

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID 2021 RENEWABLE ENERGY : **DOCKET NO. 5164**
GROWTH PROGRAM FACTOR FILING :

REPORT AND ORDER

I. Introduction

On June 30, 2021, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Public Utilities Commission (Commission) proposed Renewable Energy Growth (RE Growth) Program factors and RE Growth Program Reconciliation factors (reconciliation factors) for effect October 1, 2021.¹

The proposed program factors were based on an estimate of costs for the 2021 program year which commences on April 1, 2021 and continues through March 31, 2022. The proposed reconciliation factors were based on the actual costs for the program year, April 1, 2020 through March 31, 2021, plus carryover costs from prior years. 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.

On September 2, 2021, the Division of Public Utilities and Carriers' (Division) filed a memorandum which reviewed the filing and concluded that the proposed program recovery factors and reconciliation factors, as amended during discovery to remove approximately \$43,000 of personnel costs were correctly calculated and were in accordance with law and the approved tariff. The Division further recommended that the Commission approve the revised factors, for an

¹ National Grid's 2021 Renewable Energy Growth Factor Filing (June 30, 2021);

effective date of October 1, 2021.² At an Open Meeting held on September 23, 2021, the PUC approved the revised factors.

II. National Grid's Filing

In support of the factors, National Grid submitted the joint testimony of Daniel E. Gallagher, Senior Analyst for New England Electric Pricing, and Kathleen M. Hammer, Lead Analyst of New England Revenue Requirements in Regulation and Strategy. Their testimony presented the Company's estimate of the incremental cost subject to recovery for the period April 2021 through March 2022 to administer the RE Growth program and the calculations of the proposed RE Growth program factors designed to recover that cost. The filing also presented the reconciliation of revenue to actual costs for the prior program years.

A. Renewable Energy Growth Program

The RE Growth tariff provides for the recovery of incremental costs associated with the RE Growth Program from all retail delivery customers through a fixed monthly service charge. The Company is required to purchase the output generated by qualified Distributed Generation projects and compensate program participants in the form of Performance Based Incentives (PBI). The program participants assign all energy, capacity and Renewable Energy Certificates (RECs) to the Company. The Company sells the generated energy. The Company may also sell the RECs, or they may be used to satisfy the Company's Renewable Energy Standard compliance obligations. The Company may also bid eligible RE Growth projects into the Independent System Operator-New England's Forward Capacity Market (FCM) with customers receiving 90% of the proceeds and National Grid receiving 10%. The proceeds from the sale of the energy, the RECs, and the customer's share of FCM proceeds are used to offset the costs of the RE Growth Program.³

² Division's Memorandum (Sept. 2, 2021);

³ Joint Test. at Sched. NG-2.

1. Estimated Costs for the 2021 RE Growth Program

In response to Commission data requests, the Company revised its factors to reflect corrections related to certain personnel costs that had been overstated in the initial filing. As a result of the corrections, the Company projected net expense for the 2021 program year totaling \$23,037,191.⁴ PBI payments comprise \$34.4 million but from this is deducted the estimated value of the market products of \$12.6 million along with the customers' share of Forward Capacity Market proceeds of \$40,017. The remaining \$1.2 million was estimated administrative expenses.⁵

2. Calculation of 2021 Rate Class RE Growth Factors.

The estimated expense for the 2021 program year is allocated to each rate class based on a rate base allocator developed from the allocated cost of service study approved in the PUC's Order No. 23823 in Docket No. 4770.⁶ The allocated amount for each rate class is divided by the forecasted number of bills during the period of October 2021 through September 2022 to determine the monthly charge for each rate class. The result is further adjusted to include an uncollectible factor of 1.3%.⁷

B. Reconciliation & Proposed Factors

The Company is required to annually reconcile RE Growth program revenue and costs. The excess or deficiency after reconciliation, including interest at the Company's short-term interest rate, is credited to or recovered from all customers through the RE Growth reconciliation factors. For billing purposes, the reconciliation factors for 2021 are included with the 2021 program factors on a single line item of the customers' bills.⁸

⁴ National Grid Response to PUC 2-1, Sched. NG-2 Revised.

⁵ *Id.*

⁶ Commission Order 23823, Docket No. 4770; [http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20\(5-5-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20(5-5-20).pdf).

⁷ National Grid Response to PUC 2-1, Sch. NG-2 Revised.

⁸ *Id.* at 20.

The 2021 RE Growth program reconciliation summary⁹ showed revenue of \$20,421,255, total costs of \$21,045,298,¹⁰ and forfeited performance guarantee deposits credited to customers of \$477,293, resulting in an under-recovery of \$479,005, including interest. The summary also reflected a remaining over-recovery from Program Year 2018 of \$105,470. The net under-recovery of the combined reconciliation was \$373,535.¹¹

The calculation of reconciliation factors for each rate class followed the same steps as the calculation of the 2021 program factors, including the allocation to rate classes based on a rate base allocator and the adjustment for uncollectible accounts.¹²

III. Division of Public Utilities and Carriers

On September 2, 2021, the Division of Public Utilities and Carriers' (Division) filed a memorandum authored by Mike Brennan, its consultant. In his memorandum, Mr. Brennan reviewed the filing and concluded that with one minor caveat, the proposed program recovery factors and reconciliation factors, as revised by National Grid's response to PUC 2-1 were correctly calculated and are in accordance with the statute and approved tariff. Mr. Brennan noted that in response to PUC 3-1, the Company had identified a minor discrepancy in the forecasted FCM revenues that resulted in approximately \$2,084 lower projected revenues than originally calculated. Mr. Brennan did not propose any further revision to the factors, agreeing with National Grid that it was unnecessary given that the amount was 0.01% of the total RE Growth costs.

IV. Commission's Decision

At an Open Meeting held on September 23, 2021, the PUC reviewed the record and consistent with the Division's determination that the factors and reconciling factors were

⁹ Sch. NG-3.

¹⁰ Sch. NG-3.

¹¹ Joint Test. at Sch. NG-3 at 1, Section 1.

¹² Joint Test at Sch. NG-3 at 1, Section 2.

calculated in accordance with the tariff, approved the proposed RE Growth factors as modified by the Company in its response to PUC 2-1.

Accordingly, it is hereby

(24286) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's 2021 RE Growth Factors as modified by its response to PUC 2-1.
2. The Narragansett Electric Company d/b/a National Grid's compliance filing made on September 30, 2021, including the revised tariffs, is hereby approved for effect October 1, 2021.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2021 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 23, 2021. WRITTEN ORDER ISSUED DECEMBER 28, 2021.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



John C. Revens, Jr., 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 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.