STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID   :
APPLICATION TO CHANGE RATE   :   DOCKET NO. 3943
SCHEDULES   :

ORDER

WHEREAS, on May 5, 2009, the Division of Public Utilities and Carriers ("Division") filed a Motion for Clarification of Order No. 19563; and

WHEREAS, in Docket No. 3943, the Commission considered National Grid's ("NGrid" or "the Company") proposal for a rate increase which included determining the Company's rate base; and

WHEREAS, the largest component of rate base is plant in service; and

WHEREAS, the Division's position during those proceedings was that actual additions to plant in service were below what NGrid forecast and that the forecasted rate year base should be adjusted; and

WHEREAS, in Order No. 19563, the Commission ordered that "in the event that the projected capital spending does not occur prior to the end of the rate year, the Company shall notify the Division and make an appropriate adjustment to reflect the actual lower amount of actual plant in service"; and

WHEREAS, the Accelerated Replacement Program ("ARP") allows NGrid a rate adjustment to the extent of the capital cost that is incremental to the amount included in the base rates in the proceeding; and

WHEREAS, the first adjustment for the ARP is scheduled to take effect July 1, 2009; and

WHEREAS, NGrid and the Division desire coordination to synchronize the plant adjustment and the adjustment to the ARP process; and

WHEREAS, the Division proposed that if the actual average balance of the net plant in service for the twelve months ending September 30, 2009 is less than the $314,249,000 forecasted by NGrid, the annual revenue requirement effect should be calculated as the sum of:

1. the reduced return requirement calculated by applying the authorized rate of return grossed up for income taxes to the difference between the forecasted average balance of net plant in service and the actual balance of net plant in service, and

2. the reduced depreciation expense calculated by applying the composite depreciation rate to the diference between the Company's forecasted average balance of gross plant in service of $589,769,000 and the actual average balance of gross plant in service, and

3. reduced property tax expense calculated by applying the prior fiscal year's ration of municipal tax expense to the average net plant to the difference in the Company's forecasted average net plant and actual average net plant for the year ended September 2009.

WHEREAS, the Division recommended that any adjustment to the revenue requirement resulting from less than forecasted additions to plant in service be implemented through the Distribution Adjustment Clause as of November 1, 2009; and

WHEREAS, the Division recommended that the ARP rate adjustment be postponed from July 1, 2009 to November 1, 2010 since the ARP spending through the period ending September 30, 2009 will be reflected as a component of the Capital Spending reconciliation; and

WHEREAS, the Division recommended that the rate adjustment be in two parts: 1) a one-time refund to customers for excess revenues recovered from the effective date

2

of the rates to November 1, 2009 and 2) an ongoing credit to customers equal to the revenue requirement on the difference in the Company's actual average net plant in service and that which was included in NGrid's cost of service in Docket No. 3943; and

WHEREAS, the Division requested that the Commission clarify its decision in Order No. 19563 and approve its proposed rate base adjustment mechanism and proposed ARP process;

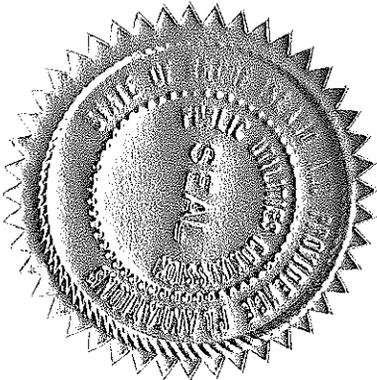WHEREAS, National Grid did not oppose the Division's Motion.
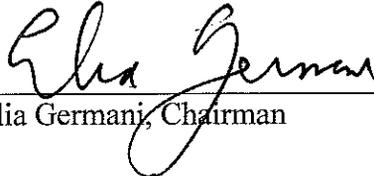
Accordingly, it is

(19710) <u>ORDERED</u>:

1.   The Division's proposed rate base adjustment mechanism and proposed ARP process as set forth above is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 25, 2009 PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED JULY 16, 2009.

PUBLIC UTILITIES COMMISSION

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Elia Germani, Chairman

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Mary E. Bray, Commissioner

3