



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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Memo

**To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission**

**From: Joel A. Munoz, Rate Analyst
Rhode Island Division of Public Utilities & Carriers**

Date: August 20, 2020

**Re: Docket No.: 5039 – The Narragansett Electric Company d/b/a National Grid
2020 Renewable Energy Growth Program
Factor Filing**

On June 30, 2020, The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Public Utilities Commission (“Commission”) its annual Renewable Energy (“RE”) Growth Program Factor filing proposing RE Growth Factors and RE Growth Reconciliation Factors effective October 1, 2020. The filing was in accordance with R.I. Gen. Laws Section 39-26.6-25(b) and R.I.P.U.C. No. 2219, the 2019 RE Growth Provision. This memo is prepared to document the Division of Public Utilities and Carriers (“Division”) review of the proposed RE Growth Factors, the proposed RE Growth Reconciliation Factors, the accuracy of the underlying calculations, and to opine on the Company’s compliance with state law and the Commission approved tariff.

National Grid’s 2019 RE Growth Provision was approved by the Commission in Docket No. 4954, cancelling the preceding tariff, R.I.P.U.C. No. 2208. The applicable state law, Title 39, Chapter 26.6 of the Rhode Island General Laws, pertains to the RE Growth Program. Costs recoverable from all distribution ratepayers include: Office of Energy Resources and the Company’s consultants, National Grid’s 1.75% remuneration in addition to actual performance-based incentive payments to RE developers, the Company’s installation and capital costs associated with meter installations for small-scale solar projects, its billing system improvements necessary to

facilitate performance-based incentive payments and administering net metering, administrative costs incurred in the process of the Company's budding eligible projects and administering its participation in ISO New England's Forward Capacity Market ("FCM").

The Company is proposing RE Growth Factors which are based upon an estimate of the incremental cost subject to recovery for the 2020 Program Year (April 1, 2020 to March 31, 2021). The filing also includes the fifth annual RE Growth Program reconciliation of actual RE Growth revenue and costs. The reconciliation period includes: 1) a "true up" between actual revenue billed through the current RE Growth Factor for the period June 2019 through September 2019 and the revenue estimated for the same period filed in the previous RE Growth Reconciliation filing, Docket No. 4954; 2) actual revenue billed from the period October 2019 through May 2020; 3) estimated revenue for the period June 2020 through September 2020; and 4) actual costs incurred to administer the RE Growth Program during the 2019 Program Year (April 1, 2019 to March 31, 2020). The RE Growth Factors and the RE Growth Reconciliation Factors are combined and presented as a single monthly charge on customers' bills to take effect on October 1, 2020.

RE Growth Program Estimated Cost for the 2020 Program Year

National Grid Schedule NG-2 (Page 2 of 6) summarizes the forecasted expense for the 2020 Program Year as follows:

(1) Estimated Performance-Based Incentive Payments ("PBIP")	\$28,208,389
(2) Less: Estimated Value of Market products ("PRDCTS")	(\$8,333,143)
(3) Less: Estimated Customer Share of FCM Proceeds ("NFCM")	<u>(\$46,980)</u>
(4) Equals: Total Estimated RE Growth Cost	\$19,828,266
(5) Plus: Estimated Administrative Cost	<u>\$1,815,485</u>
(6) Equals: Total Estimated RE Growth Cost	\$21,643,751

Additional detailed data was supplied by National Grid to demonstrate how the above numbers were developed. I reviewed the supporting information and found that the above amounts were accurately developed in accordance with the 2019 RE Growth Provision.

The filing includes 62 MW of aggregated capacity for residential and commercial solar projects, with nearly 2 MW of that being Community Remote Solar, and 18 MW of aggregate capacity of commercial wind projects for existing Program enrollees. The filing also forecasts an additional 32.5 MW of aggregate capacity for residential and commercial solar, with nearly 4 MW of that being Community Remote Solar. The RE Growth Program now forecasts a total of 112.5 MW of aggregate capacity which has an estimate 12-month output of 131,305,826 kWh.

The net per kWh cost (for produced energy) for the performance-based incentive payments for the RE 2020 Program after sale of PRDCTS and NFCMP is \$0.15/kWh (\$19,828,266/131,305,826 kWh). The net per kWh cost after credit for PRDCTS and NFCMP sales and including administrative expenses is approximately \$0.16/kWh (\$21,643,751/131,305,826 kWh). The \$0.16/kWh cost is a 20% decrease from both the 2019 and 2018 Program total net cost and a 68% decrease from the 2017 Program total net cost.

The RE Growth factor are calculated by allocating the estimated expense from the program year to each class based on a rate base allocator developed from the cost of service study plus a 1.30% allowance for uncollectable amounts, both of which were approved by the Commission in Docket 4770. National Grid Schedule NG-2 (Page 1 of 6) provides the calculation of RE Growth Factors for each rate class. The proposed monthly RE Growth Factors for each rate class are as follows:

Rate Class	Proposed Factors
A-16/A-60	\$2.28
C-06	\$3.53
G-02	\$34.25
B-32/G-32	\$281.86
S-10/S-14	\$0.20
X-01	\$520.26

The RE Growth 2019 Program Year Reconciliation

The proposed reconciliation reflects a total over-recovery of \$942,918. National Grid Schedule NG-3 (Page 2 of 5) summarizes actual expenses for the period June 2019 to May 2020.

(1) Total Net RE Growth Factor Revenue	\$20,525,909
(2) Total RE Growth Expense	\$19,859,865
(3) Forfeited Performance Guarantee Deposits	(\$265,900)
(4) RE Growth Reconciliation – Over-Recovery	(\$931,944)
(5) Interest during the Reconciliation	<u>(\$10,974)</u>
(6) Total Amount to be Credited or Customers	(\$942,918)

National Grid supplied additional detailed data to demonstrate how the above numbers were developed. The detailed data was reviewed by the Division.

The RE Growth Reconciliation Factors are calculated in the same manner as the proposed RE Growth Factors listed above, from the allocation to rate classes based on a rate base allocator. National Grid schedule NG-3 (Page 1 of 5) provides the calculation of RE Growth Reconciliation Factors for each rate class. The proposed monthly RE Growth Reconciliation Factors for each rate class are as follows:

Rate Class	Proposed Factors
A-16/A-60	(\$0.10)
C-06	(\$0.16)
G-02	(\$1.52)
B-32/G-32	(\$12.47)
S-10/S-14	(\$0.01)
X-01	(\$22.54)

The Company has combined the proposed RE Growth Factors and RE Growth Reconciliation Factors which will be presented as a single monthly share on the customer's bill to become effective October 1, 2020. The proposed combined monthly RE Growth Cost Recovery Factors for each rate class for the Period October 1, 2020 through September 30, 2021 are as follows:

Rate Class	RE Growth Factor	RE Reconciliation Factors	Combined RE Growth Factor
A-16/A-60	\$2.28	(\$0.10)	\$2.18
C-06	\$3.53	(\$0.16)	\$3.38
G-02	\$34.25	(\$1.52)	\$32.76
B-32/G-32	\$281.86	(\$12.47)	\$269.63
S-10/S-14	\$0.20	(\$0.01)	\$0.19
X-01	\$520.26	(\$22.54)	\$498.16

The Division has reviewed National Grid's June 30, 2020 filing and believes that the proposed RE Growth Program cost recovery factors are correctly calculated and are in accordance with the statute and the approved tariff. The Division recommends that the Commission approve National Grid's proposed RE Growth Factors to go into effect on October 1, 2020.