



## STATE OF RHODE ISLAND

### DIVISION OF PUBLIC UTILITIES & CARRIERS

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## Memorandum

**DATE:** July 5, 2024

**TO:** Luly Massaro  
Clerk, Public Utilities Commission

**FROM:** John Bell  
Chief Accountant, Division of Public Utilities and Carriers

**SUBJECT:** R.I.P.U.C. Docket No. 24-05-EG - The Narragansett Electric Co. d/b/a Rhode Island Energy's Petition for Approval to Create Regulatory Assets for Waived Electronic Transaction Fees

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On January 31, 2024, the Narragansett Electric Company d/b/a Rhode Island Energy ("RIE" or the "Company") filed with the Public Utilities Commission ("Commission") a petition for approval to create regulatory assets for future consideration of recovery of waived Electronic Transaction Fees that have been incurred by the Company on behalf its customers. These fees include credit card, debit card, and other similar fees, for both electric and gas customers. Electronic Transaction Fees are not included in the Company's cost of service and had previously been charged directly to the customers using electronic payment methods up until the time of the COVID-19 pandemic. As a result of the pandemic, the Commission opened Docket No. 5022 – Suspension of Service Terminations and Certain Collections Activities During the COVID-19 Emergency. As part of this docket, the Commission required utilities to suspend charging customers directly for credit card fees, debit card fees, and ACH fees<sup>1</sup>. The Commission further stated that utilities that don't have the fees in their revenue requirements should track the fees for later review.

The Company's petition in this docket specifically requests the following:

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<sup>1</sup> See Ordering Paragraph 5, Order No. 22836 (May 8, 202)

*PUC authorization to (i) record \$4,739,294 (inclusive of interest) for Electronic Transaction Fees incurred on behalf of its electric and gas customers from July, 1, 2020 through January 31, 2024, plus any Electronic Transaction Fees incurred thereafter until the date of the PUC’s decision in this docket as regulatory assets; and (ii) to record the amount of the Electronic Transaction Fees assessed on a going forward basis as a regulatory asset until the Company’s next general rate case or as otherwise determined by the PUC<sup>2</sup>.*

Based on our review of the Company’s filing and the Commission orders in Docket 5022, the Division does not object to the Company’s request to record a regulatory asset related to the waived electronic payment fees. However, as explained below, we recommend a downward adjustment to the Company’s request to record \$4,739,924 for the period from July 1, 2020 through January 31, 2024. The \$4,739,924<sup>3</sup> is broken down between electric and gas operations as follows.

Electronic Payment Fees and Interest for the period Jul 2020 through Jan 2024			
	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
Fees	\$3,105,822	\$1,482,056	\$4,587,878
Interest	\$102,562	\$48,853	\$151,416
<b>Total</b>	<b>\$3,208,384</b>	<b>\$1,530,910</b>	<b>\$4,739,294</b>

The Company’s request to record an initial regulatory asset of \$4,739,924 reflects the full amount of the waived electronic payment fees and associated interest; however it does not take into account the impact of earnings sharing. Since the Company is requesting to reverse a previously recorded expense,<sup>4</sup> the impact on earnings must be taken into consideration. In other words, the earnings should be looked at as if the Company had authorization from July 1, 2020 to record the waived fees as a regulatory asset and had not charged those costs to expense. Reversal of the previously recorded expenses increases earnings during that period. The following chart shows the Company’s reported earnings for calendar years 2020 through 2022 before reversal of the waived fee expenses.

<u>Return on Equity</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gas Operations	7.94%	8.29%	3.68%
Electric Operations	<b>10.74%</b>	<b>10.02%</b>	5.68%
Allowed ROE in Docket 4770	9.275%	9.275%	9.275%

The Company’s gas earnings were below the 9.275% allowed Return on Equity (“ROE”) for each year through 2022, even after reversal of the waived fee expenses. Thus, the Division is not

<sup>2</sup> See pages 5 and 6 of the prefiled testimony of Witnesses Briggs and Currie.

<sup>3</sup> Schedule A of RIE’s filing provides a monthly breakdown of its claim, however October 2022 is omitted. The Division informally requested an explanation from RIE concerning the omission and its response is pending.

<sup>4</sup> See pages 8 of the prefiled testimony of Witnesses Briggs and Currie.

recommending any adjustment to Company’s requested gas regulatory asset of \$1,530,910 at this time. However, the Company’s electric earnings exceeded the allowed ROE of 9.275% in 2020 and 2021. In 2020, earnings were at the 75% sharing level, both before and after reversal of the waived fee expenses. In 2021, earnings were at the 50% sharing level, both before and after reversal of the waived fee expenses. In 2022, the electric earnings were below the 9.275% allowed ROE, even after reversal of the waived fee expenses.

To accurately reflect the operation of the earnings sharing mechanism, the Division recommends that the level of waived fees to be recorded as a regulatory asset be reduced by 75% and 50% for calendar years 2020 and 2021, respectively. The following chart summarizes the Division’s calculation of its recommended adjustments.

	Waived Fees	ROE Sharing Range	Excess Revenue
2020	\$353,926	75%	\$ 265,445
2021	\$785,459	50%	\$ 392,730
Total	<u>\$1,139,385</u>		<u>\$ 658,174</u>
Estimated Interest			\$ 33,704
Total to be Credited to Customers			<b>\$ 691,878</b>
Company's Request			\$ 3,208,384
Division Recommendation			<b>\$ 2,516,506</b>

Based on the Division’s calculations, we recommend that the Company’s regulatory asset request for electric operations be reduced by \$691,878 to \$2,516,506.

We further note that the 2023 earnings report is scheduled to be filed in mid-July and therefore reserve our right to adjust our recommendation for both the gas and electric operations based on the Company’s 2023 earnings. Assuming this docket is resolved in 2024, and the waived fees in 2024 and going forward are charged directly to the regulatory asset, no future earnings related adjustments will be necessary.