

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID'S ELECTRIC INFRASTRUCTURE,
SAFETY and RELIABILITY PLAN REPORT AND
RECONCILIATION FILING

DOCKET NO. 4307

ORDER

On August 1, 2013, Narragansett Electric Company, d/b/a National Grid (National Grid or company) filed its annual electric Infrastructure, Safety, and Reliability (ISR) Plan Report and Reconciliation for the 12-month period ending March 31, 2013. This filing is required pursuant to statute. R.I. Gen. Laws §39-1-27.7.1(c)(2). It compares actual discretionary and non-discretionary capital investment spending and actual vegetation management and inspection and maintenance expenses, for the period April 1, 2012 through March 31, 2013 (reconciliation period), to the pre-approved budget for these expenditures. On August 1 of each year, the company proposes reconciliation factors to charge or credit ratepayers for any under- or over-recoveries which occurred during the reconciliation period. The proposed capital and operation and maintenance reconciliation factors are proposed for effect on October 1, 2013 through September 30, 2014.

On September 9, 2013, National Grid filed a revised Infrastructure, Safety, and Reliability Report and Reconciliation to correct a mathematical error in the operation and maintenance (O&M) expenses affecting the proposed operation and maintenance reconciliation factor and bill impacts. All references to the ISR Report and Reconciliation are to the September 9, 2013 filing.

I. Fiscal Year 2013 Capital Spending

For fiscal year 2013, the Company spent \$49.5 million in capital investment which was \$7.0 million below the approved budget of \$56.5 million.¹ The Company attributed the \$7.0 million discrepancy, in part, to economic conditions and also to projects that were either delayed or under budget.² As with other reconciliation filings, the Company tracked the revenue collected from the Cap Ex factor during the reconciliation period and compared this amount to the amount of capital spending during this same period and found that it had over collected the sum of \$505,592 from ratepayers.³ To credit this over-recovery to ratepayers, the company proposed the following per-kilowatt-hour Cap Ex Reconciliation Factors:

A-16/A-60.....	(\$0.00009)
C-06.....	(\$0.00007)
G-02.....	(\$0.00005)
B-32/G-32.....	(\$0.00003)
B-62/G-62.....	(\$0.00003)
S-10/S-14.....	(\$0.00009)
X-01.....	(\$0.00009) ⁴

II. Operation and Maintenance (“O&M”) Reconciliation Factor

Fiscal Year 2013 Vegetation Management

The Company’s vegetation management spending for fiscal year 2013 was \$8.249 million or \$7,251 below the approved budget of \$8.256 million.⁵ The Company completed 104% of the annual distribution mileage cycle trimming goal or 93% of the fiscal year cycle trimming budget.⁶ Included in the Company’s vegetation management costs were \$356,000 of Sub-T and Core costs which were spent in fiscal year 2012 but inadvertently excluded from the

¹ JLG-1-Revised, p.1.

² Id.

³ Attachment NR-1-Revised., p.1; NR-4-Revised, p.1, line 6 (a).

⁴ Attachment NR-4, p.1.

⁵ JLG-1-Revised, p.18.

⁶ Id.

previous filing.⁷ The Company reported that it began negotiations with Verizon concerning the appropriate allocation of responsibility for routine and storm trimming costs but has not reached a resolution.⁸ Major storm costs were not included in vegetation management since they are part of the storm cost recovery filing (Docket No. 2509).⁹

Fiscal Year 2013 Inspection and Maintenance

The Company underspent its fiscal 2013 inspection and maintenance budget by \$790,695.¹⁰ The Company spent \$1,480,205 on inspection and maintenance related costs, including feeder hardening and potted porcelain cutouts, against an approved budget of \$2,270,900.¹¹ Although inspection costs were higher in fiscal year 2013 due to underestimating of inspection costs and major storms, feeder hardening and cutout replacement costs were lower resulting in an overall underspend.

The Company reported collecting \$10,431,881 from the O&M factor during the reconciliation period while O&M spending totaled \$10,084,899.¹² This resulted in an over-collection of \$346,982.¹³ To credit this over-collection to ratepayers, the Company proposed a uniform, per-kilowatt-hour O&M reconciliation credit factor of (\$0.00004).¹⁴

III. Memorandum of the Division

Utility consultant, Gregory L. Booth, filed a memorandum on September 23, 2013 on behalf of the Division.¹⁵ After reviewing the Company's Electric ISR FY 2013 Annual Report and Reconciliation Filing, Mr. Booth expressed concern that it contained no adjustments for cost

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ Id., p.21.

¹¹ Id.

¹² NR-1-Revised, p.1; NR-5-Revised, p.1.

¹³ Id.

¹⁴ NR-5-Revised, p.1.

¹⁵ Gregory L. Booth, PE is President of PowerServices, Inc. d/b/a PowerServices and Consulting, Inc. Mr. Booth's memorandum is dated September 16, 2013, but it was submitted to the Commission on September 23, 2013.

recovery from Verizon pursuant to a joint ownership agreement (JOA).¹⁶ He noted that National Grid and Verizon share certain costs associated with their joint ownership and maintenance of distribution poles and territories. Mr. Booth reviewed some of the specific cost sharing responsibilities set forth in the joint ownership agreement. He explained, for instance, that the cost of topping trees that are a hazard to both parties is shared equally.¹⁷ The joint ownership agreement similarly provides that costs associated with heavy storm work is also shared on a 50/50 basis.¹⁸ Mr. Booth pointed out several areas in National Grid's filing which are impacted by the joint ownership agreement but are silent with respect to whether and how much certain costs have been apportioned between National Grid and Verizon. In the category of damage/failure, for instance, Mr. Booth questioned what portion of National Grid's \$9.7 million budget involved the replacement of jointly-owned poles and whether it had sought any cost recovery from Verizon for fiscal year 2013.¹⁹ Similarly, for vegetation management spending, Mr. Booth pointed out that it was unclear what portion of National Grid's \$8.3 million budget involved preventative maintenance or hazard tree removal costs associated with the clearing of vegetation in areas of joint ownership and whether it had sought reimbursement from Verizon for such costs.²⁰ Mr. Booth had several other related questions pertaining to cost recovery from Verizon for ISR related expenses which had been submitted to Verizon in the form of data requests. These data requests were pending at the time the Division submitted its memorandum to the Commission on September 23, 2013. Notwithstanding, Division counsel recommended that the PUC approve the ISR reconciliation factors, since they represented a reduction from

¹⁶ *Id.*, p. 2.

¹⁷ *Id.*, p.4.

¹⁸ *Id.*

¹⁹ *Id.*, p.5.

²⁰ *Id.*

existing factors, pending receipt of discovery from National Grid.²¹ Counsel proposed that if the discovery yields any information requiring an adjustment to the 2013 revenue requirement, the adjustment could be applied in the form of a credit to the Company's 2014 fiscal year actual revenue requirement.²² In the alternative, if, upon receipt of the information, the Division determined that a hearing were necessary, it would notify the Commission as soon as possible.

IV. Decision

On September 24, 2013, the PUC discussed National Grid's electric ISR Report and Reconciliation at an open meeting. The Commission reviewed the Company's electric ISR Report and Reconciliation, including the proposed Cap Ex and O&M reconciliation factors, and found the same to be reasonable. Given that the proposed electric ISR reconciliation factors were a reduction from the existing factors, the Commission adopted the recommendation of the Division and approved the factors pending receipt of the Division's discovery from National Grid. In the event that an adjustment to the approved electric ISR factors should become necessary following receipt of discovery, the Commission will apply an adjustment to the 2014 fiscal year revenue requirement or, if necessary, schedule a hearing.

Accordingly, it is

(21332) ORDERED:

1. The CapEx and O&M reconciliation factors proposed by the Narragansett Electric Company, d/b/a National Grid for the fiscal year 2013 electric ISR Report and Reconciliation are approved for effect on October 1, 2013 through September 30, 2014.
2. The Cap Ex reconciliation factors are approved as follows for effect on October 1, 2013 through September 30, 2014:

²¹ Letter of Leo Wold, Esq. (09/23/13).

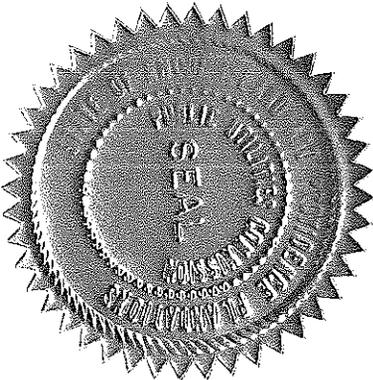
²² *Id.*, p.2.

A-16/A-60.....	(\$0.00009)
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B-62/G-62.....	(\$0.00003)
S-10/S-14.....	(\$0.00009)
X-01.....	(\$0.00009)

3. The uniform per kilowatt-hour O&M reconciliation credit factor of (\$0.00004) is approved for effect on October 1, 2013 through September 30, 2014.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2013 PURSUANT TO AN OPEN MEETING HELD ON SEPTEMBER 24, 2013. WRITTEN ORDER ISSUED FEBRUARY 6, 2014.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran

 Margaret E. Curran, Chairperson

Paul J. Roberti

 Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr.

 Herbert F. DeSimone, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days (7) from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.