

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

IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY d/b/a NATIONAL GRID'S 2019 : **DOCKET NO. 4930**
ELECTRIC RETAIL RATE FILING :

REPORT AND ORDER

I. Introduction

On February 15, 2019, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) submitted its 2019 Electric Retail Rate Filing to the Public Utilities Commission (Commission or PUC).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. In this docket, the Company also projected costs of transmission, transition, and net metering over the twelve-month period commencing April 1, 2019. In support of its filing, the Company submitted prefiled testimony from Robin E. Pieri, Senior Analyst for Electric Pricing, and from Tiffany M. Forsyth, Director on Strategy and Regulation. The impact of all proposed rate changes on a typical residential SOS customer using 500 kWh per month is a decrease of \$3.07, from \$118.51 to \$115.44, or approximately 2.6% percent.

On March 12, 2019, the Division of Public Utilities and Carriers (Division) submitted a memorandum that reviewed the Company's filing in detail. The Division concluded that the factors, as presented, were supported by and consistent with the

¹ National Grid's 2019 Electric Retail Rate Filing (Feb. 15, 2019). All filings in this docket are available at the PUC offices, located at 89 Jefferson Boulevard, Warwick, Rhode Island, or at <http://www.ripuc.ri.gov/eventsactions/docket/4930page.html>.

underlying data and were reasonable. The Division recommended approval of all factors, as proposed.

On March 19, 2019, the Commission conducted an evidentiary hearing. At a subsequent Open Meeting on March 19, 2019, the Commission found the proposed rates to be just and reasonable and unanimously approved the Company's filing.

II. National Grid's Proposed 2019 Electric Retail Rate Filing

The filing included rate adjustments arising out of the reconciliation of the Company's Standard Offer Service (SOS), SOS administrative costs, non-bypassable transition charge, transmission service, transmission-related uncollectible expense, renewable net metering credits, and long-term renewable energy contracts. The reconciliation period for the various costs in this filing is January 2018 through December 2018. The proposed rate adjustments are effective for usage on and after April 1, 2019.²

A. Standard Offer Service Adjustment Factors

The SOS Adjustment Factors were calculated by dividing the ending balance of the SOS reconciliation for each customer group, plus estimated interest during the period during which the factors will be in effect, by the forecasted SOS kWh deliveries for each customer group for the period April 2019 through March 2020. The proposed 2019 SOS adjustment factors were designed to address a total over-recovery of \$3.7 million from the Company's three customer groups for the period January 1, 2018 through December 31, 2018.³ The \$3.7 million was the net over-recovery, after combining an under-recovery from the industrial customer class of \$378,383, an under-recovery from the commercial customer class of \$1,551,768, and an over-recovery from the residential class of

² Letter from Raquel J. Webster at 1 (Feb. 15, 2019).

³ Filing, Sch. REP-2 at 1.

\$5,626,377. The Company proposed the following SOS rate adjustment factors: Industrial Group, \$0.00138; Commercial Group, \$0.00154; and Residential Group, (\$0.00223).⁴

B. Standard Offer Service Administrative Cost Factors

The Company is authorized to collect its administrative costs associated with arranging, administering, and providing SOS.⁵ 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 (RES); 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 pertaining to the issuance of requests for bids, contract negotiation, execution, and 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.⁶ National Grid estimated administrative expenses for the twelve-month period of April 1, 2019 through March 31, 2020 to be \$555,329 in the Industrial Group; \$1.84 million in the Commercial Group; and \$5.1 million in the Residential Group.⁷ These amounts would be recovered through the base SOS administrative cost factor for each customer class as follows: Industrial Group \$0.00233/kWh; Commercial Group \$0.00217 kWh, and Residential Group \$0.00233 /kWh.⁸

The proposed SOS administrative cost reconciliation factors are designed to charge ratepayers for under-recoveries accumulated during the twelve-month period ending

⁴ Sch. REP-3 at 1.

⁵ Robin E. Pieri Test. at 13 (Feb. 15, 2019).

⁶ *Id.*; Sch. REP-4.

⁷ Sch. REP-4 at 1. These amounts included the estimated commodity-related uncollectible expense for 2019.

⁸ Sch. REP-4.

December 31, 2018: \$98,125 from the Industrial Group⁹; \$386,791 from the Commercial Group¹⁰; and \$885,716 from the Residential Group.¹¹ The factors for each class were calculated by dividing the respective under-collections, including interest, by the forecasted kWh sales for each respective customer group for the twelve-month period ending March 31, 2020.¹² The Company proposed the following SOS administrative cost factors for the period ending March 31, 2020: Industrial Group \$0.00035; Commercial Group \$0.00038; and Residential Group \$0.00035.¹³

At the March 19, 2019 hearing, Commission staff inquired why there was a significant under-collection for SOS administrative costs in all customer categories. The question was issued as a post-hearing record request. Company witness Ms. Pieri compiled a comparison between estimated SOS administrative costs estimated and actual expenses which revealed that variances in cash working capital and uncollectible expenses were the main drivers for the under-collection.¹⁴ The total increases in under-collections for 2018 were: residential (25.65%); industrial (32.36%); and commercial (29.29%).¹⁵

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.¹⁶ The Company Transition Charge (CTC), billed to the Company by New England Power Company (NEP), includes charges

⁹ Sch. REP-5 at 4.

¹⁰ Sch. REP-5 at 3.

¹¹ Sch. REP-5 at 2.

¹² Sch. REP-7 at 1.

¹³ Sch. REP-7 at 1.

¹⁴ See RR-1 at 1 (Apr. 11, 2019).

¹⁵ *Id.*

¹⁶ R.I. Gen. Laws § 39-1-27.4 (a)-(e).

in effect under the former Montaup Electric Company's CTC. In addition, the Company reconciles the revenue it recovers from customers through the Transition Charge against the CTC billed to it by NEP and can propose to implement a Transition Charge adjustment factor to credit customers for an over-recovery of CTC costs or recover an under-recovery of CTC costs.¹⁷ For 2018, there was an over-recovery of approximately \$1.5 million. The Company proposed a net transition charge credit for the period April 1, 2019 through March 31, 2020 of \$0.00114/kWh., which included a base transition charge of \$0.00093/kWh and a transition adjustment factor credit of \$0.00021/ kWh.¹⁸

D. Transmission Adjustment Factors

National Grid is authorized to collect transmission-related costs billed to it by the Independent System Operator New England (ISO-NE), New England Power, and any other transmission service provider that is authorized to bill the Company directly for transmission services.¹⁹ Similar to other retail charges, the transmission charge comprises a base transmission charge and a transmission adjustment factor.²⁰ The base transmission charge is a forecast of upcoming transmission expenses for the period April 1, 2019 through March 31, 2020.²¹

National Grid forecasted transmission expenses of \$197.8 million for 2019. That forecast was approximately \$10.28 million, or 4.94%, below the 2018 forecast.²² The Company proposed to recover this expense through class-specific base transmission and

¹⁷ Pieri Test. at 19.

¹⁸ *Id.* at 21-22; Sch. REP-10.

¹⁹ R.I.P.U.C. No. 2198 (Sept. 1, 2018).

²⁰ *Id.* The transmission charge includes a transmission related uncollectible expense.

²¹ 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 companies in New England, receives transmission-related services from ISO-NE, including regional and local transmission service, as well as transmission scheduling and market administration services.

²² Forsyth Test. at 15 Sch. TMF-1 at 1(Feb. 15, 2019).

energy charges. The forecasted amount of transmission expense for 2019 is allocated to each rate class, using a coincident peak demand allocation factor.²³ For rate classes with demand (per kW) charges, the proposed demand charges have been designed to reflect the higher of (1) the current demand charge or (2) a demand charge based upon the percentage increase in 2019 transmission expense allocated to the rate class as compared to that rate class's share of 2018 expense. The proposed transmission kWh charges are calculated by dividing the total transmission expense to be recovered on a kWh basis by the forecasted kWh for each rate class.²⁴ The proposed base transmission factor varied by customer class.²⁵

The Company calculated a transmission reconciliation factor for the period January 2018 through December 2018. The beginning balance of this calculation, \$1,747,573, is the "true-up" of estimated 2017 transmission expenses and the final expenses for 2017.²⁶ The ending balance of the 2018 reconciliation showed an over-recovery of \$20.6 million; it will be credited via class-specific adjustment factors.²⁷

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 customers, less any payments received from ISO-NE for sales of excess generation. The charge also includes the difference, positive or negative, between the payments made to

²³ The allocation factor is calculated by first taking customers' coincident peak data from calendar years 2008 and 2011, and the 12 months ending June 2017 (years with relatively normal weather), then multiplying those load factors by each class's weather-normalized forecasted kilowatt-hours for the period April 1, 2019 through March 31, 2020. Pieri Test. at 24-25.

²⁴ Pieri Test. at 25.

²⁵ Sch. REP-11.

²⁶ Pieri Test. at 27; Sch. REP-12.

²⁷ Pieri Test. at 27-28; Sch. REP-13.

Renewable Generation Qualifying Facilities and the payments received from ISO-NE for energy sold into the wholesale market from those projects. The Company proposed a net metering charge of \$0.00068/kWh to collect a 2018 net under-recovery of \$584,436.²⁸

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

The Long-Term Contracting (LTC) 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.

Pursuant to Rhode Island law, the Company is required to enter into contracts with eligible renewable energy resources at fixed prices for the purchase of energy, capacity, and RECs (collectively, the Contract Products). The Company will sell the energy purchased through the contracts into the ISO-NE energy market and will use the RECs to satisfy the Company's REC obligation associated with SOS. The difference between the cost incurred under each contract, equal to the fixed contract price multiplied by the generation of the facility, and the net proceeds that the Company receives for the sale of the Contract Products, is referred to as the above-market contract cost. Pursuant to R.I. Gen. Laws § 39-26.1-5(f), the above-market contract costs must be recovered from all retail delivery service customers through a uniform per-kWh factor. In addition, R.I. Gen. Laws § 39-26.1-4 authorizes the Company to recover as remuneration 2.75 % of the total

²⁸ *Id.* at 33, Sch. REP-16 at 1.

payments made under each contract. Finally, certain administrative and other costs authorized through various sections of the statutes are tracked and recovered annually.²⁹

The LTC factor is set semi-annually for effect in January and July.³⁰ National Grid proposed a Long-Term Contracting for Renewable Energy Recovery Reconciling Factor for effect on April 1, 2019 of \$0.00678/kWh, to collect an under-recovery from 2018 of approximately \$4.4 million.³¹

At the March 19, 2019 hearing, PUC staff reviewed the total costs associated with the Long-Term Contracting for Renewable Energy Recovery (LTCRER). The Company's response to data request PUC 2-1 established that there were above-market costs of \$45,155,797 for the period of January 2018 through December 2018. The customers' share of net forward capacity market proceeds was \$101,051, and administrative costs totaled \$41,737. The Company's remuneration at 2.75% was \$1,731,095. These costs were offset by an Outperformance Adjustment Credit credit to customers of \$1,823,343, which resulted in total above-market costs of \$45,004,236, to be recovered from ratepayers. Of this amount, one project, Deepwater Wind Asset No. 38495, accounts for over half the above-market costs, at \$23,551,113.³² The impact to the average residential customer using 500 kWh would be approximately \$1.64 per month.

²⁹ Pieri Test. at 38-39.

³⁰ R.I Gen. Laws §39-26.1-5 (f).

³¹ Sch. REP-18 at 1. The under-recovery of \$4.4 million includes interest of \$74,017 during the recovery period.

³² Hr'g Tr. at 30 (Mar. 19, 2019); PUC 2-1 at 4 (Mar. 12, 2019).

III. Division of Public Utilities and Carriers

The Division reviewed National Grid's 2019 Retail Rate Filing and all supporting documentation. On March 12, 2019, the Division filed a detailed memorandum that analyzed each component of the filing as well as the resulting factors and concluded that each one of the proposed charges was reasonable and consistent with applicable tariffs, as well as consistent with underlying data provided to the Division.

IV. Hearing

At the hearing held on March 19, 2019, National Grid presented its proposed 2020 electric retail rates. The Company presented the sworn testimony of Tiffany Forsyth, Director of Strategy and Regulation; Robin Pieri, Senior Analyst in Regulation; Timothy Roughan, Director of Regulatory Strategy; and Pamela Hill, Senior Specialist, Business Support, Customer Energy Integration. The Division presented its consultant, Matthew Loiacono, from Daymark Energy Advisors. All witnesses adopted their prefiled testimony and submitted to cross-examination.³³

Cross-examination by PUC staff and post-hearing responses to record requests revealed that the proceeds from RECs in 2018, at \$2,931,698, were \$3.4 million dollars less than the projected amount of \$6,333,443. An examination of the 2018 forecast versus actuals revealed that the underperformance was due to a sharp decline in the REC price over the course of the year. The projection for 2018 was an average REC price of \$17.55; the actual average received was \$7.95.

³³ Mr. Loicano made one correction to his prefiled memo. On page 11, the first line down, the last sentence should say "decrease", not "increase."

The Company confirmed that the total above-market costs for Long Term Contracting for Renewable Energy totaled \$45,004,236.³⁴ Of this amount, approximately \$23.5 million was attributed to Deepwater Wind's project in Block Island. These costs are recovered from ratepayers on a per kWh factor. Staff calculated that for the typical residential customer in Rhode Island, the monthly share of the above-market cost was \$1.65. In addition, ratepayers will also pay approximately \$20.3 in transmission costs for the Block Island Transmission Cable or approximately \$1.55 per month for the typical residential customer using 500 kWh/month.³⁵

Mr. Roughan explained that customer net metering credits are calculated on a month-to-month basis. The Company determined several years ago that it would review customers bills in January, after a twelve-month calendar period. If at that time, there was a credit on a bill, that would mean that the customer had more net metering credits assigned to his or her account than usage. Mr. Roughan testified that to date, the Company has not had any excess net metering credits because the program was designed for customers to prove that what they planned to install was going to generate less than their three-year average use.³⁶

V. Commission Findings

Following the March 19, 2019 hearing, the PUC convened an Open Meeting at which it approved the Company's proposed 2019 Electric Retail Rate Filing made February 15, 2019. The PUC's ruling was based, in part, on the Division's recommendation that the

³⁴ PUC 2-1; Hr'g. Tr. 29.

³⁵ Hr'g Tr. at 34.

³⁶ Hr'g. Tr. at 57.

proposed revised rates were properly calculated and were just and reasonable.

Accordingly, it is hereby

(23770) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's proposed 2019 Electric Retail Rates in Docket No. 4930, as filed on February 15, 2019; set forth in Schedule REP-1 and hereto attached as Exhibit A, are approved for effect on April 1, 2019.
2. The Narragansett Electric Company d/b/a National Grid's transmission charge proposed in the 2019 Electric Retail Rates, in Docket No. 4930, as filed on February 15, 2019, is approved for effect on April 1, 2019.
3. The Narragansett Electric Company d/b/a National Grid's motion for Protective Treatment for an Excel file entitled "NECO_Recs_SOS_2018.div.puc" is granted.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2019

PURSUANT TO AN OPEN MEETING HELD ON MARCH 19, 2019. WRITTEN
ORDER ISSUED FEBRUARY 17, 2020.



PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Marion S. Gold, Commissioner

Abigail Anthony, Commissioner

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.