

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

1. INTRODUCTION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect the recovery of costs incurred in accordance with the provisions of Rhode Island General Laws Chapter 39-26.6, the Renewable Energy Growth Program ("RE Growth Program"), and its tariffs (collectively, "RE Growth Tariffs").

2. DEFINITIONS

Commission shall mean the Rhode Island Public Utilities Commission.

Company shall mean The Narragansett Electric Company.

Distributed Generation Facility shall mean an electrical generation facility located in the Company's service territory with a nameplate capacity no greater than five megawatts (5 MW), using eligible renewable energy resources as defined by Rhode Island General Laws Section 39-26-5, including biogas created as a result of anaerobic digestion, but specifically excluding all other listed eligible biomass fuels, and connected to an electrical power system owned, controlled, or operated by the Company.

Customer Share of Net Forward Capacity Market Proceeds shall mean 90% of the proceeds received from or fees, charges, or penalties assessed by ISO-NE as a result of the Company's bidding the capacity of qualified customer-owned Distributed Generation Facilities into the ISO-NE Forward Capacity Market. These proceeds consist of all payments received from ISO-NE for participation in the Forward Capacity Market, less any ISO-NE fees, charges, or penalties that may be assessed pursuant to the Forward Capacity Market's rules.

Market Products shall mean the energy, capacity, Renewable Energy Certificates, or other attributes individually or any combination thereof, associated with the output from a Distributed Generation Facility.

Performance-Based Incentive shall mean the price per kilowatt-hour ("kWh") applicable to Distributed Generation Facilities participating in the RE Growth Program pursuant to the RE Growth Tariffs.

Performance-Based Incentive Payment shall mean the compensation paid to eligible Distributed Generation Facilities pursuant to the RE Growth Tariffs.

Performance Guarantee Deposit shall mean a deposit as required pursuant to the Renewable Energy Growth Program for Non-Residential Customers tariff.

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

Program Year shall mean a year beginning April 1 and ending March 31, unless otherwise approved by the Commission.

Rate Base Allocator shall mean the percentage of total rate base allocated to each rate class taken from the most recent proceeding before the Commission that contained an allocated cost of service study. The Rate Base Allocator shall be as follows by rate class:

<u>Rate Class</u>	<u>Percentage</u>
A-16/A-60	55.52%
C-06	10.28%
G-02	16.06%
B/G-32	16.98%
X-01	0.03%
Streetlighting	1.13%

Reconciliation Period shall mean the most recent twelve-month period ending March 31.

Remuneration shall mean the annual compensation as authorized by Rhode Island General Laws Section 39-26.6-12(j)(3), which shall be equal to one and three-quarters percent (1.75%) of the annual Performance-Based Incentive Payments provided during the Reconciliation Period.

Renewable Energy Certificate shall mean a New England Generation Information System renewable energy certificate as defined in Rhode Island General Laws Section 39-26-2(14).

Interest Rate shall mean the customer deposit rate.

3. APPLICABILITY

Costs recovered under this provision are authorized for recovery pursuant to the following provisions of the Rhode Island General Laws:

- i) § 39-26.6-4: Covers the cost of qualified consultants hired to perform reports or studies applicable to the RE Growth Program;
- ii) § 39-26.6-12: Covers annual remuneration;
- iii) § 39-26.6-13: Covers cost reconciliation relating to incremental costs the Company incurs to meet program objectives. This provision also covers the costs the Company incurs to make billing system improvements to achieve the goals of the RE Growth Program;
- iv) § 39-26.6-18: Covers the installation and capital costs the Company incurs to install

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

separate meters for small-scale solar projects; and

- v) § 39-26.6-25: Covers the forecasted rate and reconciliation relating to the total amount of payments the Company is likely to pay out to distributed generation projects in the upcoming program year.

4. RATE

The RE Growth Factor will be based upon the annual costs the Company estimates it will incur during the applicable 12-month period and will include an adjustment for uncollectible amounts at the Company's currently approved uncollectible percentage. The RE Growth Factor shall remain in effect until adjusted as a result of updated estimates of costs to be recovered over a 12-month period as included in the Company's annual reconciliation filing pursuant to Section 5 below. The Company may submit a request to the Commission to adjust the RE Growth Factor at any time should significant over or under recovery of costs occur.

The RE Growth Factor shall be applicable to all retail delivery service customers and will be in the form of a monthly fixed charge. The RE Growth Factor will be calculated as follows:

$$\text{RE Growth Factor}_{sx} = [(\text{PBIP}_x - \text{PRDCTS}_x - \text{NFCMP}_x + \text{ADM}_x) \times \text{RBA}_s] \div \text{FBill}_{sx} \div (1 - \text{UP})$$

where

x = the Reconciliation Period;

s = designates a separate factor for each rate class;

PBIP_x = the estimated Performance-Based Incentive Payments, consisting of direct payments to recipients and credits on customer bills, that the Company expects to make under the RE Growth Tariffs for period x during which the RE Growth Factor will be in effect;

PRDCTS_x = the expected net proceeds for period x during which the RE Growth Factor will be in effect and which the Company will receive as a result of the sale of the Market Products;

NFCMP_x = the estimated Customer Share of Net Forward Capacity Market Proceeds during period x;

ADM_x = the administrative expense the Company estimates it will incur during period x, including:

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

- 1) the estimated revenue requirement associated with the incremental investment in meters installed on small scale solar Distributed Generation Facilities pursuant to Section 3.iv) above;
- 2) all incremental costs necessary to meet program objectives or make billing system improvements to implement RE Growth Program pursuant to Section 3.iii) above;
- 3) the costs incurred during the Reconciliation Period by the Company pursuant to Section 3.i) above; and
- 4) the estimated incremental administrative costs incurred as a result of the Company's participation in the Forward Capacity Market;

RBA_s = Rate Base Allocator;

$FBill_{sx}$ = the forecasted number of electric service bills for each rate class for period x; and

UP = the uncollectible percentage approved by the Commission in the Company's most recent rate case.

5. RECONCILIATION FACTOR

On an annual basis and within three months after the end of a Program Year, the Company shall file a reconciliation of the revenue billed through RE Growth Factor, excluding the adjustment for uncollectible amounts, to the actual expenses incurred during the Reconciliation Period, and the excess or deficiency, including interest at the Interest Rate, shall be refunded to, or recovered from, all customers through a RE Growth Reconciliation Factor. For billing purposes, the RE Growth Reconciliation Factor will be included with the RE Growth Factor on a single line item on customers' bills.

The RE Growth Reconciliation Factor shall be calculated separately for each rate class as follows:

$$\text{RE Growth Reconciliation Factor}_{sx} = [((PPRA_{x-1} + I_x) \times RBA_s) \div FBill_{sx}] \div (1 - UP)$$

where

x = the period during which the RE Growth Reconciliation Factor will be in effect;

s = designates a separate factor for each rate class;

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

PPRA_{x-1} = the past period reconciliation amount to be recovered through the RE Growth Reconciliation Factor during period x, defined as the ending balance of the difference between:

- (a) actual costs incurred during the Reconciliation Period, which shall include the sum of:
- 1) actual Performance-Based Incentive Payments made during the Reconciliation Period pursuant to the RE Growth Tariffs less actual proceeds received by the Company resulting from the sale of the Market Products;
 - 2) actual Customer Share of Net Forward Capacity Market Proceeds;
 - 3) actual Remuneration pursuant to Section 3.ii);
 - 4) the revenue requirement associated with the incremental investment in meters installed on small scale solar Distributed Generation Facilities per Section 3.iv);
 - 5) all incremental costs necessary to meet program objectives or make billing system improvements to implement RE Growth Program pursuant Section 3.iii);
 - 6) actual incremental administrative costs incurred as a result of the Company's participation in the Forward Capacity Market;
 - 7) actual costs incurred during the Reconciliation Period by the Company pursuant to Section 3.i); and
 - 8) a credit for any forfeited Performance Guarantee Deposits during the Reconciliation Period which is reflected as an offset to expense;

and

- (b) revenue billed through the RE Growth Factor as approved by the Commission for the Reconciliation Period;

RBA_s = Rate Base Allocator;

THE NARRAGANSETT ELECTRIC COMPANY
RENEWABLE ENERGY GROWTH PROGRAM COST RECOVERY PROVISION

- I_x = interest calculated as the sum of the beginning period and ending period reconciliation balance divided by 2, multiplied by the Interest Rate during the Reconciliation Period;
- $F\text{Bill}_{sx}$ = the forecasted number of electric service bills for each rate class for period x; and
- UP = the uncollectible percentage approved by the Commission in the Company's most recent rate case.

6. ADJUSTMENTS TO RATES

Adjustments to the RE Growth Factor and RE Growth Reconciliation Factor in accordance with this RE Growth Cost Recovery Provision are subject to review and approval by the Commission. The Company shall file the initial RE Growth Factor on or before January 1, 2015. The Company shall file revisions to the RE Growth Factor and the RE Growth Reconciliation Factor within three months following the end of the Program Year. Modifications to the factors contained in this Renewable Energy Growth Program Cost Recovery Provision shall be in accordance with a notice filed with the Commission pursuant to Rhode Island General Laws Section 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such changes.