



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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Memorandum

To: Luly Massaro
Commission Clerk

From: Al Contente
Division of Public Utilities & Carriers

Date: June 13, 2022

Re: National Grid – Residential Assistance Recovery Filing: Docket 5259

On May 13, 2022 Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) filed with the Rhode Island Public Utilities Commission (“RIPUC” or “Commission”) its Residential Assistance Recovery Filing which included the proposed Arrearage Management Adjustment Factor (“AMAF”) pursuant to the Company’s Arrearage Management Program (“AMP”), and the Low-Income Discount Recovery Factor (“LIDRF”) both of which are covered by the Company’s Residential Assistance Provision (“RAP”) pursuant to RIPUC Tariff Provision No. 2239.

The filing consisted of a cover letter and included direct testimony of Daniel E. Gallagher with the following attachments:

- Schedule NECO-1-- Arrearage Management Adjustment Factor and Calculations of Recoverable Arrearage Management Forgiveness Amount
- Schedule NECO-2 -- Reconciliation of Recovery of CY 2019 AMP Forgiveness, July 1, 2020 through June 2021, and status of Reconciliation of Recovery of CY 2020 AMP Forgiveness, July 1, 2021 through Present
- Schedule NECO-3 -- Calculation of Estimated Low-Income Discount, Low Income Discount Recovery Factor, and Effective Discount Percentage Calculation
- Schedule NECO-4 -- Reconciliation of Low-Income Discount and Recovery, July 1, 2020

through June 2021, and status of Reconciliation of Low-Income Discount and Recovery, July 1, 2021 through Present

- Schedule NECO-5 -- Typical Bills

On June 24, 2016, the Henry Shelton Act was amended which established an arrearage program for low-income electric and gas residential ratepayers. Subsequently, National Grid added an Arrearage Management Program provision and made related changes to its current electric and gas tariffs to incorporate the amendments of the Henry Shelton Act. The AMP provision also included an Arrearage Management Adjustment Factor for National Grid to recover incremental costs associated with the AMP.

Arrearage Management Adjustment Factor

The proposed AMAF is designed to recover the total amount of arrearages forgiven by the Company from customers that have defaulted or opted out of their AMP payment plan and the total amount of arrearages forgiven by the Company from customers that have successfully completed their AMP payment plan. The arrearages forgiven by the Company from unsuccessful payment plans are 100% recoverable under the tariff, while arrearages forgiven by the Company from successful payment plans are only recoverable if the Company experienced more than the total allowable bad debt for that calendar year.

The Company calculated the total allowable bad debt for Calendar Year 2021 to be \$13,535,875, while the actual bad debt was \$14,127,602. Since the actual bad debt did exceed the allowance, the Company is allowed under the tariff to recover the arrearages forgiven related to customers that successfully completed their AMP payment plan.

The total recoverable arrearage forgiveness amount for calendar year 2021 includes the following:

Recoverable Arrearage Forgiveness due to AMP Successful Participants	\$ 289,297
Recoverable AMP Forgiveness (defaulted)	\$ 179,671
Recoverable AMP Forgiveness (cancelled)	<u>\$ 58,665</u>
Recoverable Arrearage Forgiveness Amount	\$ 527,633
Under-Recovered from Prior Period Ending June 30, 2021	<u>\$ 35,495</u>
Total Recoverable Arrearage Forgiveness Amount	<u>\$ 563,128</u>
Forecasted July 1, 2022 – June 30, 2023 kWh Deliveries	7,384,435,372
Proposed Arrearage Management Adjustment Factor	\$ 0.00007

The proposed AMAF of \$0.00007 is computed by dividing the total recoverable arrearage forgiveness amount by the forecasted kWh deliveries for the period July 1, 2022 through June 30, 2023. The proposed factor is an increase from the current AMAF of \$0.00001.

Low-Income Discount Recovery Factor

The proposed Low-Income Discount Recovery Factor is designed to recover any lost revenue as a result of the effective discount rate associated with the A-60 customer class and the under or over-collection from the 12-month period ending June 30, 2021.

The LIDRF reconciliation shows an under-recovery of \$1,488,822 as of April 30, 2022. The actual LIDRF over or under-recovery through June 30, 2022 will be reconciled through next year's proposed factor.

The proposed LIDRF was calculated by estimating customers' bills on the A-60 rate and multiplying that amount by the effective discount rate of 25.8%, which is based upon actual low-income discounts at the 25% and 30% levels for the recovery period ending June 30, 2021. The total under-collection from July 2020 through June 2021 including interest was \$835,442. The total low-income discount at 25.8% is estimated at \$16,203,007 for the 12-month period ending June 30, 2023. As shown on Table 1 below, the estimated discount is significantly higher than in recent years. The increase is due to a combination of an increase in the projected number of customers on the A-60 rate and much higher Last Resort Service ("LRS") prices for the upcoming winter. The Company used a winter LRS price of \$0.16826/kWh which agrees with the amount provided in responses to PUC data request 4-3 provided in Docket 4978. This price compares to this previous winter's (2021-2022) price of \$0.10882/kWh.

Table 1:

Time Frame	Annual Cost of Program	Average Monthly A-60 Customer Count
May 2019 – April 2020	\$11,349,363	32,830
May 2020 – April 2021	\$12,573,083	32,395
May 2021 – April 2022	\$13,624,954	35,289
July 2022 – June 2023	\$16,203,007*	36,797*

* Forecast

As shown below, the projected cost of \$16,203,007 for the upcoming 12-month period plus the actual under-collection of \$835,442 for the July 2020 – June 2021 period totals \$17,038,449. That total is then divided by the forecasted kWh’s for all customer classes apart from the A-60 class from July 2022 through June 2023, which results in a proposed LIDRF of \$0.00238/kWh.

Low Income Discount 25.8%	\$ 16,203,007
Under-Recovered from Prior Period Ending June 30, 2021	<u>\$ 835,442</u>
Total Low-Income Discount	<u>\$ 17,038,449</u>
Forecasted kWh Deliveries July 1, 2022 – June 30, 2023 (Excluding A-60 Rate kWh’s)	7,137,430,255
Proposed Low-Income Discount Recovery Factor	\$ 0.00238

The proposed LIDRF is an increase of \$0.00042/kWh from the current factor of \$0.00196/kWh. The combined impact of both the proposed AMAF and LIDRF for a residential customer using 500 kWh’s per month is an increase of \$0.23, or about 0.2%.

Recommendation

The Division has reviewed National Grid’s Residential Assistance Recovery Filing and concluded that the Company’s AMAF and LIDRF calculations are correct and recommends approval of the proposed AMAF of \$0.00007 and LIDRF of \$0.00238.