

NARRAGANSETT ELECTRIC COMPANY
REVENUE DECOUPLING MECHANISM PROVISION

In accordance with *An Act Relating to Public Utilities and Carriers – Revenue Decoupling*, the prices for distribution service contained in all of the Company’s tariffs are subject to adjustment to reflect the operation of its Revenue Decoupling Mechanism (“RDM”) Provision.

I. Definitions

“Actual Billed Distribution Revenue” shall mean the amounts the Company has billed during the applicable RDM Year for customer charges, distribution demand charges, distribution energy charges, Second Feeder Service charges, and any other charges or discounts that the Company records as distribution revenue. Actual Billed Distribution Revenue shall not include charges billed pursuant to the provisions of the Infrastructure, Safety and Reliability Provision, as may be amended from time to time. Actual Billed Distribution Revenue shall exclude the RDM Adjustment Factor, as it is subject to its own reconciliation.

“Annual Target Revenue” or “ATR” shall mean the revenue requirement as approved by the Commission less any adjustments to that revenue requirement as approved by the Commission.

“RDM Year” shall mean the twelve-month period beginning April 1.

“Forecasted kWh” shall mean the forecasted amount of electricity, as measured in kWh, to be distributed to the Company’s retail delivery service customers for the twelve month period during which the proposed RDM Adjustment Factor will be in effect.

“RDM Adjustment Factor” shall mean a per-kWh factor equal to the RDM Reconciliation Amount divided by the Forecasted kWh for all rate classes.

“RDM Reconciliation Amount” shall mean the difference (either positive or negative) between the Actual Billed Distribution Revenue and the ATR for the RDM Year.

II. RDM Revenue Reconciliation and Adjustment Factor

The Company’s RDM shall include an annual RDM Revenue Reconciliation which will reconcile ATR and Actual Billed Distribution Revenue for the same RDM Year. The RDM Revenue Reconciliation Amount (either positive or negative) shall determine the RDM Adjustment Factor. The Company shall submit a filing no later than May 15, in which the Company shall propose adjustments to distribution rates to reflect the RDM Adjustment Factor. These adjustments to distribution rates will be effective for usage on and after July 1.

In addition, the Company shall reflect the following adjustment to its RDM Revenue Reconciliation pursuant to the Settlement Agreement approved by the Commission in Docket No. 4770:

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Adjustments Associated with the Update of the Amortization of Excess Deferred Federal Income Taxes and the Reduction in Federal Income Taxes for the Period January 2018 through August 2018

To account for revisions to the corporate federal income tax rate modified by the federal Tax Cuts and Jobs Act, the Company reflected the amortization of an estimate of excess deferred federal income taxes included in base distribution rates that became effective on September 1, 2018 pursuant to Docket No. 4770. The Commission approved an update to this estimate as a result of the Company filing its fiscal year 2018 federal income tax return in December 2018 and submitting a supplemental compliance filing that calculated updated revenue requirements beginning September 1, 2018 and which were also approved by the Commission. As a result of the update to the revenue requirements being deemed relatively small, base distribution rates were not revised, and the differences are reflected in the ATR Section III below to be recovered from or credited to customers via the RDM Reconciliation.

The Commission opened Docket No. 4808 to investigate the impact of the reduction in the corporate federal income tax rate pursuant to the federal Tax Cuts and Jobs Act for the period of January 2018 through August 2018. Pursuant to a settlement agreement in Docket No. 4808, customers will receive a one-time credit of \$4,842,025. This amount will be reflected in the RDM Revenue Reconciliation as a one-time credit to customers in the next scheduled RDM Filing submitted after a Commission ruling on the amount of the credit.

The RDM Adjustment Factor will be based on the RDM Reconciliation Amount for the prior RDM Year as determined above. The amount of over- or under-recovery resulting from the RDM Reconciliation Amount, including interest at the rate paid on customer deposits, shall be used to determine a uniform per-kWh RDM Adjustment Factor based on the Forecasted kWh. The RDM Adjustment Factor shall be applicable to all retail delivery service customers. The amount approved by the Commission to be recovered or refunded through the RDM Adjustment Factor shall be subject to reconciliation.

III. Adjustments to Annual Target Revenue

The ATR shall be based on the revenue requirement approved by the Commission in the Company's most recent general rate case. The ATR may be adjusted should the Commission approve recovery mechanisms for costs included in the revenue requirement such that those costs would be recovered from customers through two mechanisms or not recovered at all. Should the Company's ATR change during a RDM Year as a result of a new revenue requirement arising from a general rate case that may be approved by the Commission, the Company shall allocate the prior ATR and new ATR to each month within the RDM Year based on the rate year kWh deliveries reflected in the general rate case from which the revenue requirement was based.

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<u>Effective</u>	<u>Annual Target Revenue</u>
September 1, 2018	\$284,729,734
September 1, 2019	\$295,036,305
September 1, 2020	\$299,305,226

IV. Interim RDM Adjustments

If at any time during the year, the total of cumulative Actual Billed Distribution Revenue excess/shortfall for the Company in total is estimated to be equal to or greater than 10% above or below the Company's ATR for the current RDM Year, the Company will petition the Commission for an interim adjustment prior to its next scheduled RDM Filing.

V. Adjustments to Rates

Adjustments to rates pursuant to the RDM Provision are subject to review and approval by the Commission. Modifications to the factors contained in this RDM 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.