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Peter F. Neronha
Attorney General

June 20, 2023

Via Electronic Mail

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

RE: Docket No. 23-17-EL
RI Energy - Residential Assistance Recovery Filing

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers, please accept for filing the attached memorandum from Alberico Mancini, Chief Regulatory Analyst, that provides the agency's comments regarding the above reference docket.

Thank you for your attention to this submission.

Very truly yours,

/s/ Gregory S. Schultz

Gregory S. Schultz
Special Assistant Attorney General
On behalf of the Division of Public Utilities and Carriers

Enclosure

cc: 23-17-EL Service List
Linda George, Esq., Division Administrator
John Spirito, Esq., Division Deputy Administrator
Christy Hetherington, Esq., Division Chief Legal Counsel
Paul Roberti, Esq., Division Chief Economic and Policy Analyst



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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Memorandum

**To: Luly Massaro
Commission Clerk**

**From: Alberico Mancini
Division of Public Utilities & Carriers**

Date: June 20, 2023

Re: RI Energy – Residential Assistance Recovery Filing: Docket 23-17-EL

On May 15, 2023 The Narragansett Electric Company d/b/a Rhode Island Energy (“RIE” 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 Shephanie A. Briggs 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 2020 AMP Forgiveness, July 1, 2021 through June 2022, and status of Reconciliation of Recovery of CY 2021 AMP Forgiveness, July 1, 2022 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, 2021 through June 2022, and status of Reconciliation of Low-Income Discount and Recovery, July 1, 2022 through Present
- Schedule NECO-5 -- Typical Bills
- Schedule NECO-6 – Proposed Revisions to RAP Tariff

On May 22, 2023, the Company filed supplemental direct testimony of Stephanie A. Briggs which provided an explanation of the Company’s proposal to revise the RAP Tariff and further explained the current method of calculating the adjusted allowable bad debt as part of the calculation of the Recoverable Arrearage Forgiveness Amount and how the Company’s proposal will change the calculation to take into account the Purchase of Receivables (“POR”)Program. In response to data request PUC 1-1, the Company stated: “The Company confirms that the proposed Arrearage Management Adjustment Factor (“AMAF”) of \$0.00005 per kWh is not affected this year if the proposed changes to the RAP tariff for effect July 1, 2023, do not go into effect”. The Division is in agreement with the Company’s statement in response to PUC 1-1 and therefore we are limiting our comment in this memo to the calculation of the proposed factors, and we reserve our right to address the proposed tariff changes in a subsequent filing.

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.

As explained in Ms. Briggs’ supplemental testimony, the Company has included the Purchase of Receivables (“POR”) in its calculation of allowable bad debt and proposed to revise the RAP tariff to reflect the addition of the bad debt recovered through the POR to the calculation of the adjusted allowable bad debt in Section XII. AMP Cost Recovery.

The Company calculated the total allowable bad debt for Calendar Year 2022 to be \$15,418,693, while the actual bad debt was \$14,034,919. Since the actual bad debt did not exceed the allowance, the Company is only allowed under the tariff to recover the arrearages forgiven related to customers that unsuccessfully completed their AMP payment plan.¹

The AMP reconciliation for CY 2020 shows an over-recovery of \$18,423 through June 30, 2022. This over-recovery has been included as an adjustment to the CY2022 Recoverable Arrearage Forgiveness amount as shown below.

¹ The Company stated that a total of \$547,946 of arrears forgiven in CY 2022 was for successful participants and is not eligible for recovery.

The AMP reconciliation for CY2021 shows a remaining balance of \$164,237 as of the end of April 2023. The Company will continue to recover the remaining balance through June 30, 2023. Any remaining balance will be reconciled through next year’s proposed factor.

The total recoverable arrearage forgiveness amount for calendar year 2022 includes the following:

Recoverable AMP Forgiveness (defaulted)	\$ 155,298
Recoverable AMP Forgiveness (cancelled)	<u>\$ 281,755</u>
Recoverable Arrearage Forgiveness Amount	\$ 437,053
Over-Recovered from Prior Recovery Period Ending June 30, 2022	<u>\$ (18,423)</u>
Total Recoverable Arrearage Forgiveness Amount	<u>\$ 418,630</u>
Forecasted July 1, 2023 – June 30, 2024 kWh Deliveries	7,328,936,202
Proposed Arrearage Management Adjustment Factor	\$ 0.00005

The proposed AMAF of \$0.00005 is computed by dividing the total recoverable arrearage forgiveness amount by the forecasted kWh deliveries for the period July 1, 2023 through June 30, 2024. The proposed factor is a 29% decrease from the current AMAF of \$0.00007.

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 for the period July 1, 2023 through June 30, 2024 and the under or over-collection from the 12-month period ending June 30, 2022.

The LIDRF reconciliation shows an under-recovery of \$1,498,645 for the period July 1, 2021 through June 30, 2022. This under-recovery balance has been included as an adjustment to the estimated LIDRF for the period July 1, 2023 through June 30, 2024.

The LIDRF reconciliation for the period July 1, 2022 through June 30, 2023 shows a remaining balance of \$1,285,588 as of the end of April 2023. The Company will continue to recover the remaining balance through June 30, 2023. Any remaining balance will be reconciled through next year’s proposed factor.

The proposed LIDRF was calculated by estimating customers’ bills on current (as of April 1, 2023) A-60 rates 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 period May 2022 through April 2023. The total low-income discount at 25.8% is estimated at \$17,105,850 for the 12-month period ending June 30, 2024. As shown on Table 1 below, the estimated discount continues to increase due to a combination of an increase in the projected number of customers

on the A-60 rate and higher Last Resort Service (“LRS”) prices for the upcoming winter.

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
July 2023 – June 2024	\$17,105,850*	38,125

* Forecast

As shown below, the projected cost of \$17,105,850 for the upcoming 12-month period plus the actual under-collection of \$1,498,645 for the July 1, 2021 – June 30, 2022 period totals \$18,604,495. That total is then divided by the forecasted kWh’s for all customer classes apart from the A-60 class from July 1, 2023 through June 30, 2024, which results in a proposed LIDRF of \$0.00262/kWh.

Low Income Discount 25.8%	\$ 17,105,850
Under-Recovered from Prior Period Ending June 30, 2022	<u>\$ 1,498,645</u>
Total Low-Income Discount	<u>\$ 18,604,495</u>
Forecasted kWh Deliveries July 1, 2023 – June 30, 2024 (Excluding A-60 Rate kWh’s)	7,086,527,096
Proposed Low-Income Discount Recovery Factor	\$ 0.00262

The proposed LIDRF is an increase of \$0.00024/kWh from the current factor of \$0.00238/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 \$0.12, or about 0.1%.

Recommendation

The Division has reviewed the Company’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 \$0.00005 and LIDRF of \$0.00262.