STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC	**:**	
COMPANY d/b/a RHODE ISLAND ENERGY	**:**	**DOCKET NO. 24-07-EL**
2024 ANNUAL RETAIL RATE FILING	**:**	

ORDER

On February 16, 2024, The Narragansett Electric Company d/b/a Rhode Island Energy (RI Energy or Company) submitted to the Public Utilities Commission (Commission) its annual retail rate filing.[1] The purpose of the filing is to propose rate adjustments related to certain expenses that are subject to reconciliation. Generally, each of the cost components are related to statutorily mandated activities by RI Energy for which the law allows full cost recovery with reconciliation, either to recover under-collections or return to customers over-collections from previously approved rates, and in the case of transmission, projected 2024 expense. The instant filing proposed rate adjustments for ten separate factors falling into the following five expense categories: energy supply procurement (Last Resort Service/LRS);[2,3,4] transmission expenses;[5]

[1] All filings may be accessed on the Commission's website at: https://ripuc.ri.gov/Docket-24-07-EL or at the Commission's office, 89 Jefferson Blvd., Warwick, RI 02888.

[2] R.I. Gen. Laws § 39-1-27.3(c) states: "In recognition that electricity is an essential service, each electric distribution company shall arrange for a last-resort power supply for customers who … are not otherwise receiving electric service from nonregulated power producers. The electric distribution company shall procure last-resort service supply from wholesale power suppliers…The electric distribution company's last-resort service revenues and its last-resort service costs shall be accounted for and reconciled with interest at least annually. Any over recoveries shall be refunded and any under recoveries shall be recovered by the electric distribution company through a uniform adjustment factor approved by the commission. The commission shall have the discretion to apply such adjustment factor in any given instance to all customers or to such specific class of customers that the commission deems equitable under the circumstances provided that the distribution company recovers any under recovery in its entirety."

[3] Last Resort Service rates being reconciled for the periods April 1, 2023, through September 30, 2024, and October 1, 2024 through December 31, 2023, were set in Docket No. 23-01-EL.

[4] The factors included in energy supply recovery are the Last Resort Service Adjustment Factor (over- or under-collection of energy supply costs), Last Resort Service Administrative Factor (costs associated with procurement activities; renewable energy standard compliance, notice requirements, and uncollectible expense), and Last Resort Service Revenue Adjustment Factor (balances associated with customers who left LRS during the pricing period). The Company did not propose a LRS Revenue Adjustment Factor in this docket.

[5] Transmission expense is incurred by RI Energy and is subject to federal jurisdiction. The Commission's role is to design and set retail rates to allow recovery of those costs by RI Energy. The factors include the base Transmission

transition charges (arising from the 1996 Utility Restructuring Act);[6] Net Metering;[7] and Long-term Contracting for Renewable Energy (LTCRER).[8] With the exception of the LTCRER, RI Energy is not allowed to include a mark-up on the expenses for which it is seeking cost recovery.

RI Energy submitted pre-filed testimony from six witnesses in support of their filing. The witnesses provided explanations and schedules to support their calculations and proposed rate adjustments.[9] For each factor, the Company submitted tables that showed the total cost for the period January 1, 2023 through December 31, 2023, the revenues billed during that same period based on the rates set in prior dockets, along with any other offsetting revenues, and the over- or under-collections resulting from the difference between the total revenues and expenses. The Company added in any remaining over- or under-collections from the period ending December 31, 2022. Rates are developed by customer class, where some are uniform per kWh factors, and others are based on each specific customer class's contribution to the expenses and revenues. The rates are set to recover the costs over the period April 1, 2024 through March 31, 2025.

Following an exchange of discovery, submission of a position memorandum by the Division of Public Utilities and Carriers (Division), a public comment hearing and evidentiary hearing, the Commission considered the evidence in the record. At an Open Meeting held on March 26, 2024, the Commission approved all but the Last Resort Service Adjustment Factor for effect April 1, 2024, finding that the approved factors had been calculated consistently with the applicable tariffs. The Last Resort Service Adjustment Factor was set at $0.00, pending further review by the Commission. The Commission also approved RI Energy's request for confidential

Service Charge (estimated 2024 transmission expense) and Transmission Service Adjustment Provision (reconciliation of 2023 expenses to revenues).
[6] R.I. Gen. Laws § 39-1-27.4.
[7] R.I. Gen. Laws § 39-26.4-3(c).
[8] R.I. Gen. Laws § 39-26.1-4 to 5.
[9] Test. of Blazunas, Souza, Shields, Oliveira, Salk, and Spinu.

treatment under R.I. Gen. Laws § 38-2-2(4)(B) of an Excel File that contained commercially sensitive information about the LRS solicitations, including competitive financial information that would not ordinarily be disclosed. According to RI Energy, if that information was disclosed, it could harm future solicitations by giving potential suppliers insight into their competitors' bidding.

The reason the Commission deferred review of the Last Resort Service Adjustment Factor, designed to credit customers with a $26 million over-collection was because of the unique circumstances where a substantial portion of electric customers switched from LRS to a competitive supplier (non-regulated power producer) through community electricity aggregation.[10] The Company had proposed to return to all distribution customers, regardless of their source of energy supply, the full $26 million of the over-collection arising from the difference between the expense and revenues from LRS customers. Almost the entire over-collection, approximately $24 million was attributable to residential customers. Schedule NECO-2 showed that the residential "account" was in a negative position (under-collected) through September 2023, with the bulk of the over-collection occurring after September 2023.

The Open Access Report filed in Docket No. 2515 showed that the number of residential customers moving from LRS to competitive supply quadrupled between May 2023 and June 2023,[11] at which time, the cumulative under-collection was over $9 million.[12] The Commission questioned whether all customers should receive the benefit of the over-collection that appeared to come primarily from customers who stayed on LRS. However, the record was not yet fully developed, and in particular, the Commission did not have sufficient information to properly assess

[10] R.I. Gen. Laws § 39-3-1.2 allows a municipality to aggregate the "retail electrical loads located, respectively, within the municipality or town and, for that purpose, may enter into service agreements to facilitate for those loads the sale and purchase of electricity."
[11] Docket No. 2515 Open Access Report, 2023-Q2, at 1.
[12] Docket No. 24-07-EL, Schedule NECO02, at 2.

the potential market impact of either returning all of the credit back to only Last Resort Service customers. Accordingly, the Commission declined to approve the credit at that time.[13]

On March 28, 2024, RI Energy submitted a compliance filing reflecting an LRS Adjustment Factor of $0.00. The Commission also reviewed an issue raised at the evidentiary hearing related to the calculation of the LTCRER Factor. As part of the calculation of the LTCRER Factor, RI Energy had originally included $14,445 in administrative costs for 2023, prompting a question from the Division[14] given that the prior year had such costs at $2,668.[15] The Company responded that the correct administrative charge was $7,682 "due to an increase in billable hours by contracts associated with the finalization of the transition of the FCM administrative function from National Grid to RI Energy."[16] As part of a Settlement with the Rhode Island Attorney General, when PPL acquired The Narragansett Electric Company, it agreed to absorb all transition costs, thus prompting the clarifying hearing questions by both the Division and Commission at the hearing.[17] The Company witnesses were directed to provide a written response following the hearing. In that response, the Company advised that of the $7,682, $1,580 should not have been included because it was a cost of training a RI Energy employee to perform the functions previously performed by a National Grid employee and was, therefore, a transition cost. Removing that dollar amount did not affect the factor and thus, no further Commission action was necessary.

Accordingly, it is hereby,

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[13] The Company submitted several responses to record requests on this subject. The disposition of the over-collection was later addressed in Docket No. 24-31-EL, In re: Rhode Island Energy Last Resort Service Rates for Effect October 1, 2024. In its September 19, 2024 decision, the Commission approved a proposal to return the over-collection to LRS Customers in December 2024. Eligible credit recipients were those on LRS as of September 1, 2024. RI Energy Compliance Filing (Sept. 25, 2024).
[14] DIV 1-9.
[15] RI Energy Response to RR-1.
[16] RI Energy Response to DIV 1-9.
[17] Hr'g. Tr. at 14-20 (Mar. 19, 2024). To clarify, these are costs related to the transition of operations from National Grid to Rhode Island Energy and not to the aforementioned Utility Restructuring Act transition costs for which rates are considered in this docket.

(25227) ORDERED:

1. The Narragansett Electric Company d/b/a Rhode Island Energy's Last Resort Service Adjustment Factor shall be set at $0.00 effective April 1, 2024.
2. The Narragansett Electric Company d/b/a Rhode Island Energy's Last Resort Service Administrative Cost Factors, Transition Charge, Transition Adjustment Factor, Transmission Service Charge, Transmission Service Cost Adjustment Factors, Transmission Uncollectible Factor, Net Metering Charge, and Long-Term Contracting for Renewable Energy Reconciliation Factor is approved as filed for effect April 1, 2024.
3. The Narragansett Electric Company d/b/a Rhode Island Energy's Motion for Confidential Treatment of the Excel entitled "2_NECO-2-5 and 7-8 LRS_CONFIDENTIAL", is exempt from the public disclosure under R.I. Gen. Laws §§ 38-2-2(4)(B).
4. The Narragansett Electric Company d/b/a Rhode Island Energy is reminded to include more complete information in its future transmission testimony similar to that which was contained in Response to Record Request 3.
5. The Narragansett Electric Company d/b/a Rhode Island Energy is cautioned to thoroughly review its expenses to ensure removal of transition costs related to the PPL acquisition.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2024, PURSUANT TO OPEN MEETING DECISIONS ON MARCH 26, 2024 AND MARCH 28, 2024. WRITTEN ORDER ISSUED JANUARY 6, 2025.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski, Chairman

Abigail Anthony, Commissioner

*John C. Revens, Jr., Commissioner

*Commissioner Revens is unavailable for signature due to his retirement.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Rhode Island Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.