



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Legal Section
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August 30, 2023

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

Re: Docket No. 23-24-REG

Dear Ms. Massaro:

The Division hereby submits a memorandum prepared by Michael Brennan, Consultant to the Division, wherein Mr. Brennan opines on the accuracy of the Company's reconciliation filing. The Division adopts Mr. Brennan's position and respectfully files the same for the Commission's consideration.

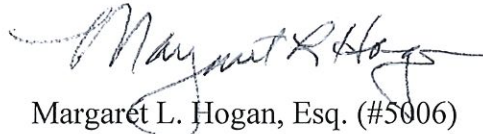
In addition to the accuracy of the filing, the Commission instructed the Company and Division to opine on the impact of Public Law Chapter 301 (2023) enacted on June 24, 2023 which struck General Law 39-26.6-12 (j) which had allowed for remuneration of 1.75%. The statute became effective upon passage.

The Division has reviewed the position statement filed by the Company on August 18, 2023 which concluded that the act's passage on June 24, 2023 did not alter the Company's legal right to fully reconcile its administrative costs- inclusive of remuneration, for the 2022 Program Year. For the same reasons set forth in the Company's memoranda, the Division concurs with this position. The Division notes that the remuneration was fully earned months before the passage of Public Law 301. The Company argues and the Division agrees:

- 1) RI Gen Law §43-3-22 provides a saving clause to the Company's right to remuneration.
- 2) Statutes are presumed to operate prospectively unless there is clear retroactive intent. In this case, the statute providing remuneration was simply struck along with other language. There was no language evidencing any intent for retroactivity.

As such, the Division's review of the Company's calculations was accomplished under a conditional directive to include the remuneration.

Very Truly Yours,

A handwritten signature in cursive script, appearing to read "Margaret L. Hogan".

Margaret L. Hogan, Esq. (#5906)
For the Division of Public Utilities &
Carriers
89 Jefferson Boulevard
Warwick, R.I. 02888
401-780-2120

cc: Ms. Linda D. George, Esq., Administrator
Mr. John Spirito, Esq. Deputy Administrator
Ms. Christy Hetherington, Esq.

Memo

To: Division of Public Utilities & Carriers

**From: Gregory L. Booth, PLLC
Mike Brennan**

Date: August 30, 2023

Re: Docket No. 23-24-REG – 2023 Renewable Energy (RE) Growth Program Factor Filing

On June 30, 2023, The Narragansett Electric Company d/b/a Rhode Island Energy (“Rhode Island Energy” or “Company”) filed with the Public Utilities Commission (“Commission”) its annual Renewable Energy (“RE”) Growth Program Factor filing proposing RE Growth Factors and RE Growth Reconciliation Factors effective October 1, 2023. The filing was in accordance with R.I. Gen. Laws Section 39-26.6-25(b) and Commission approved tariff, R.I.P.U.C. No. 2219, Renewable Energy Growth Program Cost Recovery Provision (“RE Growth Provision”). This memo is prepared to document my review of the proposed RE Growth Factors, the proposed RE Growth Reconciliation Factors, the accuracy of the underlying calculations, and to opine on the Company’s compliance with state law and the Commission approved tariff.

The Company’s current RE Growth Provision was approved by the Commission in Docket No. 22-04-REG. The applicable state law, Title 39, Chapter 26.6 of the Rhode Island General Laws, pertains to the RE Growth Program. Costs recoverable from all distribution ratepayers include: actual performance-based incentive payments to RE developers, Office of Energy Resources and the Company’s consultants, the Company’s 1.75% remuneration, the Company’s installation and capital costs associated with meter installations for small-scale solar projects, its billing system improvements necessary to facilitate performance-based incentive payments and the Company’s costs to administer the program including administering its participation in ISO New England’s Forward Capacity Market (“FCM”).

I have reviewed the filing made by the Company as well as the detailed spreadsheets that support the calculated rates. Based on this review, I found that the proposed RE Growth Program cost recovery factors are correctly calculated and are in accordance with the statute and the approved tariff.

Summary of Proposed Factors

The proposed combined monthly RE Growth Cost Recovery Factors for each rate class for the Period October 1, 2023 through September 30, 2024 are as follows:

	A	B	C	D	E
Rate Class	RE Growth Cost Recovery Factor	RE Growth Reconciling Factor	RE Growth Combined Factor (A +B)	Increase in Combined Factor from Prior Year	% Increase in Combined Factor
A-16 / A-60	\$3.40	\$0.62	\$4.02	\$2.44	154%
C-06	\$5.22	\$0.97	\$6.19	\$3.75	154%
G-02	\$53.60	\$9.95	\$63.55	\$39.22	161%
B-32 / G-32	\$440.91	\$81.96	\$522.87	\$324.91	164%
S-05/ S-06 / S-10 / S-14	\$0.33	\$0.06	\$0.39	\$0.25	179%
X -01	\$779.54	\$144.41	\$923.95	\$560.05	154%

RE Growth Cost Recovery Factor

The proposed RE Growth Cost Recovery Factor is based on the cost elements summarized below.

1) Estimated Performance Based Incentive Payments	\$49,902,169
2) Less Value of Market Products	(\$18,680,398)
3) Less Customer Share of FCM Proceeds	(\$42,624)
4) Estimated Net Cost (1-2-3)	\$31,179,147
5) Estimated Administrative Costs	\$1,249,227
6) Estimated Total RE Growth Costs (4+5)	\$32,428,374

Per Schedule NECO-2 (page 3) Rhode Island Energy projects 12 months of output from RE Growth projects to be 235,565,718 kWh's. The estimated net cost in line 4 above equates to ~\$0.1324/kWh. This is a substantial increase of about \$0.0474/kWh (or about 50% higher) from the comparable calculation based on 2022 Program costs and expected output. This was driven by a big decrease in the estimated market value of the energy and is the primary factor driving the high increase in the RE Growth Cost Recovery Factors shown in Column A in the Table above compared to the prior year. The estimated Total RE Growth Costs are allocated to rate classes in accordance with the RE Growth Provision.

I reviewed the supporting data provided by the Company and find that the above calculations were accurately developed in accordance with the RE Growth Provision.

RE Growth Reconciling Factor

The proposed RE Growth Reconciling Factor is based on a review of actual RE growth program expenses from April 2022 through March 2023 and 16 months of revenue including eight months of actual revenues from October 2022 through May 2023 plus four months of estimated revenue for June 2023 through September 2023, along with a true up of revenue previously estimated for June 2022 through September 2022. The resulting under or over-recovery amounts are further adjusted for forfeited Performance Guarantee Deposits and interest during the reconciliation period. The final reconciliation amount is allocated to customers in the same manner described above for the RE Growth Factor. The summary of the Reconciling Factor calculation is shown below:

1) Total Net RE Growth Factor Revenue	\$17,405,710
2) Total RE Growth Expense	\$24,104,455
3) Forfeited Performance Guarantee Deposits	(\$730,930)
4) RE Growth Under-Recovery (2-1+3)	\$5,967,815
5) Interest During the Reconciling Period	\$46,997
6) Total Amount to be Recovered (4+5)	\$6,014,811

The RE Growth Reconciling Factor was heavily influenced by lower actual credits for the value of the energy associated with the RE Growth projects than estimated in the prior year's filing, which resulted in a significantly higher net RE Growth Expense during the reconciliation period¹. The combined impacts of the higher RE Growth Factor combined with the large positive adjustment for the RE Growth Reconciling Factor result in a substantial increase in the RE Growth Combined Factor as shown in column C in the Table above.

I reviewed the supporting data provided by the Company and find that the above calculations were accurately developed in accordance with the RE Growth Provision.

Rhode Island Energy's Proposal Regarding True up of Certain Administrative Labor, Marketing and Meter Expenses

In its RE Growth Factor Filing, the Company identified a reporting gap that prevented the Company from presenting an accurate record of certain actual costs incurred during the 2022

¹ See response to PUC Data Request 1-2 comparing the estimated and actual PBIP's and Value of Market Products. As shown on line 2, the Value of Market Products was ~\$7.7 million less than estimated.

Program Year. So as not jeopardize the timely implementation of the proposed new RE Growth tariff rates, the Company has proposed the following²:

- 1) The Company will file, in this docket, by January 31, 2024 a letter that will include the results of the analysis and the final actual administrative labor costs and marketing and metering expenses for the 2022 Program Year.
- 2) The Company has committed to reconciling the actual costs for the 2022 Program year for the cost items in question in next year's Renewable Energy Growth Cost Recovery filing. The Company has further committed that this reconciliation will only result in a downward expense adjustment. In other words, if the actual costs exceed the original estimate from R.I.P.U.C. Docket No. 22-04-REG the company will make no adjustment. If the actual costs are lower than the original estimate, a downward adjustment will be made (including interest).

I reviewed the response to PUC Data Request and believe that the Company has offered a reasonable solution to this issue and will review the final analysis and the resulting potential impact on the RE Growth Factors when presented by the Company.

² See response to PUC Data Request 1-1 which provided a more detailed description of the issues that are preventing an accurate accounting of the actual costs and proposed a solution.