

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID'S :
PROPOSED RATE CHANGES TO STANDARD : DOCKET NO. 4011
OFFER RATE, TRANSITION CHARGE AND :
TRANSMISSION ADJUSTMENT FACTOR :

REPORT AND ORDER

I. BACKGROUND

The Utility Restructuring Act of 1996 (“URA”) requires each electric distribution company to arrange with wholesale power suppliers for a standard power supply offer to sell electricity to all customers at a stipulated rate, with certain adjustments permitted. Pursuant to the URA, Narragansett Electric Company now d/b/a National Grid (“NGrid” or “Company”) entered into wholesale Standard Offer supply contracts at a base price 7.143 cents per kWh for calendar year 2009.¹ The wholesale Standard Offer supply contracts also provide for increases in the price per kilowatt-hour (“kWh”) of wholesale power supplied to NGrid in the event fuel prices increase above certain levels. Additionally, in 2008, the Commission approved two Settlements between NGrid and its suppliers resolving disputes over certain fuel adjustment obligations. These Settlements resulted in adjusted fuel index payments to the two suppliers.²

To the extent that the total cost of the wholesale power supply to NGrid, including fuel charges, exceeds retail Standard Offer Service (“SOS”) and Last Resort Service (“LRS”) revenues, the under-collection is recoverable, with interest, from NGrid’s

¹ In Docket No. 3496, the Commission approved a Settlement entered into between Narragansett and one of its standard offer suppliers to address responsibility for congestion costs in light of new locational marginal pricing rules in the wholesale electricity market. The settlement altered the base Standard Offer Service (SOS) cost in that contract. The pricing listed here is the weighted average impact on the overall pricing for all SOS contracts.

customers through the annual reconciliation provisions of NGrid's Standard Offer Adjustment Provision. Likewise, to the extent NGrid collects more than its total cost of providing SOS, the ratepayers are entitled to recoup the benefit, with interest. Furthermore, NGrid's transmission and transition charges are fully reconciled on an annual basis, the transition charges through an adjustment based on the annual reconciliation of wholesale power contract termination charges ("CTC") filed by New England Power Company and charged to NGrid, and the transmission charges through a change in NGrid's transmission adjustment factor ("TAF").³

II. NATIONAL GRID

On November 14, 2008, NGrid filed with the Rhode Island Public Utilities Commission ("Commission") its annual reconciliation filing with respect to transition and transmission rates. The filing included: a proposed 23.4% decrease in the retail SOS rate from the present rate of 12.4 cents per kWh to 9.5 cents per kWh; a proposed 27.0% decrease in the transition rate from the present rate of 0.322 cents per kWh to 0.235 cents per kWh; and a proposed 96.7% increase in the transmission service adjustment factor from the present rate of 0.541 cents per kWh to 1.064 cents per kWh.⁴ The result for a typical residential customer using 500 kWh of service would be a decrease of 13.7% equal to \$12.84 per month. Therefore, the average monthly residential bill would decrease from \$93.44 to \$80.60.⁵

² See Docket Nos. 3959 and 3969, *Order No. 19318* (issued June 20, 2008) and *Order No. 19466* (issued October 21, 2008).

³ National Grid USA is the parent company of New England Power Company and Narragansett Electric Company.

⁴ NGrid Ex. 1A, Pre-Filed Testimony of Jeanne A. Lloyd, pp. 3-4, JAL-1.

⁵ NGrid Ex. 1A at p. 4, JAL-17, p. 1. The bill for a residential customer served by the A-60 rate and using 500 kWh per month would decrease from \$65.02 per month to \$49.92 per month. NGrid's filing assumes the Commission will approve the use of \$2 million currently being held by the Company in a CTC

In support of the proposed rates, Narragansett presented the pre-filed testimony of Jeanne A. Lloyd, Manager of Rates, New England in the Regulation and Pricing – Electricity Distribution and Generation Department of National Grid USA Service Company, Inc. John D. Warshaw, Principal Analyst in Regulated Electric Load and Distributed Generation for National Grid USA Service Company, Inc., and Pamela A. Viapiano, Vice President of Transmission Finance for National Grid USA Service Company, Inc.

A. Standard Offer Service

In his pre-filed testimony, Mr. Warshaw explained that Narragansett has wholesale power supply contracts with three suppliers to serve the retail SOS load within its pre-merger (“Narragansett zone”) and post-merger (both “Narragansett zone” and “EUA zone”) service territories. All of these wholesale SOS supply contracts run through December 31, 2009 and contain a fixed price component.⁶ Mr. Warshaw explained that some of the SOS supply contracts contain two price components – a base price and a fuel index adjustment provision. According to Mr. Warshaw, the fuel index adjustment provides for additional payments (“fuel index payments”) to be made to the SOS suppliers in the event of substantial increases in the market price of No. 6 residual fuel and natural gas. The price is based on a comparison of the twelve-month (“Narragansett zone”) rolling average of oil and gas prices to a current trigger price.⁷

In order to determine the extent of any fuel index payments for the period January 2009 through December 2009, Mr. Warshaw based the fuel index adjustment calculations

Settlement Account to further reduce the distribution charges paid by an A-60 customer. NGrid Ex. 1A, pp. 2-3, JAL-17, p. 2.

⁶ NGrid Ex. 1B, (Pre-filed testimony of John Warshaw), pp. 2-3.

⁷ Id. at 3-4.

on future gas and crude oil projections. In performing his calculations, he used the average gas and crude oil prices as reported in the Wall Street Journal on November 7, 10, and 11, 2008. Based on the numbers examined, Mr. Warshaw determined that Narragansett will have to make fuel index payments of 2.973 cents per kWh in the pre-merger Narragansett zone which equates to an arithmetic average of 2.200 cents per kWh applicable to both zones.⁸ Comparing the proposed SOS costs including the fuel index payments, where applicable, Mr. Warshaw noted that in September 2008, the Company procured Last Resort Service (“LRS”) power for the period November 2008 through April 2009 at an arithmetic average of 10.568 cents per kWh for residential customers and 10.475 cents per kWh for Commercial and Industrial (“C&I”) customers.⁹

In her pre-filed testimony, Jeanne Lloyd noted that Narragansett’s current SOS rate is 12.4 cents per kWh.¹⁰ According to Ms. Lloyd, Narragansett projected an over-collection of approximately \$187.2 million as of December 31, 2009 based on the current SOS retail rate and estimated fuel index payments.¹¹ Ms. Lloyd explained that the proposed SOS charge is calculated by adding the estimated expenses for the twelve-month period and subtracting the expected over-collection as of December 31, 2008 and dividing the total by the estimated SOS kWh deliveries for the same twelve-month period. Therefore, utilizing Mr. Warshaw’s fuel index adjustment provisions, Ms. Lloyd proposed a SOS rate of 9.5 cents per kWh effective on usage on and after January 1, 2009.¹² The total under-collection in the LRS reconciliation for the period October 2007

⁸ Id. at 4-5

⁹ Id. at 5.

¹⁰ NGrid Ex 1A at 5.

¹¹ Id.

¹² Id. at 5-7. Ms. Lloyd also included payments that NGrid expects to make through December 2009 as a result of the Settlements approved in Docket Nos. 3959 and 3969 in the projected expense. She also included adjustments to reflect NEPOOL Generation Information System expenses of \$72,035.

through September 2008 is \$1.0 million. This under-collection results from \$186,951 from residential customers and \$840,537 from C&I customers. The Company proposed to use \$186,951 of the SOS over-collection to offset the residential LRS under-collection and to roll forward the \$840,537 in the C&I reconciliation into next year's C&I reconciliation.¹³

B. Renewable Energy Standard Charge

Ms. Lloyd noted that the Company was not seeking to change the current Renewable Energy Standard ("RES") Charge of 0.084 cents per kWh in this docket, but had proposed a new charge in a related docket. She stated that currently, there is an over-collection in both the SOS and LRS reconciliations, but proposed to retain the over-collection to offset expense that will be incurred in the next reconciliation period.¹⁴

C. Transition Charge

In her pre-filed testimony, Ms. Lloyd explained that the transition charge is intended to recover the contract termination charges ("CTC") that were billed to the Company by its affiliated supplier, New England Power ("NEP"), including charges in effect under the former Montaup Electric Company CTC.¹⁵ The Company reconciles transition revenues on an annual basis in accordance with the requirements of the Non-Bypassable Transition Charge Adjustment Provision, which requires an annual reconciliation of the Company's total CTC expense against the Company's total revenue from the Transition Charge. Any over or under-collection is to be refunded to or collected from customers, with interest. Ms. Lloyd indicated that the current transition

¹³ *Id.* at 9-11.

¹⁴ *Id.* at 12-14. In *Order No. 19580* (issued February 25, 2009), the Commission approved a rate of 0.093 cents per kWh applied to usage on and after January 1, 2009. This rate includes refunding an anticipated over-collection of \$856,834 as of June 2009 related to the purchase of 2008 renewable energy certificates.

rate produced an over-collection of approximately \$584,000 for the period October 1, 2007 through September 30, 2008.¹⁶

Using this information, Ms. Lloyd indicated that the weighted average base transition charge of 0.242 cents per kWh and a transition charge adjustment factor of 0.007 cents per kWh designed to refund the transition over-collection for the period October 2007 through September 2008 results in a net transition charge of 0.235 cents per kWh.¹⁷

D. Transmission Rate

In her pre-filed testimony, Ms. Lloyd outlined the three components of Narragansett's proposed increase in the Transmission Adjustment Factor: (1) a factor of 0.900 cents per kWh, representing the Company's 2009 forecasted transmission expenses and (2) a factor of 0.164 cents per kWh designed to collect an under-collection of approximately \$12.7 million incurred for the period October 2007 through December 2008.¹⁸ The net result was a proposed increase of 0.523 cents per kWh, increasing the Transmission Adjustment Factor from 0.541 cents per kWh to 1.064 cents per kWh.¹⁹ Ms. Lloyd indicated that the under-collection was primarily caused by higher than forecasted Regional Network Service ("RNS") rates that became effective in June 2008.²⁰

Ms. Lloyd noted that Ms. Viapiano had forecast total transmission costs for 2009 of approximately \$103.9 million, representing a net increase of \$31.9 million, or 30.7%

¹⁵ *Id.* at 15.

¹⁶ *Id.* at 16.

¹⁷ *Id.* at 17.

¹⁸ Because the Company expected to accrue an additional under recovery during the period October through December 2009, Ms. Lloyd proposed including the projection in the design of the 2009 TAF. *Id.*

¹⁹ *Id.* at 19.

²⁰ *Id.* at 21.

from the 2008 forecast.²¹ In her pre-filed testimony, Ms. Viapiano indicated that the \$32 million increase in 2009 estimates is primarily due to four factors: “(1) an increase in the actual RNS rates effective June 1, 2008 of \$13 million; (2) an estimated additional RNS rate increase effective June 1, 2009...”;(3) NEP’s forecasted \$8 million increase in local Non-PTF expenses; and (4) an additional \$1 million in Reactive Power Expenses.²² She also explained that the PTF plant investment drives the increase of the ISO-NE RNS charges.²³ The forecasted average transmission costs for 2009 result in an average per unit cost of 1.302 cents per kWh for 2009, or 0.393 cents more than the 2008 average transmission expense of 0.909 cents per kWh.²⁴ The forecasted 2009 average base transmission charge revenue results from a per kWh charge of 0.402 cents per kWh. Therefore the forecasted 2009 transmission expense needed to be collected in the TAF is 0.9 cents per kWh. In addition, Ms. Lloyd included a factor of 0.164 cents per kWh to recover the 2008 under-collection of \$13.1 million.²⁵

Ms. Viapiano discussed the various tariffs under which transmission service is provided to NGrid and how it is priced.²⁶ She estimated Narragansett's total transmission and ISO-NE Tariff expenses for 2009 to be approximately \$103.9 million and explained that her estimate included charges for Scheduling and Dispatch, Load Response, Black Start and Reactive Power.²⁷ Costs for Pool Transmission Facilities (“PTF”), Scheduling and Dispatch, Load Response, Black Start and Reactive Power total \$75,535,199, with

²¹ NGrid Ex. 1A at 18.

²² NGrid Ex. 1C (Pre-Filed Testimony of Pamela A. Viapiano), p. 17.

²³ NGrid Ex. 1C at 18.

²⁴ NGrid Ex. 3 (Pre-Filed Testimony of Jeanne Lloyd), JAL-11.

²⁵ Id. at 22, 25, JAL-11.

²⁶ NGrid Ex. 1C at 2-12.

²⁷ Id. at 4-5, PAV-1.

over \$68 million allocated to the PTF demand charge.²⁸ Ms. Viapiano explained that approximately half of the \$24 million net increase ISO PTF transmission expenses is primarily the result of additional transmission plant investment forecasted to go “in service” in 2009. These are considered regional costs spread over all of New England.²⁹

Her estimates for the cost of Black Start Service is based on the costs for the period August 2007 through July 2008 average monthly ISO Black Start cost multiplied by 12 months to derive estimated costs for the entire New England Region. She then calculated a monthly amount and multiplied it by Narragansett’s monthly network load, resulting in an allocated cost of \$650,309 in 2009.³⁰ She calculated the Reactive Power costs in a similar manner using the full year 2007 actual ISO costs, resulting in an estimated \$3,963,174 to be allocated to Narragansett for 2009.³¹ She also based the costs associated with Scheduling and Dispatch Service on the currently effective rate and for the Load Response Program on the most recent 12 month period. Ms. Haines explained that no Reliability Must Run (“RMR”) contract charges have been estimated because Narragansett did not incur any RMR contract charges for the Rhode Island reliability region during 2008.³²

Ms. Viapiano estimated the 2009 ISO charges based on the revenue requirement filed with the Federal Energy Regulatory Commission (“FERC”). To estimate Narragansett’s 2009 ISO charges, Ms. Viapiano adjusted ISO’s actual costs for the period January 2008 through August 2008 plus estimated costs for the remainder of 2008 by an

²⁸ *Id.* at 16, PAV-1. PTF charges are assessed under the FERC approved ISO/RTO Tariff that provides access over New England’s 69kV or greater looped transmission facilities which serve as the electric transmission “highway” in New England. *Id.* at 4.

²⁹ *Id.* at 18.

³⁰ *Id.* at 12-13.

³¹ *Id.* at 13.

³² *Id.* at 14.

inflationary factor which is intended to recognize the increase or decrease in the ISO revenue requirement from the budget as filed for the prior year.³³ The total estimated amount of direct ISO/RTO charges estimated to be allocated to Narragansett is \$1,651,808.³⁴

Estimating charges under Schedule 21 of the ISO/RTO tariff, Ms. Viapiano projected an increase of \$7.6 million in 2009, for a total of \$26,731,315 which would be charged by New England Power Company pursuant to the Local Network Service Tariff. Ms. Viapiano indicated that the increase is mainly driven by an estimated increase in costs for approximately \$6 million of capital additions that are forecast for 2009.³⁵

E. Reconciliation of Low Income Credit and Proposed Credit for 2009

In Docket No. 3710, NGrid proposed to utilize \$8 million from the proceeds of a settlement agreement to fund a multi-year enhanced low income credit increasing the distribution credit on the A-60 rate by applying an additional \$2 million per year on a per kWh basis for the first 450 kWh used by each customer taking service under the A-60 rate. The Commission approved the program for the first year only (CY 2006). In 2006 and 2007, the Commission approved the program for the second and third years (CY 2007 and CY 2008). In this docket, Ms. Lloyd stated that NGrid was requesting approval of the program for the final year (CY 2009). The Company proposed to continue the additional per kWh discount from \$1.306 cents per kWh.³⁶

F. Lost Distribution Revenue Associated with Net-Metered Facilities

³³ Id. at 14-15.

³⁴ Id. at PAV-1.

³⁵ Id. at 16..

³⁶ NGrid Ex. 1A, pp. 25-26.

Ms. Lloyd explained this new element in the reconciliation process, noting that the Company is allowed to reconcile on an annual basis, the distribution portion of any renewable credits and any distribution charges displaced by renewable energy systems subject to Tariff R.I.P.U.C. N. 2006 and to recover those amounts from all customers through a uniform per kWh surcharge. Ms. Lloyd calculated \$30,897 in displaced revenues from 2008. She stated that because the amount was too small to produce a billable factor, the Company was not seeking recovery through 2009 rates and would defer proposed recovery to the 2009 reconciliation.³⁷

III. WILEY CENTER

The George Wiley Center submitted Pre-Filed Comments addressing the sole issue of the low income credit. The George Wiley Center proposed that if funds remain from the CTC Settlement at the end of 2009, those funds be used to provide an additional year of a low income credit to A-60 customers. The George Wiley Center also opined that because the per kWh credit had not resulted in the expenditure of \$2 million in 2008, NGrid was not in compliance with the Commission's Order in Docket No. 3902.³⁸

IV. HEARING

A public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, on December 19, 2008. The following appearances were entered:

FOR NATIONAL GRID:	Thomas R. Teehan, Esq. Terry L. Schwennesen, Esq.
FOR DIVISON:	Paul J. Roberti, Esq. Assistant Attorney General

³⁷ *Id.* at 27.

³⁸ Pre-Filed Comments of the George Wiley Center, pp. 1, 3.

FOR COMMISSION:

Cynthia G. Wilson-Frias, Esq.
Senior Legal Counsel

Six members of the public provided comment at the start of the hearing, addressing issues related to the impact of rising transmission costs on large commercial customers and the application of the remaining CTC settlement funds to the A-60 rates and low-income affordability.³⁹

Mr. Warshaw, Ms. Lloyd and Ms. Viapiano testified on behalf of Narragansett. On cross-examination, Ms. Lloyd stated that NGrid would not object to the George Wiley Center's proposal to extend the low income credit for an additional year using any funds remaining at the end of 2009 as long as the Company does not credit customers more than is available in the account at that time.⁴⁰ With regard to the application of the low income credit, Ms. Lloyd explained that the Company applied a 1.306 cent per kWh credit and that there was no guarantee the credit would match the \$2,275,000 that was allowed to be credited to customers.⁴¹ Attempting to explain why the 2008 forecasted consumption for A-60 customers in 2009 was overstated, Ms. Lloyd indicated that there had been a "significant decrease in the number of customers on the low income rate," resulting in lower than expected deliveries in 2009. She noted that this was primarily because many customers did not recertify their eligibility and were removed from the A-60 customer class.⁴²

Providing an update regarding the impact on fuel costs using gas and crude oil prices as reported on December 12, 15, and 16, 2008, Ms. Lloyd stated that the proposed

³⁹ Tr. 12/19/08, pp. 7-34. Mr. Farley, Executive Director of TEC-RI, recognized that FERC has primary jurisdiction over transmission rates, but suggested that the Commission take steps which may spur action on a larger regional level to address the impact of transmission costs on customers. *Id.* at 14-15.

⁴⁰ *Id.* at 42-44.

⁴¹ *Id.* at 45-47.

SOS rate of 9.5 cents per kWh would result in a projected \$43 million over recovery as of December 31, 2009. She indicated that if the SOS rate was designed to leave an expected over recovery of \$26 million, the rate would be set at 9.2 cents per kWh. She also noted that if the SOS rate was designed to result in no over- or under-recovery, the rate would be 8.8 cents per kWh.⁴³ However, because of the potential volatility of the energy market, Ms. Lloyd stated that the Company was still proposing 9.5 cents per kWh but if the Commission were inclined to utilize updated projections, she would be more comfortable with 9.2 cents per kWh.⁴⁴ Ms. Lloyd also testified that the \$20 million payment made in November 2008 resulting from a settlement with a SOS supplier was not accruing interest because of the time when interest is calculated and applied.⁴⁵

Addressing transmission on cross-examination, Ms. Viapiano explained that “the PTF expenses are the demand charges that come through the ISO New England tariff for the regional...facilities...and are for the recovery of all transmission facilities across New England.”⁴⁶ She agreed that between 2001 and 2009, the PTF expenses increased from \$26.2 million to \$75.5 million, or a 300 percent increase.⁴⁷ She stated that the significant increase was for necessary and forecasted upgrades as reviewed by ISO-NE.⁴⁸ She explained that ISO-NE’s review does not review whether or not costs are reasonable and should be allowed, but only determines the proper allocation between PTF (regional) and LNS (local network service) rates.⁴⁹ With regard to the impact on customers, Ms. Lloyd

⁴² *Id.* at 49.

⁴³ *Id.* at 43-55.

⁴⁴ *Id.* at 123-24.

⁴⁵ *Id.* at 121.

⁴⁶ *Id.* at 57.

⁴⁷ *Id.* at 57-59.

⁴⁸ *Id.* at 60.

⁴⁹ *Id.* at 96.

agreed that the annual monetary impact on the largest ten customers of NGrid ranges from increases of \$115,000 to approximately \$550,000.⁵⁰

With regard to setting the transmission rates, Ms. Viapiano explained that the transmission rates are set through a formula approved by FERC rather than as a result of an adjudicated proceeding. The formula allows recovery through rates based on the actual transmission expenses incurred by the transmission company and as a result, there is no such thing as a cost over-run on a transmission project. In other words, whatever costs are incurred by the transmission company for a project are recoverable through the formula rate regardless of the projections made at the commencement of the project. Furthermore, the allowed ROE, including any adders approved by the Federal Energy Regulatory Commission (“FERC”), to transmission owners is based on the actual costs of the project as determined at the end.⁵¹ She testified that in ten years, none of National Grid’s costs had been the subject of an adjudicatory hearing before FERC nor had any costs been disallowed.⁵² Ms. Viapiano also testified that under National Grid’s⁵³ policy, governed by the transmission owners agreement, National Grid has an obligation to build. She noted that this obligation does not preclude National Grid from seeking an ROE adder from the FERC for specific projects.⁵⁴

⁵⁰ *Id.* at 105-06. *See* Division Ex. 1 (NGrid’s Response to Division DR 2-16). On redirect, Ms. Lloyd testified that the average customer pays approximately six to seven percent of the overall bill for transmission. Tr. at 158.

⁵¹ Tr. at 62-63, 73, 83-84. Using an example, “A: The adder would be applied to the actual costs of the investment when it is placed into service. Q: It’s not based upon the estimate that is made to ISO in advance of the construction. A: That’s correct. Q: Let’s say if the individual construction estimate was 100 million and it turns out to be 200 million, the adder applied to 200 million.” *Id.* at 75.

⁵² *Id.* at 88. Likewise, she noted that ISO’s tariff which collects administrative costs are recovered through a tariff that is very similar to the formula rate and any overruns from a prior year are reconciled and included in the following year’s rate. These costs are then collected from ratepayers. *Id.* at 94-95.

⁵³ National Grid as used in this Order refers to the transmission company whereas NGrid refers to the public utility regulated by the Commission.

⁵⁴ *Id.* at 79-80. She agreed that as long as a need had been identified by ISO and the FERC approved an ROE adder for a project, all costs associated with that transmission facility are recoverable, including

The Division presented Stephen Scialabba, Chief Accountant for the Division to address NGrid's filing. Mr. Scialabba recommended the Commission approve a SOS rate of 9.5 cents per kWh with a mandatory review after three months to assess the energy market. He recommended the Commission require NGrid to continue filing monthly SOS reconciliation reports and to retain any balance projected at the end of 2009 from the disbursement of CTC Settlement funds for further review at the end of 2009. With regard to the transmission rate, Mr. Scialabba expressed concern regarding the significant increase, but did not present an alternative rate. Finally, he recommended approval of the proposed transition rate.⁵⁵

IV. COMMISSION FINDINGS

After considering the evidence presented, the Commission unanimously approved NGrid's proposed Transmission, and Transition rates. However, the Commission denied NGrid's proposed SOS rate of 9.5 cents per kWh, approving instead, a SOS rate of 9.2 cents per kWh which is expected to produce an over-recovery of approximately \$23-\$26 million. This methodology is consistent with prior Commission orders and with Commission policy to set rates which are reasonably designed to allow recovery of the Company's costs while providing a measure of rate stability over the course of the year during which the costs will be incurred. The Commission considered a rate of 8.8 cents per kWh which was projected to result in no over- or under-recovery. However, the Commission determined that given historically low prices of oil and gas on the dates when the rate was developed, the recent spikes the energy market during 2008 which resulted in a sharp increase in rates and overall market volatility, such a rate would not be

additional ROE even if the project is later never put into service because it is no longer needed. *Id.* at 99-100.

sustainable and would therefore, not be reasonable. However, in order to monitor the continued reasonableness of the rate, NGrid shall continue filing a SOS reconciliation report on a monthly basis. The effect on an average residential customer using 500 kWh per month will be a decrease of \$14.36 or 15.4%, decreasing the overall bill from \$93.44 to \$79.08, including the increased RES charge.⁵⁶

The Commission also approved the application of \$2,275,000 of the CTC Settlement account to reduce the first 450 kWh block of the A-60 distribution rate by 1.306 cents per kWh in calendar year 2008 by a vote of 2-1, with Commissioner Holbrook dissenting. To be clear, NGrid shall apply a distribution rate credit of \$1.306 cents per kWh on the first 450 kWh block of the A-60 rate up to \$2,275,000 from the CTC Settlement Account. In the event a balance remains in the CTC Settlement account such that there are funds remaining to be disbursed at the end of 2009, the Commission will consider proposals in the next Annual Reconciliation filing by the Company regarding the appropriate application of those remaining funds in 2010. The distribution rate on the first 450 kWh block for customers taking service under the A-60 rate will be 0.382 cents per kWh, or \$1.72 per month. The effect of the total rate adjustments on an A-60 customer using 500 kWh per month would be a decrease of \$14.34 or 18.9%, decreasing the overall bill from \$75.85 to \$61.51, including the increased RES charge.

Although the Commission approved NGrid's proposed TAF, the elements of which are calculated under FERC-approved Tariffs, the Commission is deeply concerned with the affect of certain decisions resulting from federal law and FERC policy which are causing such significant increases to customers, particularly Rhode Islands largest users

⁵⁵ *Id.* at 170-71.

⁵⁶ The RES charge for 2009 will be .093 cents per kWh. *Order No. 19580* (issued February 25, 2009).

of electricity. While the Commission is cognizant of the need for a reliable transmission system, it cannot agree with decisions to allow additional earnings to transmission owners who, by their own testimony, have an obligation to build transmission which is necessary to ensure the reliability of the system. The Commission is also concerned that regional transmission owners whose primary role is to ensure the reliability of the system seemingly do not investigate the reasonableness of cost and the rate impact, arguing that is FERC's role. FERC's policy of allowing formula rates without a review of the reasonableness of the costs which go into the formula do not ensure just and reasonable rates for the retail customers upon whom this Commission sets rates.

Accordingly, it is hereby

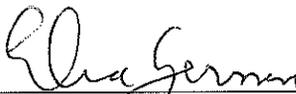
(19623) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's proposed retail Standard Offer Service Rate of 9.5 cents per kWh is denied.
2. Narragansett Electric Company d/b/a National Grid's retail Standard Offer Service Rate shall be 9.2 cents per kWh for usage on and after January 1, 2009.
3. Narragansett Electric Company d/b/a National Grid's proposed Transition Rate of 0.235 cents per kWh is approved to become effective for usage on and after January 1, 2009.
4. Narragansett Electric Company d/b/a National Grid's proposed Transmission Adjustment Factor of 1.064 cents per kWh is approved to become effective for usage on and after January 1, 2009.

5. Narragansett Electric Company d/b/a National Grid shall apply a distribution rate credit of 1.306 cents per kWh on the first 450 kWh block of the A-60 rate up to \$2,275,000 from the CTC Settlement Account.
6. Narragansett Electric Company d/b/a National Grid shall file its Annual Reconciliation filing for the period commencing January 1, 2010 on or before November 13, 2009.
7. Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions as contained in this Report and Order.

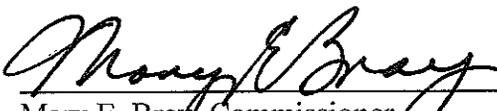
EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 23, 2008. WRITTEN ORDER ISSUED APRIL 20, 2009.

PUBLIC UTILITIES COMMISSION

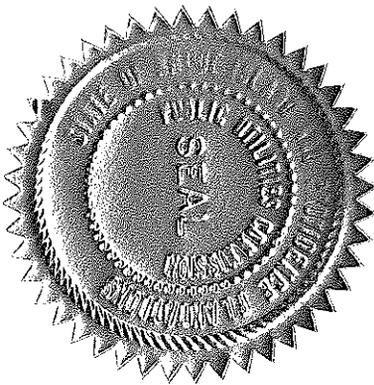


Elia Germani, Chairman

*Robert B. Holbrook, Commissioner



Mary E. Bray, Commissioner



*Commissioner Holbrook dissented from the decision to apply funds from the CTC Settlement account to further reduce the discounted distribution rate charged to customers taking service under the A-60 rate because the funds were collected from all ratepayers and should be returned to all ratepayers.