



STATE OF RHODE ISLAND  
OFFICE OF THE ATTORNEY GENERAL

150 South Main Street • Providence, RI 02903  
(401) 274-4400 • www.riag.ri.gov

*Peter F. Neronha*  
*Attorney General*

June 14, 2024

*Via Electronic Mail*

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

**RE: Docket No. 24-17-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 Alfred Contente, Rate Analyst, which provides the Division's position in the above-entitled docket.

Thank you for your cooperation in this matter.

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: 24-17-EL Service List  
Linda George, Esq., Division 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

Accounting Section  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888  
(401) 941-4500  
(401) 941-9248 – Fax

# Memorandum

**To: Luly Massaro**  
**Commission Clerk**

**From: Al Contente**  
**Division of Public Utilities & Carriers**

**Date: June 14, 2024**

**Re: RI Energy – Residential Assistance Recovery Filing: Docket 24-17-EL**

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On May 15, 2024 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 2021 AMP Forgiveness, July 1, 2022 through June 2023, and status of Reconciliation of Recovery of CY 2022 AMP Forgiveness, July 1, 2023 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, 2022 through June 2023, and status of Reconciliation of Low-Income Discount and Recovery, July 1, 2023 through Present
- Schedule NECO-5 -- Typical Bills

### 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 arrearages forgiven by the Company from successful payment plans that exceed the bad debt allowance for that calendar year.

On pages nine and ten of the testimony, the Company explained that the bad debt calculation used in this filing would not include any values from the Purchase of Receivables (“POR”) as those numbers are parsed and reconciled annually within a separate POR docket. The Division agrees that it is appropriate to exclude the bad debt related to the POR Program from the bad debt allowance calculation in this filing.

The Company calculated the total allowable bad debt for CY 2023 to be \$14,446,988<sup>1</sup>, while the actual bad debt was \$14,891,182<sup>2</sup>. Since the actual bad debt exceeded the allowance, the Company is allowed, per section XII of the tariff, to recover that portion of the arrearages forgiven related to customers that successfully completed their AMP payment plan that exceeds the bad debt allowance, in this case: \$444,194<sup>3</sup>.

The AMP reconciliation includes a prior period under-recovery balance of \$74,392 as of June 30, 2023. The under-recovery is included for recovery in the Company’s proposal as shown below.

The total recoverable arrearage forgiveness amount for CY 2023 includes the following:

Recoverable AMP Forgiveness (defaulted)	\$ 126,554
Recoverable AMP Forgiveness (cancelled)	<u>\$ 45,721</u>
Recoverable Arrearage Forgiveness Amount	\$ 172,275
Allowable Portion of Successful AMP Forgiveness	\$ 444,194
Under-Recovered from Prior Recovery Period Ending June 30, 2023	<u>\$ 74,392</u>
Total Recoverable Arrearage Forgiveness Amount	<u>\$ 690,861</u>
Forecasted July 1, 2024 – June 30, 2025 kWh Deliveries	7,342,483,665
Proposed Arrearage Management Adjustment Factor	\$ 0.00009/kWh

<sup>1</sup> Schedule NECO-1, Page 2, Line (7)

<sup>2</sup> Schedule NECO-1, Page 2, Line (8)

<sup>3</sup> Schedule NECO-1, Page 2, Line (11)

The proposed AMAF of \$0.00009/kWh is computed by dividing the total recoverable arrearage forgiveness amount by the forecasted kWh deliveries for the period July 1, 2024 through June 30, 2025. The proposed factor is a small increase to the current factor \$0.00005/kWh.

**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 Low-Income Residential Rate Class (A-60) for the period July 1, 2023 through June 30, 2024 and the under or over-collection from the 12-month period ending June 30, 2023.

The LIDRF reconciliation shows an under-recovery of \$1,078,063 for the period July 1, 2022 through June 30, 2023. This under-recovery is included for recovery in the proposed LIDRF for the period July 1, 2024 through June 30, 2025.

The LIDRF reconciliation for the current period of July 1, 2023 through June 30, 2024 shows a remaining balance of \$1,070,308 as of the end of April 2024. The Company will continue to recover revenues and incur additional discounts through June 30, 2024, and any over or under recovered balance at that time will be reconciled through next year’s filing.

The proposed LIDRF was calculated by using an average of the number of low-income customers (36,320) for the period May 2023 – April 2024, then calculating the total charges at the full residential rate (Rate Class A-16), and then discounting it using a blend discount rate of 25.9%. The blended discount rate is based on actual low-income discounts at the 25% and 30% levels for the period May 2023 through April 2024. The total low-income discount is estimated at \$18,594,044 for the 12-month period ending June 30, 2025. As shown on Table 1 below, the total discount has increased over the past five years due to a combination of an increased rates and an increase in the number of customers on the A-60 rate each year except for the most recent one.

**Table 1**

Time Frame	Total Annual Low-Income Discount	Average Monthly A-60 Customer Count^
July 2019 – July 2020	\$12,042,555	32,830
July 2020 – July 2021	\$12,646,566	32,395
July 2021 – July 2022	\$13,976,850	35,289
July 2022 – July 2023	\$16,568,386	38,125
July 2023 – July 2024	\$18,594,044*	36,320

\* Forecast;

^ May - April

### Review of A-60 Customer Counts

As noted earlier the Company based their calculation of the estimated discount on an A-60 customer count of 36,320, which was the average of the actual A-60 customer counts for the 12-month period ending April 24 (NECO -3, Page 2 of 2). The Division noticed that the number of A-60 customers declined from 38,597 in November 2023 to 33,903 in December 2023, followed by an average of approximately 32,000 over the first four months of 2024. The Division was concerned that the Company's estimate of the discount would be overstated if the trend of lower A-60 customer counts continued. In response to Division data request 3-1, the Company responded to this concern, and stated in part:

Although the average monthly A-60 customer count for the period January through April 2024 is approximately 12% lower than the average monthly A-60 customer count for the 12-months ending April 2024, the Company does not have any reasonable basis from which to assume that this pattern will hold over the forecast period July 2024 through June 2025. Based on the prior 5 filings, the relatively most reliable indicator of actual average monthly A-60 customer counts for the upcoming forecast period is the Company's forecast.

The Division is in agreement with the Company's response that there is no basis to assume that the lower A-60 customer counts will continue and that continued use of the average customer count for the 12 months ended April 2024 is reasonable. In addition, using a lower customer count that may not actually be realized could lead to a sizable under recovery of costs, which the Division believes should be avoided. Accordingly, we are not recommending any adjustments to the customer account used in the Company's calculation.

### Review of Factor Calculation

As shown below, the projected cost of \$18,594,044 for the upcoming 12-month period plus the actual under-collection of \$1,078,063 for the July 1, 2022 – June 30, 2023 period totals \$19,672,040. That total is then divided by the forecasted kWh's for all customer classes except for the A-60 class from July 1, 2024 through June 30, 2025, resulting in a proposed LIDRF of \$0.00277/kWh.

Estimated Low Income Discount	\$ 18,594,044
Under-Recovered from Prior Period Ending June 30, 2023	\$ <u>1,078,063</u>
Total Low-Income Discount	\$ <u>19,672,107</u>
Forecasted kWh Deliveries July 1, 2024 – June 30, 2025 (Excluding A-60 Rate kWh's)	7,097,532,040
Proposed Low-Income Discount Recovery Factor	\$ 0.00277/kWh

The proposed LIDRF is an increase of \$0.00015/kWh from the current factor of \$0.00262/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 \$0.10, or about 0.1%.

### **Recommendation**

The Division reviewed the Company's Residential Assistance Recovery Filing and concluded that the Company's AMAF and LIDRF calculations are correct and made in accordance with the approved tariff. Accordingly, we recommend approval of the proposed AMAF of \$0.00009/kWh and LIDRF of \$0.00277/kWh.