laws § 39-26.6-6-12(j) allows for financial remuneration calculated on the annual value of the performance-based incentives if the Company can show that the annual target was met or, if not, that the failure was due to factors outside of the Company's control and the processing of applications for service and completed interconnections was timely. In 2017, while the PUC did not adopt a specific metric related to processing of applications and interconnections, it considered metrics that may provide a reasonable way for the PUC to consider timeliness. If the Company had met those metrics or was making progress toward them, as compared to prior years, no modification would be necessary.

This condition was met when, subsequent to the open meeting, on October 22, 2019, the responses were provided.²² Based on a review of those responses, the Company has shown an improving trend on performance related to simple projects and accounts, but a declining trend on complex accounts. However, there was significant improvement from the Company's year-to-date performance in 2017 to its final results. Therefore, the PUC does not, at this time, have sufficient information related to the 2018 Renewable Energy Growth Program year to draw

²² In 2015 and 2016, National Grid set 90% of simple meters within 10 business days of package submittal whereas in 2017 the Company met a 99.78% threshold. The 2018 year-to-date was 100%. From 2015 to 2017, National Grid's percentage of billing simple system accounts within 45 days of meter set/authority to interconnect ranged from 81.4% in 2015 to 89.7% in 2016. The 2018 year-to-date performance was 97%. The percentage of complex system accounts billed within 60 days of meter set/authority to connect has been showing a downward trend since 2016. National Grid Response to RR-4; [http://www.ripuc.org/eventsactions/docket/4847-NGrid-RR\(10-22-18\).pdf](http://www.ripuc.org/eventsactions/docket/4847-NGrid-RR(10-22-18).pdf); Docket No. 4774, In re: Renewable Energy Growth Program for Year 2018 Proposals by The Narragansett Electric Company d/b/a National Grid and The Rhode Island Distributed Generation Board, National Grid Response to PUC 2-7; http://www.ripuc.org/eventsactions/docket/4774-NGrid-DR-PUC2-7_2-5-18.pdf.

definitive conclusions on performance. The PUC will revisit the matter and review the final results in the next reconciliation filing.

Third, approval was conditioned also on National Grid including language in the 2019 Renewable Energy Growth program year Enrollment Rules to clarify: when a customer enters the queue, the parameters around a customer's right to cure, conditions for which a customer may be removed from the queue, and whether correct and complete applications have priority over incomplete applications. The current system of allowing incomplete applications to remain in place in the queue, blocking later complete applications, particularly in a category that has historically been fully subscribed, does not treat all applications fairly. The rules need to set clear expectations and be applied consistently to all.

Accordingly, it is hereby

(23621) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's 2018 Renewable Energy Growth program factors and reconciliation factors submitted on June 29, 2018, as amended on August 29, 2018, are hereby approved with the following conditions:
 - a. Approval is subject to a Public Utilities Commission review of the results of the Division's review of the mis-enrolled project to determine whether any portion of recovery of performance-based incentive payments or financial remuneration should be disallowed.
 - b. Receipt from The Narragansett Electric Company d/b/a National Grid of outstanding record requests showing that first, any failure to meet the annual enrollment target was outside of the Company's control and second, that the

Company was processing applications for service and interconnecting projects in a timely manner, which condition was satisfied on October 22, 2019.

2. The Narragansett Electric Company d/b/a National Grid shall include language in the 2019 Renewable Energy Growth program year Enrollment Rules to clarify when a customer enters the queue, the parameters around a right to cure, conditions when a customer will be removed from the queue, and whether correct and complete applications have priority over incomplete applications.

EFFECTIVE AT WARWICK, RHODE ISLAND ON SEPTEMBER 24, 2018
PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED JUNE
27, 2019.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

Marion S. Gold, Commissioner

*Abigail Anthony, Commissioner

*Commissioner Anthony concurs with this 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 days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.