

Division of Public Utilities and Carriers
Memorandum

To: Luly Massaro
Commission Clerk

Date: September 12, 2017

From: Alberico Mancini
Division of Public Utilities

Subject: National Grid's 2017 Renewable Energy (RE) Growth Program Factor Filing. RIPUC Docket 4707.

On June 30, 2017, National Grid filed the Company's RE Growth Program Factor filing proposing Renewable Energy Growth Factors and RE Growth Reconciliation Factors effective October 1, 2017, in accordance with state law and National Grid tariff RIPUC No. 2176, the Renewable Energy Growth Program Cost Recovery Provision. That tariff was approved in Docket 4676 by the Commission at the February 17, 2017 hearing. 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". This memo is made to document our review of the proposed RE Growth Factors and Reconciliation Factors and to opine on its compliance with the statute and PUC approved tariff, and the accuracy of the underlying calculations and proposed RE Growth Factors.

The Company is proposing RE Growth Factors which are based upon an estimate of the incremental cost subject to recovery for the 2017 Program year (April 2017 through March 2018). This filing also includes the second annual RE Growth Program reconciliation of actual RE Growth revenue for the period April 2016 through March 2017 as well as actual costs to implement and administer the RE Growth Program during the period April 2016 through March 2017. The proposed RE Growth Factors and RE Growth Reconciliation Factors will be

combined and presented as a single monthly charge on customer's bills to become effective October 1, 2017.

RE Growth Program Estimated Cost for the 2017 Program Year

NGrid Schedule ASC-2, summarizes the forecasted expense for the 2017 Program year as follows:

(1) Est. Performance-Based Incentive Payments	\$7,506,505
(2) Less: Value of Market Products (PRDCTS)	(\$1,353,263)
(3) Less: Customer Share of Forward Capacity Market (NFCMP)	<u>\$0</u>
(4) Net Cost	\$6,153,242
(5) Est. Administrative Expense	\$1,445,531
(6) Total est. RE Growth Program Expense	\$7,598,773

Additional detailed data was supplied by National Grid to show how these numbers were developed. This data was reviewed by the Division.

The filing includes 8,137.8 kW of aggregate capacity for small and medium scale solar projects and 6,000 kW of aggregate capacity for commercial wind projects for existing Program enrollees. The filing also forecasts an additional 7,906 kW of aggregate capacity for residential and commercial solar projects and 4,500 kW of aggregate capacity for commercial wind projects during the 2017 Program year. The RE Growth Program now forecasts a total of 26,543.7 kW of aggregate capacity which has an estimated 12-month output of 27,587,287 kWh.

The net per kWh cost (for produced energy) for the performance-based incentive payments for the RE 2017 Program after sale of RECs is \$0.22/ kWh. (\$6,153,242 / 27,587,287 kWh). The net per kWh cost after credit for REC sales and including administrative costs, meter investment, and NGrid's remuneration, is \$0.28/kWh (\$7,598,773 / 27,587,287 kWh). The \$0.28/kWh cost represents a 44% decrease compared to the RE 2016 Program year's total net cost of \$0.50/kWh. Over the ensuing program years, the total net cost per kWh should continue to decline

assuming program year output increases at a faster pace than the total of administrative cost, meter investment, and remuneration cost burden.

The RE Growth factors are calculated by allocating the estimated expense from the program year to each rate class based on a rate base allocator developed from the cost of service study approved in Commission Docket 4323. The calculation also includes a 1.25% allowance for uncollectable amounts, which was approved in Commission Docket 4323. NGrid Schedule ASC-2 provides the calculation of RE Growth Factors for each rate class. The proposed monthly RE Growth Factors for each rate class are as follows:

Rate Class	Proposed Factor
A-16/A-60	\$0.76
C-06	\$1.22
G-02	\$11.44
B-32/G-32	\$83.77
B-62/G-62	\$1,859.28
S-10/S-14	\$0.38
X-01	\$2,013.21

RE Growth 2016 Program Year Reconciliation

Included in this filing is the Company's second reconciliation which reconciles RE Growth revenue and cost in accordance with the RE Growth Cost Recovery Provision. The reconciliation reflects a total under-recovery of \$281,221, which includes the period April 2016 through March 2017.

NGrid Schedule ASC-3, summarizes actual expenses for the April 2016 through March 2017 as follows:

(1) Total RE Growth Factor Revenue	\$2,002,105
(2) Total RE Growth Expense	<u>\$2,281,826</u>
(3) RE Growth Reconciliation – Under Recovery	\$279,721
(4) Interest during the Reconciliation Period	<u>\$1,500</u>

(5) Total Amount to be Credited to Customers

\$281,221

Additional detailed data was supplied by National Grid to show how these numbers were developed. This data was reviewed by the Division.

The RE Growth Reconciliation Factors are calculated in the same manner as the proposed RE Growth Factors listed above, from the allocation to rate classes based on a rate base allocator. NGrid Schedule ASC-3 provides the calculation of RE Growth Reconciliation Factors for each rate class. The proposed monthly RE Growth Reconciliation Factors for each rate class are as follows:

Rate Class	Proposed Factor
A-16/A-60	\$0.02
C-06	\$0.04
G-02	\$0.41
B-32/G-32	\$3.09
B-62/G-62	\$68.80
S-10/S-14	\$0.01
X-01	\$74.50

The Company has combined the proposed RE Growth Factors and RE Growth Reconciliation Factors which will be presented as a single monthly charge on customer's bills to become effective October 1, 2017. The proposed combined monthly RE Growth Cost Recovery Factors for each rate class for the Period October 1, 2017 through September 30, 2018 are as follows:

Rate Class	RE Growth Factor	RE Reconciliation Factor	Combined RE Growth Factor
A-16/A-60	\$0.76	\$0.02	\$0.78
C-06	\$1.22	\$0.04	\$1.26
G-02	\$11.44	\$0.41	\$11.85
B-32/G-32	\$83.77	\$3.09	\$86.86
B-62/G-62	\$1,859.28	\$68.80	\$1,928.08

S-10/S-14	\$0.38	\$0.01	\$0.39
X-01	\$2,013.21	\$74.50	\$2,087.71

The Division has reviewed National Grid's June 30, 2017 filing and believes that the proposed RE Growth Program cost recovery factors are correctly calculated, are in accordance with the statute and the approved tariff, and should be approved to go into effect October 1, 2017.