

October 8, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 5073– Retail Energy Supply Association (RESA) Petition for Implementation of Purchase of Receivables (POR) Program
National Grid’s Filing of Updated Attachment E to the Billing Services Agreement**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed, please find an updated “Attachment E” for filing in the above-referenced docket. The updated Attachment E replaces the Attachment E that was included as an attachment to the Billing Services Agreement that was filed by the Company on August 26, 2021 in the above-referenced docket.¹

The Company’s original filing of Attachment E reflected the approach that was used in Massachusetts. However, the methodology contained in the enclosed updated Attachment E is more appropriate for use in Rhode Island at this time. The updated methodology looks at cash payments over a 34-month period. This methodology is more reflective of normal business practice because it minimizes the impacts that the moratorium on collections (a response to the COVID-19 emergency period) had on receivables.

Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,



Andrew S. Marcaccio

¹ The Company’s August 26, 2021 filing can be viewed at: [http://www.ripuc.ri.gov/eventsactions/docket/5073-NGrid-Tariffs%20&%20Agreements-Compliance%20\(PUC%208-26-21\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/5073-NGrid-Tariffs%20&%20Agreements-Compliance%20(PUC%208-26-21).pdf). For the original Attachment E, see Exhibit 1A, Pages 55-56 (of 76) and Exhibit 1B, Pages 50-51 (of 71).

**Docket No. 5073 – Retail Energy Supply Association Petition for Implementation of Purchase of Receivables Program
Service List updated 10/4/2021**

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ATTACHMENT E

PURCHASING OF EXISTING ACCOUNTS RECEIVABLE

Transition Rate Calculation Methodology

- After final approval by the R.I.P.U.C. of the Company’s implementation plan for the purchase of a Non-regulated Power Producer’s (“NPP”) Accounts Receivable (“AR”) pursuant to R.I.P.U.C., the risk of the collective NPP’s commodity AR will be determined as of the last day of the month that is at least one month prior to the R.I.P.U.C. final order “go-live” date in R.I.P.U.C. 5073 (“AR Date”).
- The first step in calculating the Transition Rate will be to obtain the Narragansett Electric AR data, which will be from the prior month. From this data, the NPP portion will be segregated.
- The NPP AR will be broken down into the following buckets: Current, 30-60 Days, 61-90 Days, 91-120 Days, 121-150 Days, 151- 180 Day, 181-210 Days, 211-240 Days, 241-270 Days, 271-300 Days, 301-330 Days, 331-360 Days, and 360+.
- After the buckets are established, we will apply the Reserve Rate to each bucket.
- The Reserve Rate is calculated in February of each year, and is described as follows:
 - The Company applies a cash collection methodology approach to set the reserve rates. This method looks at the historical cash collection performance by predetermined aging clusters from an inception point over a 34-month period. The performance derived from this study is used to set the reserve rates by aging category. The Cash Collection methodology has provided a reasonable collection rate for upcoming fiscal years, as the time period covered by the study reflects the terminal collectability of the Company’s accounts receivable balance.
 - The FY21 cash collection study covers the period of March 30, 2018 to January 17, 2021. This study is compared to the previous two years’ studies where material variances are analyzed.
- An illustrative calculation of transition rates is presented below:

Narragansett Electric Total NPP				
NECO - E				
	A/R	Deposits	Rate	Allowance
Current	9,903,527	0	1.71%	169,342
30 Days	1,155,490	0	7.02%	81,115
60 Days	462,421	0	12.86%	59,478
90 Days	269,131	0	19.44%	52,315
120 Days	236,293	0	21.57%	50,975
150 Days	196,329	0	23.08%	45,303
180 Days	164,733	0	24.63%	40,575
210 Days	143,239	0	27.54%	39,451
240 Days	113,481	0	30.41%	34,513
270 Days	65,592	0	22.64%	14,852
300 Days	53,249	0	31.99%	17,034
330 Days	53,690	0	33.52%	17,997
Of the Debt >360 Days				
Protected	135,441	0	54.97%	74,452
Protected payment plan	4,518	0	32.12%	1,451
Payment Plan	41,681	0	17.10%	7,127
Reservations	0	0	0.00%	0
Restricted	8,659	0	18.03%	1,561
Other	82,341	0	67.32%	55,433
>360 days	272,640	0	51.36%	140,025
Total	13,089,816	0	5.83%	762,974
% of reserve to total A/R				5.83%

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RESIDENTIAL NPP					
NECO - E					
	A/R	Deposits	Rate	Allowance	
Current	2,226,608	0	1.71%	38,073	
30 Days	352,371	0	7.02%	24,736	
60 Days	185,116	0	12.86%	23,810	
90 Days	134,689	0	19.44%	26,181	
120 Days	116,145	0	21.57%	25,055	
150 Days	103,675	0	23.08%	23,923	
180 Days	75,479	0	24.63%	18,591	
210 Days	63,520	0	27.54%	17,495	
240 Days	33,551	0	30.41%	10,204	
270 Days	19,754	0	22.64%	4,473	
300 Days	16,046	0	31.99%	5,133	
330 Days	11,220	0	33.52%	3,761	
Of the Debt >360 Days					
Protected	55,132	0	54.97%	30,306	
Protected payment plan	1,839	0	32.12%	591	
Payment Plan	16,966	0	17.10%	2,901	
Reservations	0	0	0.00%	0	
Restricted	3,524	0	18.03%	636	
Other	33,517	0	67.32%	22,564	
>360 days	110,980	0	51.36%	56,998	
Total	3,449,154	0	8.07%	278,434	
% of reserve to total A/R				8.07%	

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NON-RESIDENTIAL NPP				
NECO - E				
	A/R	Deposits	Rate	Allowance
Current	7,676,919	0	1.71%	131,269
30 Days	803,119	0	7.02%	56,378
60 Days	277,305	0	12.86%	35,668
90 Days	134,442	0	19.44%	26,133
120 Days	120,149	0	21.57%	25,919
150 Days	92,654	0	23.08%	21,380
180 Days	89,254	0	24.63%	21,984
210 Days	79,719	0	27.54%	21,956
240 Days	79,930	0	30.41%	24,309
270 Days	45,838	0	22.64%	10,379
300 Days	37,203	0	31.99%	11,901
330 Days	42,470	0	33.52%	14,236
Of the Debt >360 Days				
Protected	80,309	0	54.97%	44,146
Protected payment plan	2,679	0	32.12%	861
Payment Plan	24,714	0	17.10%	4,226
Reservations	0	0	0.00%	0
Restricted	5,134	0	18.03%	926
Other	48,824	0	67.32%	32,869
>360 days	161,660	0	51.36%	83,027
Total	9,640,662	0	5.03%	484,540
% of reserve to total A/R				5.03%

- Once the Allowance for each bucket has been calculated, this amount is divided by the Total NPP AR, giving us the Transition Rate.
- Currently, the Company is working on breaking out the Non-Res component into Commercial and Industrial.

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