

State of Rhode Island

Public Utilities Commission

Minutes of Open Meeting Held on January 25, 2022

An Open Meeting of the Public Utilities Commission (Commission or PUC) was held Tuesday, January 25, 2022 at 10:00 A.M. in Hearing Room A, 89 Jefferson Boulevard, Warwick, Rhode Island to discuss, deliberate, and/or vote on the following dockets.

In attendance: Chairman Ronald Gerwatowski, Commissioner Abigail Anthony, Commissioner John Revens, John Harrington, Alan Nault, Todd Bianco, Emma Rodvien and Luly Massaro.

- I. Chairman Gerwatowski called the Open Meeting to order at 10:00 A.M. A quorum was present.
- II. **Docket No. 5180 – The Narragansett Electric Co. d/b/a National Grid** - This docket relates to National Grid interim adjustment to the Gas Cost Recovery (GCR) factors submitted November 11, 2021. National Grid submitted a notice to withdraw the interim GCR filing on January 14, 2022. Chairman Gerwatowski summarized the travel of the docket and reasons National Grid withdraw the \$19 million increase in the GCR. National Grid follows the NYMEX gas futures which it uses to forecast its gas costs. The NYMEX gas futures were high during the fall period and then dropped significantly in December. Also, the Company made an \$8 million error in the calculation of the GCR which was corrected and is no longer an issue. There is no longer a forecasted \$19 million increase in the Company's GCR and the docket is closed.
- III. **Docket No. 5189 – The Narragansett Electric Co. d/b/a National Grid** – This docket relates to the National Grid's 2022 Annual Energy Efficiency Program Plan (Annual Plan). The Annual Plan is submitted pursuant to R.I. Gen. Laws 39-1-27.7(c) and the Least Cost Procurement Standards as approved by the PUC in Docket No. 5015. The Annual Plan proposes budgets to implement electric and natural gas energy efficiency programs to Rhode Island energy consumers and is funded through the Energy Efficiency Plan (EEP) charge that is collected from National Grid's electric and gas customers. The proposed budgets for electric and gas programs are \$122.6 million and \$36.7 million, respectively. During the travel of the case, National Grid withdrew the CHP project having a budget of \$9 million. The Company substituted this with a Provisional Plan to deal with the \$9 million funds but withdrew that Plan in January.

The Commission reviewed and discussed the record and voted on the outstanding issues below:

Chairman Gerwatowski granted the Company's motion for confidential treatment of response to Record Request 5 submitted January 21, 2022. The motion is granted on a preliminary temporary basis subject to further review.

Allocation of transfer to RI Infrastructure Bank: Chairman Gerwatowski moved to allocate the \$5 million transfer to the RI Infrastructure Bank (RIIB), to both the electric and gas budgets, on a proportional basis based on the budget amounts. Commissioner Anthony seconded the motion. The motion was unanimously passed. **Vote 3-0.**

Evaluation Budgets: Commissioner Anthony moved that the Commission reduce the revenue requirement for evaluations by \$725,000 to \$2.4 million (which is 2020 actual spending). Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**

Performance Incentive Mechanism (PIM): National Grid agreed to the Division's recommended incentive levels of \$3.4 million for electric and \$1 million for gas. The Company agreed and conformed to the guidance framework adopted by the Commission.

It is moved that the Commission continue utilization of the PIM approved in Order No. 24225 in Docket 5076 with the following modifications:

- 1) approve a design performance payout of \$3,390,165 for the electric C&I sector and \$1,000,000 million for the gas sector; and
- 2) approve a service quality adjustment for gas and electric residential and income eligible; reduce electric and gas income eligible by 38% and reduce non-income eligible residential gas and electric by 25% from last year's numbers.

Commissioner Anthony moved to adopt the motion. Commissioner Revens seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Commissioner Anthony moved that National Grid be directed to allocate the RIIB cost proportionately in the calculation of net eligible costs for the gas and electric PIM. Commissioner Revens seconded the motion and the motion was unanimously passed. **Vote 3-0.** Commissioner Anthony noted her inclination to revisit the inclusion of the RIIB costs in the PIM next year.

EERMC / OER Budget Allocation:

Chairman Gerwatowski reviewed recent changes in the statute governing the allocation of ratepayer funds to OER and the EERMC. Rhode Island General Laws §39-2.1.2 includes a provision which directs the Commission to allocate funds from the energy efficiency program of National Grid to EERMC and OER in an amount "not to exceed" a specified aggregate cap. During the 2021 legislative session the law was amended to increase the 2% cap to 3%. It also changed the split between OER and EERMC, such that OER's cap was now 60% and EERMC 40% of the aggregate 3% cap. As a result, the budget cap for EERMC significantly increased by 75% from approximately \$1 million in 2021 to \$1.75 million for 2022.

Prior to this program year, the Commission never had occasion to examine the cost incurrence or question the extent to which the ratepayer funds being allocated to EERMC or OER were needed. This year the Commission examined the EERMC's expenses for prior years, including an estimate of remaining expenses for 2021, and how the funds were utilized by the EERMC in order to determine the appropriate allocation to EERMC for 2022. Chairman Gerwatowski reviewed information learned during discovery and the hearings, including information contained in EERMC's draft budget. The draft budget proposed compensation for consultant services of \$892,976 along with other enumerated items and included an "unallocated" line item of \$575,724. The proposal for consultant services was over \$200,000 higher than the amount that had been budgeted for payments to that consultant for 2021. The Commission calculated an appropriate allocation for consultant services for 2022 by first examining the number of hours worked by the consultants during 2020 and 2021 and using the higher number of hours worked in 2020 multiplied by the implicit blended hourly rate reflected in the consultant's 2022 scope of work proposal to arrive at an allocation for consultant services of \$794,263. The Commission then reviewed other proposed expenses and arrived at a final allocation for 2022.

Chairman Gerwatowski moved that the allocation to EERMC be set at \$1,025,763, allocated between electric and gas proportional to the total budget for each. Commissioner Anthony seconded the motion and the motion was unanimously passed. **Vote 3-0.**

It is moved that the Commission allocate to Office of Energy Resources (OER) an amount equal to 60% of the three percent of funds authorized to be collected from ratepayers through the system benefit charge. Chairman Gerwatowski adopted the motion. Commissioner Revens seconded the motion and the motion was unanimously passed. **Vote 3-0.**

Chairman Gerwatowski then addressed how the Commission learned that National Grid was transferring to EERMC the end-of-year balances of unspent ratepayer funds attributable to the original EERMC allocation along with other funds that EERMC was holding for future use. These funds were held in reserve in a client bank account held by legal counsel for EERMC. For the 2022 program year, EERMC was proposing to transfer \$100,000 for the cost of the next Potential Study which could not occur for several years. The Chairman discussed that the usual practice that an allocation for a program year is intended to cover annual expenses for the year in which the allocation was made and that any balance of unspent funds should be credited back to ratepayers. He suggested parameters on a going forward basis:

- 1) Chairman Gerwatowski moved that all expenses incurred by EERMC for 2022 shall be paid by National Grid, upon receipt of invoice documentation that the amounts are owed as approved by the Executive Director. National Grid shall take all reasonable steps to expedite such payments as soon as possible, but no later than 30 days from receipt. If National Grid is not complying with this directive, EERMC should notify

- the Commission. Commissioner Anthony seconded the motion. The motion was unanimously passed. **Vote 3-0.**
- 2) It is moved that the Commission direct EERMC to return any funds in the client account to National Grid and for National Grid to pay any remaining bills. Any excess after paying the outstanding bills should be credited to ratepayers through the reconciliation process. Chairman Gerwatowski adopted the motion. Commissioner Anthony seconded the motion. The motion was unanimously passed. **Vote 3-0.**
 - 3) Chairman Gerwatowski moved that no future funds be transfer to EERMC directly. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**
 - 4) Chairman Gerwatowski moved that EERMC manage its expenses within the allocation authorized in this order. However, if EERMC forecasts its actual expenses to exceed the amount of the allocation approved by the Commission in this order, EERMC may make a filing seeking approval in advance for an additional allocation of funds to cover excess expenses, provided that a full explanation and justification for the excess expenditures is included in the filing to the Commission, and such expenditures are found to be just and reasonable by the Commission. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**
 - 5) The Commission agreed to add the following language in the Order: For plan year 2023, 2023, the Commission is aware that the cost of the next Potential Study could exceed \$500,000 and, thus, could strain the budget allocation for the year in which the expenses are incurred. If there are not enough funds within the capped allocation applicable to the year in which the Potential Study costs are incurred, the EERMC may request that the incremental cost of the study be amortized over the three-year period (or the first two years) to which the Potential Study pertains, but only to the extent that there are not enough funds in the applicable year's allocation to cover the full cost.
 - 6) Chairman Gerwatowski moved that National Grid shall file copies of all invoices paid to cover EERMC's expenses on a quarterly basis by the 15th of April, July, October, and December, and a full reconciliation of the prior calendar year's payments by March 15. The December filing should also include an estimate of expenses not yet paid, but expected to be invoiced, as informed by representatives of EERMC. Copies of these reports also shall be sent directly to each of the EERMC members, individually. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**
 - 7) The Commission agreed to add the following language in the Order: For future planning purposes, the EERMC is requested to prepare a budget for 2023 before National Grid makes its filing for the 2023 plan and provide the budget figure to National Grid. National Grid shall include that budget figure in its proposed plan schedule as the proposed allocation for EERMC. EERMC must then provide testimony, reasonable documentation, and justification for the budget level to support a Commission allocation of the requested amount. The budget must reflect reasonable costs, be reasonably needed to carry out its duties, and be reasonably related to the expense types identified in the statute. The Commission retains its authority to determine the final allocation based on the evidentiary record, subject to the statutory caps.

Overspend Funds - Gas EnergyWise Single Family Program:

Commissioner Anthony moved that the Commission allow recovery in rates of the requested \$6.097 million related to the gas overspend subject to full review by the Commission when final numbers are filed. National Grid is directed to submit the final numbers by April 1, 2022. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.** The Commission deferred consideration of whether the overspend funds was prudent until the final numbers are filed and reviewed by the Commission.

Energy Efficiency Plans:

Commissioner Anthony moved that the Commission 1.) approve the Electric Energy Efficiency Plan budget as presented in PUC 7-9, otherwise known as the Alternative Base Plan, subject to the modifications made by the Commission today at this meeting; and 2) approve the original Gas Energy Plan budget as filed by the Company with the Commission subject to the modifications made by the Commission today. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**

Commissioner Anthony moved to direct National Grid to file a compliance filing by January 26 for consideration at next Open Meeting scheduled for January 29. Commissioner Revens seconded the motion. The motion was unanimously passed. **Vote 3-0.**

- IV. There being no further business to discuss, the Chairman adjourned the Open Meeting at 11:50 A.M. A web video of the Open Meeting discussion can be accessed at <https://video.ibm.com/recorded/13129912.1>