

Division of Public Utilities and Carriers
Memorandum

To: Luly Massaro
Commission Clerk

Date: June 18, 2015

From: Stephen Scialabba
Division of Public Utilities

Subject: National Grid Renewable Energy Growth Factor Filing for the Period April 1, 2015 Through March 31, 2016. Docket 4542.

On May 22, 2015, National Grid filed a Supplemental Filing¹ seeking to implement Renewable Energy Growth Factors, in accordance with state law and NGrid tariff RIPUC No. 2153, the Renewable Energy Growth Program Cost Recovery Provision. That tariff was approved by the Commission at open meeting on March 31, 2015. The applicable state law, Title 39, Chapter 26.6 pertains to the RE Growth Program. Sections 4, 12, 13, 18, 25 of Chapter 26.6 all pertain to various components of cost recovery for National Grid, associated with the Company's involvement in the RE Growth Program. Costs recoverable from all distribution ratepayers runs the gamut from OER/NGrid consultants to utility personnel costs (fully loaded with overheads), NGrid's 1.75% adder on top of performance-based incentive payments to RE developers, installation and capital costs associated with meter installation for small-scale solar projects, and NGrid billing system improvements necessary "to facilitate payments of performance-based incentives and administering net metering".

According to 39-26.6-25, the forecasted net aggregate amount of RE program costs shall be used to design a fixed monthly charge per customer to recover the net forecast (of program costs) in rates from all distribution customers. NGrid has developed such a fixed charge per customer. The charge is differentiated by customer class, based on the use of the total rate base allocated to each rate class as per the rate base allocator from the most recently approved cost of service study from the last rate case. This is in accordance with the approved tariff.

¹ Supplementing the Initial Filing in this docket made on December 30, 2014.

NGrid Schedule NG-1, Supplemental summarizes the forecasted expense as follows:

(1) Est. Performance-Based Incentive Payments	\$609,597
(2) Less: Value of Market Products (RECs)	(<u>\$94,188</u>)
(3) Net Cost	\$515,410
(4) Est. Administrative Expense	\$1,182,050
(5) Revenue Req't – Meter Investment	\$1,054
(6) Est. Remuneration	<u>\$10,668</u>
(7) Total est. RE Growth Program Expense	\$1,709,182

Additional detailed data was supplied to show how these numbers were developed. Estimated output in the first year is 1,839,600 kWh.

The filing forecasts 3 projects receiving performance incentives during the first program year of 4/1/15-3/31/16. There are two solar projects with a unit capacity of 7.5 kW each, and one solar with a unit capacity of 20.0 kW, for a total of 35kW of installed unit capacity in year one. The unit availability factor is 14% for each.

The net per kWh cost (for produced energy) for the performance-based incentive payments for the three units, after sale of RECs is 28¢ / kWh.

(\$515,410/1,839,600kWh). The net per kWh cost after credit for REC sales and including administrative costs, meter investment, and NGrid remuneration, is 93¢/kWh (\$1,709,182 / 1,839,600 kWh). Over the ensuing program years, the total net cost per kWh and kW should decline assuming program year output increases at a faster pace than the total of administrative cost, meter investment, and remuneration cost burden.

I can represent that the May 22, 2015 filing and proposed RE growth program cost recovery factors are in accordance with the statute and the approved tariff and should therefore go into effect July 1, 2015, subject to further review and analysis. The Division has not had sufficient time to do discovery and a thorough review of

the reasonableness of the projected program costs, for example the incremental personnel and billing system costs, and we intend to do such a review. We therefore reserve our right to do further analysis of the Company's request for recovery of program costs with the ability to make further recommendations to the Commission in the context of this proceeding or a future proceeding on the reconciliation of program costs and RE growth program factor revenues.