State of Rhode Island
Division of Public Utilities & Carriers
Accounting Section
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REVISED MEMORANDUM

June 15, 2020

To: Luly Massaro
Commission Clerk

From: John Bell
Chief Accountant

Subject: Docket 5030, National Grid Electric's Revenue Decoupling Mechanism Reconciliation Filing, Year Ending March 31, 2020

On May 15, 2020 National Grid ("NGrid", or "Company") filed its Annual Revenue Decoupling Mechanism (RDM) reconciliation for the 12-month period ending March 31, 2020. The filing is submitted in compliance with RIGL 39-1-27.7.1 and pursuant to tariff R.I.P.U.C. No. 2201 which the Public Utilities Commission (PUC) approved in Docket 4770.

Under the Commission approved RDM tariff, the actual billed distribution revenues for the RDM Year, which is the 12-month period ending each March 31st, is compared to the annual target revenues, which is the PUC approved annual distribution revenue requirement from the last general rate case. The difference is the RDM reconciliation amount. This amount (either positive or negative) is refunded or recovered through the RDM adjustment factor. Under the tariff, the Company also includes in its calculation any remaining balance from the prior periods and interest at the rate paid on customer deposits. In accordance with the Commission's policy decision in Docket 4556, standard offer billing adjustments are also recovered or refunded, as applicable, through the RDM adjustment factor.

An additional item included in this year's calculation is the Earnings Sharing Credit. On May 6, 2020, the Company filed its 2019 earnings report. The report showed that the Company's earnings triggered the sharing mechanism. The Company reported earnings of 9.62% which was above the allowed Return on Equity level of 9.275% set in Docket 4770 and resulted in an earning sharing credit to customers of $947,000. According to the amended settlement agreement in Docket 4770, any customer shared earnings are credited to the Storm Fund. In its filing in this docket, the Company proposed flowing the credit through the RDM to provide customers with an immediate benefit due to the economic impact of the current COVID-19 situation. The Division is aware that the storm fund is at a significant negative balance, however we support the Company's proposal to flow the earnings sharing credit through the RDM calculation for the reasons the Company provided. In addition, customers currently contribute approximately $28 million annually to the storm fund and though a one-time credit of $947,000 would be helpful, it wouldn't make a significant impact on the under-recovery.

The below table summarizes the amounts included in the current filing and the related calculation of the proposed factor:

Ln. No.	Description	Amount
1	RDM Reconciliation	($7,918,877)
2	Net Unbilled Standard Offer Billing Adjustments	($218,926)
3	Estimated Interest During Recovery Period	($131,743)
4	Total Under-Recovery	($8,269,546)
5	Less: Earnings Sharing Credit	$947,000
6	**Amount to be Recovered from Customers**	$7,322,546
7	Forecasted Deliveries (Jul 1, 2020 - Jun 30, 2021)	6,995,385,617
8	**Proposed RDM Adjustment Factor (Ln. 6 / Ln. 7)**	$0.00104

The above table shows that the total RDM reconciliation for the period ending March 31, 2020 was an under-recovery of $7,918,877. This amount includes $7,982,871 related to the difference between target revenues of $290,698,140 and billed distribution revenues of $282,715,269, plus $111,098 of interest and less $175,092 related to the 2018 RDM Year over-recovery. Schedule DEG-1, page 3 of 7, of the Company's filing shows the calculation of the target revenues. The Company properly used the target revenues from Docket 4770, Rate Year 1 for the months of April 2019 through August 2019 and the target revenues for Rate Year 2 for the months of September 2019 through March 2020. Based on my review, I concluded the Company properly calculated the target revenues.

Based on the total amount recoverable from customers of $7,322,546 and the projected deliveries for the recovery period, the RDM factor calculates out to $.00104 per kWh. The proposed factor is an increase from the current factor of ($0.00061) per kWh. The impact to a residential customer consuming 500 kWh's a month will be an increase of $0.87 or 0.8%.

I reviewed the filing in detail and concluded that NGrid correctly calculated the proposed RDM adjustment factor. I recommend approval of the proposed RDM Adjustment Factor of $0.00104 per kWh as filed.