

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY  
d/b/a NATIONAL GRID'S APPLICATION FOR  
APPROVAL OF CHANGE IN ELECTRIC BASE  
DISTRIBUTION RATES

DOCKET NO. 4065

**ORDER**

WHEREAS, on January 23, 2012, the R.I. Supreme Court held that the Commission's determination of a 42.75% equity component of National Grid's capital structure in Docket 4065 was not supported by the evidence.<sup>1</sup>; and,

WHEREAS, the Supreme Court remanded the case to the Commission with instructions to conduct hearings to determine the appropriateness of the Company's current capital structure;<sup>2</sup> and,

WHEREAS, on March 2, 2012, the Company filed a Settlement Agreement between the Narragansett Electric Company d/b/a National Grid and the Division of Public Utilities and Carriers which stipulated to the following capital structure of National Grid:

Long Term Debt	46.05%
Short Term Debt	4.98%
Preferred Stock	0.19%
Total Common Equity	48.78%

WHEREAS, National Grid's current capital structure is,

Long Term Debt	43.25%
Short Term Debt	6.96% <sup>3</sup>
Preferred Stock	0.16%
Total Common Equity	49.63%

---

<sup>1</sup> The Narragansett Electric Company d/b/a National Grid v. Rhode Island Public Utilities Commission, No. 2010-142-M.P., No. 2010-179-M.P. (January 23, 2012), p.15

<sup>2</sup> *Id.*, p. 19.

<sup>3</sup> Short Term Debt is calculated using the Company's average short term debt balance for the period April 2011 through March 2012.

WHEREAS, the annual incremental revenue requirement associated with the aforementioned Settlement Agreement is \$3.195M, and the bill impact of the Settlement Agreement on a typical residential customer is \$0.28/month;<sup>4</sup> and,

WHEREAS, the stipulated capital structure will yield a pre-tax weighted return of 9.88%, and the Company's actual capital structure would yield a pre-tax weighted return of 9.89%;<sup>5</sup> and,

WHEREAS, the stipulated capital structure is the mid point between the Company's position (50.05%) and the Division's position (47.5%) in the prior rate case;<sup>6</sup> and,

WHEREAS, the equity component of the stipulated capital structure is less than a percentage point from the Company's actual equity ratio; and,

WHEREAS, use of the actual capital structure would yield a miniscule difference in the pre-tax weighted return; and,

WHEREAS, the difference in revenue requirement and bill impact resulting from the use of the stipulated capital structure versus the Company's actual capital structure are insignificant; and,

WHEREAS, the Commission finds, based on the foregoing record, that the stipulated capital structure proposed in the Settlement Agreement between the Narragansett Electric Company d/b/a National Grid and the Division of Public Utilities and Carriers, filed March 2, 2012, is reasonable.

ACCORDINGLY, it is

(20702) ORDERED:

---

<sup>4</sup> National Grid/Division 1, p.2; Transcript, p. 5, 8. See also National Grid's Response to Commission 19-1, Attachment 1, pgs. 1-2.

<sup>5</sup> Commission 7, Comparison of Pre-Tax Weighted Returns Using Actual Capital Structure (with average short term debt balance for the 12 month period from April 2011 through March 2012) and Stipulated Capital Structure.

<sup>6</sup> Transcript, pgs. 42-43.

1. The Settlement Agreement entered into between the Narragansett Electric Company d/b/a National Grid and the Division of Public Utilities and Carriers, filed March 2, 2012, is hereby approved for effect on April 23, 2012.
2. The capital structure for purposes of determining the Company's revenue requirement in base rates, and any other rate mechanisms incorporating an approved capital structure, shall be comprised of 46.05 % Long Term Debt; 4.98% Short Term Debt; 0.19% Preferred Stock; and 48.78% Common Equity. The capital structure so approved, effective April 23, 2012, shall remain in effect until such time as a new capital structure is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 23, 2012

PURSUANT TO AN OPEN MEETING DECISION ON APRIL 11, 2012. WRITTEN ORDER  
ISSUED APRIL 13, 2012.

PUBLIC UTILITIES COMMISSION

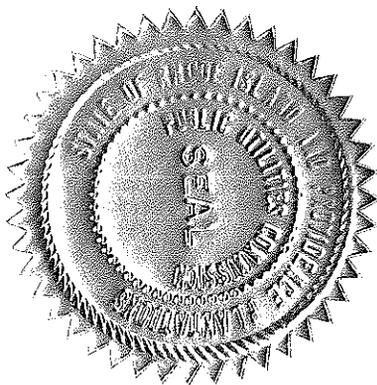


Elia Germani, Chairman



Mary E. Bray, Commissioner

Paul J. Roberti, Commissioner\*



\*Commissioner Roberti concurs but is unavailable for signature.