

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S ELECTRIC REVENUE : **DOCKET NO. 5030**
DECOUPLING MECHANISM RECONCILIATION FILING :
FOR THE YEAR ENDING MARCH 31, 2020 :

ORDER

On May 15, 2020, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its Revenue Decoupling Mechanism Reconciliation with the Public Utilities Commission (Commission or PUC) pursuant to R.I. Gen. Laws § 39-1-27.7.1 and RIPUC No. 2073.¹ On June 15, 2020, the Division of Public Utilities and Carriers (Division) filed a memorandum recommending approval of National Grid’s proposed 2020 Revenue Decoupling Mechanism Adjustment Factor of \$0.00104/kWh.² At an Open Meeting held on June 30, 2020, based on the Division’s recommendation, the PUC voted unanimously to approve National Grid’s revised proposed 2020 Decoupling Reconciliation Adjustment Factor of \$0.00118/kWh for effect on July 1, 2020.

The Company is required to submit its annual Revenue Decoupling Mechanism (RDM) reconciliation by May 15 of each year for the fiscal year ending on March 31 (RDM Year). The Company’s RDM reconciliation compares the Annual Target Revenue to actual billed distribution revenue for the RDM Year. The Annual Target Revenue is the annual distribution revenue requirement, as approved by the PUC in a general rate case, less any adjustments to that revenue requirement that have been approved by the PUC. The RDM Reconciliation Amount is the

¹ National Grid’s 2020 Electric Revenue Decoupling Mechanism Reconciliation Filing (May 15, 2020). Pursuant to the Commission’s decision in Docket No. 4206, Order No. 20745 (May 25, 2012), National Grid is required to file a Decoupling Reconciliation Adjustment Factor with the Commission each year by May 15. All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at [http://www.ripuc.org/eventsactions/docket/5030-NGrid-2020RDM-Filings\(5-15-20\).pdf](http://www.ripuc.org/eventsactions/docket/5030-NGrid-2020RDM-Filings(5-15-20).pdf).

² Division Mem. (June 15, 2020).

difference (either positive or negative) between the actual billed distribution revenue and the Annual Target Revenue for the RDM Year. The RDM Reconciliation Amount, including interest at the rate paid on customer deposits, is the basis for the RDM Adjustment Factor. The RDM Adjustment Factor is a uniform per-kWh charge or credit that is applicable to all customers and is typically effective for usage on and after July 1.³

The RDM Adjustment Factor (Adjustment Factor) recovers the RDM Reconciliation balance accrued during the prior twelve-month period from April 1 through March 31.⁴ National Grid is authorized to recover or credit the balance amount from or to ratepayers during the prospective twelve-month period from July 1 through June 30.

In support of its filing, National Grid submitted the direct testimony and schedules of Daniel E. Gallagher, Analyst for New England Pricing in the Strategy and Regulation Department of National Grid USA Service Company, Inc. Mr. Gallagher proposed an Adjustment Factor of \$0.00104/kWh for effect on July 1, 2020. The proposed Adjustment Factor is both designed to recover the net under-recovery balance resulting from: (1) the under-recovery of \$7.9 million; (2) Unbilled Standard Offer Service (SOS) Billing Adjustments presented to the PUC in the Company's 2020 Annual Retail Rate filing, Docket No. 5005, of \$218,926; and (3) interest at the

³ Test. of Daniel E. Gallagher at 4-5 (May 15, 2020).

⁴ The RDM Reconciliation balance is the difference between the Company's annual target revenue, which is the Company's revenue requirement approved by the Commission in the most recent base distribution rate case, and actual billed distribution revenue during the previous twelve months. The billed distribution revenue is the total of any and all revenues generated from the Company's base distribution rates, such as customer charges, distribution energy charges, demand charges, high voltage metering, luminaire and pole charges, delivery credits, and revenue generated by charges billed to customers who opt out of having a Company-owned Automatic Meter Reading device in their homes.

rate paid on customer deposits of \$131,473, and to credit customers with \$947,000 of Customer Shared Earnings.⁵

To calculate the RDM Reconciliation amount, Mr. Gallagher deducted the annual target revenue of \$290,698,140 from the billed distribution revenue of \$282,715,269 for the reconciliation period.⁶ The RDM under-recovery of \$7,918,877 includes the final balance due to customers associated with the 2018 RDM Year's over-recovery of \$175,092 and with the 2019 over-recovery of \$1,049,966. To the total under-recovery, Mr. Gallagher added Net Unbilled SOS Adjustments of \$218,926 and interest for the recovery period of \$131,743 for a total under-recovery of \$8,269,546. He also deducted Customer Earnings Sharing of \$947,000. Mr. Gallagher then calculated the RDM Adjustment Factor of \$0.00104/kWh by dividing the total amount to be recovered from customers of \$7,322,546 by the forecasted kWh deliveries for July 1, 2020 to June 30, 2021 of 6,995,385,617.⁷

Mr. Gallagher identified one of the reasons for the under-recovery as an approximate 2% reduction in kWh deliveries during the 2020 RDM Year relative to the forecast used in the rate design for the base distribution rates in Docket No. 4770. Another reason for the under-recovery was the unexpected shortfall in customer charge revenue for the A-60 class resulting from the PUC-approved phase-in of the full residential charge in Docket No. 4770, with the full amount not to take effect until September 1, 2020. Mr. Gallagher provided that GWh deliveries were also below what had been forecasted.⁸

⁵ Gallagher Test. at 2-4; Sch. DEG-1 at 1.

⁶ Gallagher Test. at 5-6; Sch. DEG-1 at 3,4.

⁷ RDM Filing, Sch. DEG-1 at 1.

⁸ Gallagher Test. at 7-9.

Mr. Gallagher also elaborated on the proposed \$947,000 Earnings Sharing Credit. Pursuant to the Amended Settlement Agreement approved in Docket No. 4770, excess electric earnings credited to customers are to be credited to the Storm Fund. Because of the economic impact the COVID-19 pandemic has had on National Grid's customers, however, the Company sought to mitigate the bill impact of the RDM Adjustment Factor by directly crediting customers with the Earnings Sharing Credit. Mr. Gallagher explained that the Commission has discretion to allow that pursuant to the Amended Settlement Agreement.⁹

Mr. Gallagher reported that for the typical residential customer using 500 kWh per month, the Adjustment Factor would result in a monthly increase of \$0.87 or 0.8%, from \$108.08 to \$108.95.¹⁰ He provided that the Company did not present any changes to its Summary of Retail Delivery Service Rates within this filing. He explained that there were other pending filings that addressed the Long-Term Contracting for Renewable Energy Recovery Factor, the Arrearage Management Adjustment Factor, and Low-Income Discount Recovery Factor. He stated that once the Commission ruled on these proposals, National Grid would file a revised Summary of Retail Delivery Service Rates that would incorporate all the rate changes that are effective July 1, 2020.¹¹

On June 15, 2020, the Division filed a memorandum recommending approval of National Grid's proposed 2020 Revenue Decoupling Mechanism Adjustment Factor of \$0.00104/kWh.¹² It concluded that the RDM factor was correctly calculated. Although recognizing the significant negative balance in the storm fund, the Division agreed with the Company that the \$947,000 of

⁹ *Id.* at 10-11.

¹⁰ *Id.* at 13.

¹¹ *Id.* at 4.

¹² Division Mem. at 2 (Jun. 15, 2020).

excess earnings sharing should be flowed back to customers. It reasoned that returning these funds to customers would provide an immediate benefit to customers.¹³

On June 24, 2020, the Company submitted a revised RDM Factor filing. The filing noted that the Company had included the \$947,000 of Shared Earnings in error. The correction of that error and recalculation of the factor resulted in the elimination of the Shared Earnings Credit. Mr. Gallagher's Revised Schedules proposed a Revised Adjustment Factor of \$0.00118/kWh for effect on July 1, 2020. The proposed Revised Adjustment Factor is designed to recover the net under-recovery balance resulting from: (1) the under-recovery of \$7.9 million; (2) unbilled Standard Offer Service (SOS) Billing Adjustments presented to the PUC in the Company's 2020 Annual Retail Rate filing, Docket No. 5005, of \$218,926; and (3) interest at the rate paid on customer deposits of \$131,743. The net under-recovery of \$8,269,546 divided by the forecasted deliveries for the period July 1, 2020 through June 30, 2021 results in a proposed RDM Factor of \$0.00118/kWh. The resulting monthly impact on a 500 kW residential customer is an increase of \$0.94 or 0.8% from \$108.08 to \$109.02. National Grid represented in its revised filing that it had discussed this modification with the Division and that the Division agreed with the revision.¹⁴

At an Open Meeting held on June 30, 2020, based on its review of the Company's filings and the Division's recommendation, the PUC voted unanimously to approve National Grid's proposed 2020 Decoupling Reconciliation Adjustment Factor of \$0.00118/kWh for effect on July 1, 2020. The Commission made clear that approval of the RDM Factor is not and should not be interpreted as an approval of National Grid's Earnings Sharing Mechanism Report which is subject to review in Docket No. 4770.

¹³ Division Mem. at 1-2 (Jun. 15, 2020).

¹⁴ National Grid's 2020 Revised Electric Decoupling Mechanism Reconciliation Filing (Jun. 24, 2020).

Accordingly, it is hereby

(23862) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed 2020 Revenue Decoupling Mechanism Reconciliation Adjustment Factor of \$0.00118/kWh for effect on July 1, 2020 is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2020 PURSUANT TO AN OPEN MEETING DECISION ON JUNE 30, 2020. WRITTEN ORDER ISSUED JULY 2, 2020.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Marion S. Gold, Commissioner



Abigail Anthony, Commissioner

NOTICE OF RIGHT TO 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 Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.