

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID ANNUAL RETAIL RATE FILINGS : **DOCKET NOS. 5005**
FOR 2020, 2021, AND 2022 : **5127 & 5234**

ORDER

In February of each year, The Narragansett Electric Company (Company) submits to the Public Utilities Commission (Commission) a retail rate filing for rates effective April 1 of that year. 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);^{1,2,3} transmission expenses;⁴ transition charges

¹ 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.”

² 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.

³ 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.

⁴ 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 Service Charge (estimated 2024 transmission expense) and Transmission Service Adjustment Provision (reconciliation of 2023 expenses to revenues).

(arising from the 1996 Utility Restructuring Act);⁵ Net Metering;⁶ and Long-term Contracting for Renewable Energy (LTCRER).⁷ 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.

Docket No. 5005 – 2020 Annual Retail Rate Filing

On February 14, 2020, the Company doing business as National Grid submitted its proposed rate adjustments for the period commencing April 1, 2020.⁸ Revisions were subsequently filed on February 21, 2020 and March 9, 2020. On March 17, 2020, the Division submitted a memorandum from its consultant, Daymark Energy, regarding their review and recommendation indicating the calculations to be various reconciliations appear to be correct. In light of the COVID-19 emergency in effect in Rhode Island, no hearing was held. At an Open Meeting held on March 18, 2020, the Commission approved the proposed rate changes on an interim basis subject to further review and hearing at some date in the future. The Commission also directed the Company to follow the recommendation from the Division of Public Utilities and Carriers (Division), that the Company use actual expenses for the transmission service reconciliation if those actual costs are available prior to the charge going into effect on April 1, 2020. No further action was taken in this matter and the rates were finalized as a result of the following annual retail rate filing made on February 12, 2021.

Docket No. 5127 – 2021 Annual Retail Rate Filing

On February 12, 2021, the Company doing business as National Grid submitted its proposed rate adjustments for the period commencing April 1, 2021.⁹ During its review of the

⁵ R.I. Gen. Laws § 39-1-27.4.

⁶ R.I. Gen. Laws § 39-26.4-3(c).

⁷ R.I. Gen. Laws § 39-26.1-4 to 5.

⁸ All filings in this docket can be viewed at the PUC's offices at 89 Jefferson Blvd., Warwick, RI during business hours or found on the PUC website at: <https://ripuc.ri.gov/eventsactions/docket/5005page.html>.

⁹ All filings in this docket can be viewed at the PUC's offices at 89 Jefferson Blvd., Warwick, RI during business hours or found on the PUC website at: <https://ripuc.ri.gov/eventsactions/docket/5127page.html>.

filing, the Commission identified three areas of concern: (1) whether the forecasts used to calculate the contract termination costs (CTC) were resulting in a reasonable retail charge; (2) whether the Company was correctly administering its net metering tariff; and (3) whether the calculation of the Block Island Transmission System (BITS) cable related charges that were approved by the Federal Energy Regulatory Commission (FERC) was compliant with R.I. Gen. Laws § 39-26.1-7(e)-(f). The Commission noted that the BITS cable crossed both federal and state jurisdictional issues.

Following an exchange of discovery, an evidentiary hearing, and a review of responses to record requests issued at the hearing, at an Open Meeting held on March 29, 2021, the Commission approved the last resort service reconciling factor and the long-term contracting for renewable energy recovery factor. Finding the old forecasts used to calculate the CTC factor to be too outdated to result in a reasonable factor, the Commission ordered a reduction in the factor to return a \$10.4 million balance that had accrued for the benefit of customers. While the CTC factor calculation was part of a FERC Settlement, the retail rate setting still remains with the Commission in an instance where the funds could either be returned to customers or continue to be held for the benefit of ratepayers with interest. The Commission found that reasonable ratemaking principles is not about investing ratepayer dollars to accrue a carrying charge, but about returning money to ratepayers in a manner that more accurately reflects cost causation and intergenerational equity - matching costs (or credits) more closely to the time the costs (or credits) are incurred. The Company had not objected to the change when it responded to record request 2.

Moving to administration of the net metering tariff, the Commission expressed frustration with the quality of the Company's responses to questions about crediting. While the billing system may be causing a challenge to administration of the tariff, it is the tariff, not the billing system that was approved. It is the Company's responsibility, not the Commission's, to administer the tariff as

drafted. The Commission, therefore, approved the net metering charge subject to refund following a full investigation. The Company was directed to file a comprehensive evaluation of its net metering customers at the end of years 2019 and 2020. The evaluation was to report on (1) net metering customers with negative net kWh at the end of each year; and (2) the value of net metering credits paid for the negative kWh.¹⁰

Finally, with respect to the calculation of the BITS charge, the Commission found that the methodology did not appear consistent with state law nor with generally accepted regulatory practices. Nor did the calculation result in rates that are just and reasonable. Instead, the calculations appeared to be resulting in more than \$45 million in excess profits to the utility. The Commission approved the transmission charges subject to refund pending further examination. The Commission indicated that it would be requiring the Company to make a filing to further evaluate the apparent inconsistency with state law and to explain how the BITS is being treated in the annual earnings sharing report.

On April 1, 2021, the Company submitted a letter in the docket acknowledging the concerns and advised that it had begun to consider an alternative solution for the BITS Surcharge. The Company explained that it has been working in collaboration with the Division on a proposed solution relating to the carrying charge formula applied to the BITS Surcharge. The Company committed to continuing to work with the Division to advance a proposed solution that is in the best interest of Rhode Island customers, while remaining consistent with FERC precedent, as expeditiously as possible. The Company further advised that it had reached a conceptual agreement to amending the carrying charge formula and have conceptually agreed on a possible solution.

¹⁰ This issue was ultimately resolved in Docket No. 23-05-EL; Order No. 25052 (May 10, 2024).

They anticipated reaching a resolution regarding further details (including the process before FERC) in the weeks ahead.¹¹

Almost a year later, on February 2, 2022, the Company submitted another letter to update the Commission prior to making its 2022 Annual Retail Rate Filing. The Company and Division had reached an agreement to resolve the Commission's stated concerns along with a dispute between the Company and Division about cost responsibility for remediation costs related to the reburial of the cable between Block Island and the mainland. The Company agreed: (1) to be held to a cost cap for the reburial costs; (2) to a new formula rate that was filed at FERC on December 22, 2021 for effect January 1, 2022; (3) a true-up mechanism to reflect the new formula where the projected costs are based on actuals instead of a forecast and as such, at the end of the year, the forecast will be trued up to actuals; (4) a revenue credit of \$12 million to be allocated among National Grid customers and Block Island Utility District; and (5) to file all necessary tariff changes to effectuate the agreement.¹²

Docket No. 5234 – 2022 Annual Retail Rate Filing

On February 15, 2022, the Company doing business as National Grid submitted its proposed rate adjustments for the period commencing April 1, 2022.¹³ The filing included the new BITS calculation. Company transmission witness Alexi Spinu explained how the new formula would work and provided supporting schedules.

On March 16, 2022, the Division submitted a memorandum from its consultant, Daymark Energy, regarding their review and recommendation indicating the calculations to be various reconciliations appear to be correct. Following an exchange of discovery and a hearing, at an Open

¹¹ Letter from National Grid (Apr. 1, 2021).

¹² Letter from National Grid (Feb. 4, 2022).

¹³ All filings in this docket can be viewed at the PUC's offices at 89 Jefferson Blvd., Warwick, RI during business hours or found on the PUC website at: <https://ripuc.ri.gov/eventsactions/docket/5234page.html>.

Meeting held on March 29, 2022, the Commission approved the factors except for transmission which the Company directed to be recalculated based on corrected reconstituted load impacts for the period April 2022 through March 2023. The net metering charge was approved subject to refund pending finalization of the review of the Company's administration of the net metering charge.

Accordingly, it is hereby,

(25289) ORDERED:

1. The Narragansett Electric Company Tariff RIPUC No. 2095, filed on March 20, 2020, is approved for effect April 1, 2020.
2. The Narragansett Electric Company Tariff RIPUC No. 2095, filed on March 31, 2021, is approved for effect April 1, 2021.
3. The Narragansett Electric Company Tariff RIPUC No. 2246, cancelling RIPUC No. 1188, reflecting the March 29, 2021 decision affecting the Non-Bypassable Transition Charge Adjustment Factor is approved for effect April 1, 2021.
4. The Narragansett Electric Company Tariff RIPUC No. 2095, filed on March 29, 2022 is approved for effect April 1, 2022.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2020, PURSUANT TO AN OPEN MEETING DECISION ON MARCH 18, 2020.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2021, PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2021.

EFFECTIVE ON APRIL 1, 2022, PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2022. WRITTEN ORDER ISSUED APRIL 15, 2025.

PUBLIC UTILITIES COMMISSION

*Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner

*Chairman Gerwatowski did not participate in the 2020 decision in Docket No. 5005. Chairperson Curran and Commissioner Gold voted in the affirmative with Commissioner Anthony but have since left the PUC.

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 Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.