

December 19, 2022

VIA ELECTRONIC MAIL

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

RE: Docket No. 22-48-REG - The Narragansett Electric Company's Tariff Advice to Change Renewable Energy Growth Program Cost Recovery Provision Responses to PUC Data Requests – Set 1

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 Public Utilities Commission’s First Set of Data Requests in the above-referenced matter.¹

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

Enclosures

cc: Docket No. 22-48-REG Service List
John Bell, Division

¹ Per communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by six (6) hard copies filed with the Clerk within 24 hours of the electronic filing.

The Narragansett Electric Company
d/b/a Rhode Island Energy
RIPUC Docket No. 22-48-REG
In Re: Tariff Advice To Amend Tariff RIPUC No. 2219
To Change the Short-Term Interest Rate in the
RE Growth Program Cost Recovery Provision
Responses to the Commission's First Set of Data Requests
Issued on November 30, 2022

PUC 1-1

Request:

Please explain the purpose of the short term interest rate in the Renewable Energy Growth Program Reconciliation Factor.

Response:

The Renewable Energy Growth (“RE Growth”) Program Reconciliation Factor (“Reconciliation Factor”) calculation compares the difference of the revenue billed through the RE Growth Factor, excluding the adjustment for uncollectible amounts, to the actual expenses incurred during the reconciliation period. The short-term interest rate is applied to the excess or deficiency calculated, to calculate the interest amount to be refunded to, or recovered from customers as part of the Reconciliation Factor.

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PUC 1-2

Request:

Please explain why the short-term interest rate was originally set at the National Grid Money USA Money Pool rate.

Response:

The Company cannot confirm why the short-term interest rate was originally set at the National Grid Money USA Money Pool rate.

The Company believes it may have stemmed from a recommendation offered by a consultant of the Division of Public Utilities and Carriers ("Division") in Docket No. 4338 related to the Long-Term Contracting for Renewable Energy Recovery Provision. In that case, the Division's consultant recommended the following:

The Company has proposed that the interest rate used in recovering under-collections and refunding over-collections be the interest rate on customer deposits of 2.78% per annum. Currently, this amount greatly exceeds the Company's actual short-term cost of funds. In Docket 4323, NGRID's most recent rate case, the Company's short-term costs of debt was estimated to be 0.80%. I believe that the appropriate interest rate for determining additional collections or refunds should be the Company's actual cost of short-term debt.¹

The Company may have applied that same rationale when deciding the interest rate for the Renewable Energy Growth Program Cost Recovery Provision.

¹ See Memorandum from Dick Hahn, La Capra Associates, Inc., dated September 10, 2012, at: <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4338-DPU-Hahn%289-11-12%29.pdf>

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PUC 1-3

Request:

Please explain the purpose of the short term interest rate in the following cost recovery provisions: Revenue Decoupling Mechanism (RIPUC No. 2218); Environmental Response Fund (RIPUC No. 2173); LRS Adjustment Provision (RIPUC No. 2237), Transmission Service Cost Adjustment Provision (RIPUC No. 2198); Pension Adjustment Mechanism (RIPUC No. 2200); LIHEAP Enhancement Plan Provision (RIPUC No. 2220); Residential Assistance Program (RIPUC No. 2239).

Response:

The purpose of the short-term interest rate in the above cost recovery provisions is to calculate the amount of interest to be refunded to or be recovered from customers on the over- or under-recovery (excess or deficiencies).

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PUC 1-4

Request:

The Long-Term Contracting for Renewable Energy Recovery Reconciliation Provision (RIPUC No. 2175) references the "Company's short term interest rate."

- a. What rate is used to calculate interest in this tariff?
- b. What is the purpose of the short-term interest rate in this tariff?

Response:

- a. Under the ownership by National Grid, the short-term interest rate that the Company applied to the LTC Recovery Factor calculation was the National Grid USA Money Pool rate as was approved in Docket No. 4338.
- b. The purpose of the short-term interest rate is to calculate the interest to be recovered or refunded to customers on the balance of the under or over recovery due to the difference between the revenue and expenses for the reconciliation period.

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PUC 1-5

Request:

Is there any difference between the purposes of the cost recovery/reconciliation provisions listed in PUC 1-3 and those listed in PUC 1-1 and 1-4 that the Company believes supports the use of different carrying charges/interest rates?

Response:

There are no differences in the overall purposes of the cost recovery / reconciliation provisions listed in PUC 1-1, 1-3 and 1-4. The Company historically applies the customer deposit rate to over or under collections in cost recovery/reconciling provisions as the appropriate short-term interest rate; however, in specific mechanisms, such as the Long-Term Contracting for Renewable Energy Recovery Provision ("LTCRER"), the Company may be ordered to apply a different interest rate such as the actual cost of short-term debt. The Company is not opposed to updating its tariff to apply the customer deposit rate in the Renewable Energy Growth Program Reconciliation Factor and the Long-Term Contracting Recovery Factor for purposes of calculating interest to be recovered from or refunded to customers in future filings.