

THE NARRAGANSETT ELECTRIC COMPANY  
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY  
RECOVERY RECONCILIATION PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect recovery of costs incurred in accordance with the provisions of Chapter 39-26.1, Long-Term Contracting Standard for Renewable Energy and Chapter 39-26.2, Distributed Generation Standard Contracts.

1) DEFINITIONS

Contract Remuneration shall mean the annual compensation as authorized by § 39-26.1-4, which shall be equal to two and three quarter percent (2.75%) of the actual annual payments made under the Long Term Contracts and Distributed Generation Standard Contracts for those projects that are commercially operating.

Contract Products shall mean the energy, capacity, Renewable Energy Certificates, or other attributes individually or any combination thereof, associated with the output from a Newly Developed Renewable Energy Resource, or a Distributed Generation Facility, which are purchased by the Company pursuant to a Long-term Contract or a Distributed Generation Standard Contract.

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.

Distributed Generation Facility shall mean an electrical generation facility that is a newly developed renewable energy resource as defined in § 39-26.1-2, located in the Company's load zone with a nameplate capacity no greater than five megawatts (5 MW), using eligible renewable energy resources as defined by § 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.

Distributed Generation Standard Contract shall mean a contract with a term of fifteen (15) years at a fixed rate for the purchase of all Contract Products generated by a Distribution Generation Facility, which is executed with the Company pursuant to R.I.G.L. 39-26.2.

Forecasted kWh shall mean the forecasted amount of electricity to be delivered to the Company's retail delivery service customers.

Long-term Contract shall mean a contract of not less than ten (10) years, for the purchase of Contract Products, which is executed with the Company pursuant to R.I.G.L. 39-26.1.

Newly Developed Renewable Energy Resource shall have the meaning set forth in §39-26.1-2(6).

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Performance Guarantee Deposit shall mean a deposit as required pursuant to § 39-26.2-7(2)(ii) paid to the Company of fifteen dollars (\$15.00) for a small Distributed Generation Facility or twenty-five dollars (\$25.00) for a large Distributed Generation Facility for every Renewable Energy Certificate estimated to be generated per year under the Distributed Generation Standard Contract, but at least five hundred dollars (\$500) and not more than seventy-five thousand dollar (\$75,000) paid at the time of contract execution.

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

Reimbursement Agreement shall mean a cost reimbursement agreement entered into between the Company and a lawyer designated by the Office of Energy Resources (“OER”) that is intended to compensate such lawyer for the time spent serving in the contract working group established pursuant to the provisions of § 39-26.2-7(1) at a reasonable hourly rate negotiated by OER.

Renewable Energy Certificate shall mean a New England Generation Information System renewable energy certificate as defined in § 39-26-2(15).

Town of New Shoreham Project shall mean a small-scale offshore wind demonstration project off the coast of Block Island, including an undersea transmission cable that interconnects Block Island to the mainland as provided for in § 39-26.1-7.

Town of Johnston Project shall mean a newly developed renewable energy resource fueled by landfill gas from the central landfill in the Town of Johnston as provided for in § 39-26.1-9.

2) APPLICABILITY

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

- i) § 39-26.1-4: Financial remuneration and incentives;
- ii) § 39-26.1-5: Commission approval and regulations, subsection (f)
- iii) § 39-26.1-7: the Town of New Shoreham Project, subsection (d);
- iv) § 39-26.1-9: the Town of Johnston Project, subsection (8);
- v) § 39-26.2-6: Standard contract enrollment program, subsection (f);
- vi) § 39-26.2-7: Standard contract – Form and provisions, subsections (1)(vi), (2)(i),

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(2)(iv) and (3);

3) RECONCILIATION FACTOR

On an annual basis, the Company shall reconcile the revenue billed through the Long-term Contracting for Renewable Recovery (“LTCRER”) factor, as adjusted for uncollectible amounts at the Company’s currently approved uncollectible allowance rate, to the actual expenses incurred, including the approved uncollectible allowance, during the Reconciliation Period, and the excess or deficiency, including interest at the Company’s short term interest rate, shall be refunded to, or collected from, all customers in the two subsequent period’s LTCRER factor. The Company may file to adjust the LTCRER Adjustment Factor at any time should significant over or under recovery of costs occur.

The LTCRER Reconciliation factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the Forecasted kWhs during the twelve month period that the LTCRER Reconciliation factor will be in effect. For billing purposes, the LTCRER Reconciliation factor will be included with the Renewable Energy Distribution kWh charge on customers’ bills.

The LTCRER Reconciliation factor will be calculated as follows:

LTCRER Reconciliation

$$\text{Factor}_x = [ ( \text{PPRA}_x + I_x ) \div \text{FkWh}_x ] \times ( 1 + \text{UP} )$$

where

x = The twelve-month period during which the annual LTCRER Reconciliation factor will be in effect;

LTCRER Reconciliation

Factor<sub>x</sub> = The Long-term Contracting Renewable Energy Recovery Reconciliation Factor for the current twelve-month period;

PPRA<sub>x</sub> = The Past Period Reconciliation Amount to be collected through the LTCRER Reconciliation Factor during period x, defined as the ending balance of the difference between:

(a) the actual cost incurred during the Reconciliation Period, which shall include the sum of:

- 1) actual payments made during the Reconciliation Period under the individual approved Long-term Contracts and Distributed Generation Standard Contracts less (i) any proceeds received by the Company resulting from the

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sale of the Contract Products and (ii) actual Customer Share of Net Forward Capacity Market Proceeds;

- 2) Contract Remuneration during the Reconciliation Period;
- 3) all costs incurred during the Reconciliation Period in the negotiation, administration, enforcement, and implementation of the projects and related agreements, and costs associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland that are not otherwise recovered through the Transmission Service Cost Adjustment Provision pursuant to Sections 2.iii and 2.iv;
- 4) the costs incurred during the Reconciliation Period by the Company under Reimbursement Agreements pursuant to Section 2.vi;
- 5) the costs incurred during the Reconciliation Period associated with required system upgrades that are not recovered directly from Distributed Generation Facilities pursuant to Section 2.vii;
- 6) forfeited Performance Guarantee Deposits during the Reconciliation Period pursuant to Section 2.viii which shall be an offset to expense;
- 7) the costs incurred during the Reconciliation Period for consultants hired to assist the Commission in proceedings involving contract disputes pursuant to Section 2.ix; and
- 8) actual incremental administrative costs incurred as a result of the Company's participation in the Forward Capacity Market;

and

- (b) the revenues billed through the LTCRER Factors as approved by the Commission for the Reconciliation Period;

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$I_x$  = interest calculated as the sum of the beginning period and ending period balance divided by 2, multiplied by the Company's short term interest rate during period x;

$FkWh_x$  = The Forecasted kWh for the twelve month period following the effective date of the LTCRER Reconciliation factor; and

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

4) ADJUSTMENTS TO RATES

Adjustments to rates pursuant to the LTCRER Reconciliation Provision are subject to review and approval by the Commission. The Company shall file its revised LTCRER Reconciliation factor annually at least forty-five (45) days prior to the effective date of the revised LTCRER Reconciliation factor. Modifications to the factors contained in this LTCRER Reconciliation Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 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 charges.

Effective Date: March 1, 2017