

LETICIA C. PIMENTEL

One Financial Plaza, 14th Floor
Providence, RI 02903-2485
Main (401) 709-3300
Fax (401) 709-3378
lpimentel@rc.com
Direct (401) 709-3337

Also admitted in Massachusetts

July 15, 2022

BY HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Rhode Island Energy Electric Revenue Decoupling Mechanism Reconciliation Filing
Year Ending March 31, 2022
Docket No. 5258**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or the “Company”), enclosed please find the Company’s responses to the Third Set of Data Requests issued by the Public Utilities Commission in the above-referenced matter.

Thank you for your attention to this filing. If you have any questions, please contact me at 401-709-3337.

Sincerely,



Leticia C. Pimentel

Enclosures

cc: Leo Wold, Esq.
John Bell, Division
Docket 5258 Service List

Docket No. 5258 – Rhode Island Energy – 2022 Electric Revenue Decoupling Mechanism (RDM) Reconciliation Filing

Service List updated 6/8/2022

Name/Address	E-mail Distribution	Phone
The Narragansett Electric Company d/b/a Rhode Island Energy Leticia C. Pimentel, Esq. Robinson & Cole LLP One Financial Plaza, 14th Floor Providence, RI 02903	LPimentel@rc.com ;	401-709-3337
	HSeddon@rc.com ;	
	jhutchinson@pplweb.com ;	
	cobrien@pplweb.com ;	
	amarcaccio@pplweb.com ;	
	jscanlon@pplweb.com ;	
	SBriggs@pplweb.com ;	
	joliveira@pplweb.com ;	
Daniel Gallagher National Grid	Daniel.gallagher@nationalgrid.com ;	
	Scott.McCabe@nationalgrid.com ;	
	Theresa.burns@nationalgrid.com ;	
Tiffany Parenteau, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	TParenteau@riag.ri.gov ;	
	gschultz@riag.ri.gov ;	
	egolde@riag.ri.gov ;	
	Christy.hetherington@dpuc.ri.gov ;	
	Margaret.L.Hogan@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Michelle.Barbosa@dpuc.ri.gov ;	
	Machaela.Seaton@dpuc.ri.gov ;	
File an original & 9 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2017
	Alan.nault@puc.ri.gov ;	
	John.harrington@puc.ri.gov ;	
	Emma.Rodvien@puc.ri.gov ;	

PUC 3-1

Request:

Referencing the Company's responses to PUC 2-1 and PUC 2-3, the Company's responses to both data requests were not responsive to the original questions. The Commission asked why the Company under-billed customer charges and distribution demand charges; in response, the Company reiterated the premise of the Commission's question but did not provide a response as to why the actual billings were less than the planned billings. Please respond to the following questions asked in PUC 2-1 and 2-3:

- a. Why is the Company under-billing customer charges on the order of \$2 million?
- b. Why is the Company under-billing distribution demand charges on the order of \$1-2 million?

Response:

The Company's Revenue Decoupling Mechanism ("RDM") annually measures the total company Annual Target Revenue ("ATR") to total billed distribution revenue, and any difference, either positive (over-recovery of distribution revenue) or negative (under-recovery of distribution revenue) is credited to, or surcharged from, all customers, respectively, in the following year. The Company presents the components of billed distribution revenue annually, in this year's filing in Schedule NECO-1, page 4. The RDM reconciliation, however, is not prepared at the component level, but in total. Notwithstanding the forgoing, the Company understands the derivation of the Commission's questions regarding customer charge revenue and demand charge revenue and has attempted to provide a further explanation of the under-recovery of these two specific components of distribution revenue below.

- a. The customer charge ATR is taken from the rate design schedules from RIPUC Docket 4770 and is a function of the approved customer charge and the forecasted number of customers and, consequently, forecasted number of bills for the Rate Year by rate class. The forecast used in developing the customer charge ATR was higher than the actual number of bills and customer charges assessed during the RDM reconciliation period, which, for fiscal year ("FY") 2022 (April 1, 2021 – March 31, 2022), when looking at the customer charge ATR in isolation, the Company under-recovered the customer charge ATR. In Table A below, the two major contributors are Rate Classes G-02 and G-32. The actual number of bills assessed a customer charge and the resulting customer charge revenue for these two rate classes are much lower than the customer charge ATR because of the higher forecasted number of bills and resulting customer charge revenue (i.e., ATR), both of which the Company did not bill.

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Table A

<u>Rate Class</u>	<u>Annual Target Revenue</u>	<u>Actual Billed Revenue</u>	<u>Variance</u>
A-16	\$29,084,971	\$29,546,529	\$461,559
A-60	\$2,623,027	\$2,592,093	(\$30,934)
C-06	\$6,253,540	\$6,388,712	\$135,172
G-02	\$15,215,642	\$14,009,366	(\$1,206,276)
G-32	\$14,809,206	\$13,648,814	(\$1,160,392)
X-01	\$256,954	\$253,028	(\$3,926)
Total	\$68,243,339	\$66,438,542	(\$1,804,797)

Table B presents the forecasted number of bills from the rate design in RIPUC Docket No. 4770 and the number of actual bills assessed a customer charge from FY 2019 through FY 2022. In each year, the table shows the Company never assessed the level of customer charges that was included in the rate design in RIPUC Docket No. 4770 that derived the customer charge ATR. When the actual customer charge revenue billed is compared to the Rate Year customer charge ATR, for this singular component of the total Company ATR, the Company under-recovered customer charge ATR for Rates G-02 and G-32 because of the lower quantity of bills, driven by a decrease in customer count, as compared to what had been forecasted for the Rate Year in RIPUC Docket No. 4770.

Table B

	<u>Decrease Compared to Rate Year Forecast</u>					
	<u>Number of Bills</u>				<u>Percent</u>	
	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>
Rate Year 1 Forecast Sep 2018 – Aug 2019	104,935	13,463				
FY 2019 Apr 18 – Mar 19	100,734	12,626	(4,201)	(837)	-4.0%	-6.2%

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	Decrease Compared to Rate Year Forecast					
	Number of Bills				Percent	
	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>
Rate Year 1 Actual Sep 2018 – Aug 2019	100,054	12,714	(4,881)	(749)	-4.7%	-5.6%
FY 2020 Apr 2019 – Mar 2020	99,242	12,527	(5,693)	(936)	-5.4%	-7.0%
FY 2021 Apr 2020 – Mar 2021	97,292	12,418	(7,643)	(1,045)	-7.3%	-7.8%
FY 2022 Apr 2021 – Mar 2022	96,514	12,348	(8,421)	(1,115)	-8.0%	-8.3%

b. Similar to the discussion above for customer charge revenue, the distribution demand charge ATR is taken from the rate design schedules from RIPUC Docket 4770 for rate classes G-02 and G-32 and is a function of the approved distribution demand charge and the forecasted billing demand units in RIPUC Docket No. 4770. During the twelve months ending March 31, 2021, and March 31, 2022, the Company did not bill the same level of billing demand billing units as compared to the Rate Year forecasted billing demand billing units that were used to develop the approved distribution demand rates in RIPUC Docket No. 4770, resulting in lower demand charge revenue for these two years. The Company has seen a reduction in the number of customers in each of these rate classes, which is a main driver for the lower billing demand billing units, contributing to the under-recovery of distribution demand charge ATR. Please see Table C below that supports the decrease in billing demand billing units in the subsequent years compared to the forecasted billing demand billing units that were used to develop the distribution demand charges in RIPUC Docket No. 4770 and the component of the overall ATR associated with distribution demand charge revenue.

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Table C

	Decrease Compared to Rate Year Forecast					
	Billing Demand Units		Percent			
	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>	<u>G-02</u>	<u>G-32</u>
Rate Year 1 Forecast Sep 2018 – Aug 2019	3,594,077	3,856,449				
Rate Year 1 Actual Sep 2018 – Aug 2019	3,580,365	3,814,835	(13,711)	(41,614)	-0.4%	-1.1%
FY 2020 Apr 2019 – Mar 2020	3,520,138	3,642,524	(73,939)	(213,925)	-2.1%	-5.5%
FY 2021 Apr 2020 – Mar 2021	3,383,232	3,600,574	(210,845)	(255,875)	-5.9%	-6.6%
FY 2022 Apr 2021 – Mar 2022	3,474,188	3,539,750	(119,889)	(316,699)	-3.3%	-8.2%