

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID FY 2014 ELECTRIC :
INFRASTRUCTURE, SAFETY, AND RELIABILITY : DOCKET NO. 4382
PLAN ANNUAL REPORT AND RECONCILIATION :

REPORT AND ORDER

Pursuant to R.I. Gen. Laws § 39-1-27.1, on March 22, 2013, the Public Utilities Commission (PUC) approved The Narragansett Electric Company d/b/a National Grid's (National Grid or Company) Revised FY 2014 Electric Infrastructure, Safety, and Reliability Plan (2014 Electric ISR Plan) and associated rate factor.¹ The 2014 Electric ISR Plan included a spending plan and proposed an annual reconciliation mechanism to allow for recovery related to capital investments and other spending undertaken pursuant to the approved budget. Discretionary capital investment must be reconciled to the lesser of the actual capital investment placed-in-service and the level of approved spending on a cumulative basis. Non-discretionary capital investment must be reconciled to the actual capital investment placed in service.²

By August 1 of each year, the Company proposes Capital Expenditure (CapEx) Reconciling Factors and an Operation and Maintenance (O&M) Reconciling Factor to become effective on October 1 for the following twelve-month period. The CapEx reconciliation compares the actual cumulative revenue requirement to actual billed revenue generated from the CapEx Factors. Any over- or under-recovery is refunded to or collected from customers through the CapEx Reconciling Factors. The O&M reconciling factor compares the actual infrastructure and maintenance (I&M) and vegetation management O&M expense to actual billed revenue

¹ *Order No. 21121* (issued Jul. 26, 2013); http://www.ripuc.org/eventsactions/docket/4382-NGrid-Ord21121_7-26-13.pdf.

² Prefiled Test. of Jennifer Grimsley at 3, n.1 (citations omitted); [http://www.ripuc.org/eventsactions/docket/4382-NGrid-Electric_FY14_Reconciliation\(8-1-14\).pdf](http://www.ripuc.org/eventsactions/docket/4382-NGrid-Electric_FY14_Reconciliation(8-1-14).pdf).

generated from the O&M factors. Any over- or under-collection of actual expense is refunded to or collected from customers through a uniform per kWh charge applicable to all rate classes.³

On August 1, 2014, National Grid filed its FY 2014 Fourth Quarter Report, Annual Report, and Annual Reconciliation (2014 Reconciliation Filing). National Grid submitted the prefiled testimony of Jennifer Grimsley, Director of Network Strategy for New England, to provide an overview of the filing and to provide detail on the status of projects and spending.⁴ In particular, Ms. Grimsley indicated that National Grid had placed approximately \$2.7 million more than forecasted of plant-in-service, resulting primarily from \$4.5 million above forecast in the non-discretionary category. This was offset by approximately \$1.7 million below forecast in the discretionary category. As a result, National Grid placed \$56.1 million of plant-in-service in FY 2014.⁵

Capital Spending was \$18.4 million above budget, resulting from approximately \$5 million in non-discretionary spending variance, \$4.3 million of it being storm related.⁶ According to Ms. Grimsley, the \$13.4 million spending above budget in the System Capacity and Performance Category was primarily the result of increased cost and the completion of several Load Relief projects, some of which were multi-year and one of which was originally misclassified in the Company's computer system.⁷

She explained that Vegetation Management spending was slightly over budget while Infrastructure and Maintenance spending was slightly under budget.⁸ Savings in trimming were

³ Electric ISR Plan, Prefiled Test. at 5, 7-8. [http://www.ripuc.org/eventsactions/docket/4382-NGrid-2014-ISR-Electric\(12-28-12\).pdf](http://www.ripuc.org/eventsactions/docket/4382-NGrid-2014-ISR-Electric(12-28-12).pdf).

⁴ 2014 Reconciliation Filing, Prefiled Test. and Attachment of Jennifer Grimsley. [http://www.ripuc.org/eventsactions/docket/4382-NGrid-Electric_FY14_Reconciliation\(8-1-14\).pdf](http://www.ripuc.org/eventsactions/docket/4382-NGrid-Electric_FY14_Reconciliation(8-1-14).pdf).

⁵ *Id.* at Prefiled Test., 3-4.

⁶ *Id.* at 4.

⁷ *Id.* at 5.

⁸ *Id.* at 6.

offset primarily by increases in police-detail spending.⁹ Ms. Grimsley explained that it has been meeting with public safety officials prior to beginning work and working with its contractors to reduce and control police-detail costs. As far as achieving Vegetation Management goals, the Company was able to achieve 102% of its Distribution Mileage Trimming targets. Unfortunately, the Company was able to achieve only 76% of its Sub-transmission Pruning and Hazard Tree Removal target miles and only 69% of its Sub-transmission Floor treatment target acres. The Company missed these targets because it had terminated a contract with a vendor due to safety issues. The Company plans to complete the unfinished work in FY 2015.

National Grid's ongoing dispute with Verizon continues. In March 2014, National Grid provided Verizon with its proposed plan for cycle pruning and hazard tree removal for FY 2015. In April 2014, Verizon sent notice to National Grid that it was declining to participate in joint tree trimming work. In June 2014, Verizon notified Grid that it was choosing to terminate Section 7 of Intercompany Operating Procedure –J- Tree Trimming and Clearing. As a result, effective July 31, 2014, each company is responsible for its own tree trimming and clearing of facilities. Grid's final comment on the issue in this filing was "the Company remains in discussions with Verizon in efforts to resolve the vegetation management spending issues with Verizon."¹⁰ Infrastructure and Maintenance variances were primarily related to a reclassification of expenses, based on work found in the field.¹¹

Finally, Ms. Grimsley stated that the Company met both reliability performance metrics in Calendar Year 2013. Calendar Year 2013 had three major event days from two separate events, the Nor'easter on February 8, 2013 accounting for two of the days. All customers from

⁹ Attachment-JLG-1, 19.

¹⁰ *Id.* at 18.

¹¹ *Id.* at 20.

that event were restored by February 13, 2013. Ms. Grimsley indicated that the Company's performance has shown an overall improving trend over the past several years.¹²

William Richer, Director of Revenue Requirements-Rhode Island for National Grid Service Company, Inc., submitted prefiled testimony indicating the actual FY 2014 revenue requirement related to O&M expenses was \$11,950,733. This included roughly \$8.5 million for Vegetation Management activities as well as \$3.6 million for Inspection and Maintenance expenses.¹³ Mr. Richer also discussed the revenue requirement associated with National Grid's FY 2014 capital investment.¹⁴

On September 19, 2014, the Division of Public Utilities and Carriers (Division) filed a memorandum from its consultant, David Effron. Mr. Effron noted a formulaic error in National Grid's filing, the effect of which was to overstate the ISR revenue requirement. He indicated that he had brought the error to National Grid's attention and the Company had agreed to revise its filing.

On September 21, 2014, National Grid filed corrected schedules of Mr. Richer and Scott McCabe, Manager of New England Electric Pricing and Regulation Group. The revenue requirement associated with the Company's actual FY 2014 capital investment was amended to reflect an adjustment in depreciation expense. The net effect of the adjustment reduced the revenue requirement associated with the Company's actual FY 2014 capital investment by \$1,316,329.¹⁵ Thus, the net revenue requirement associated with the Company's FY 2014 actual O&M expenses and capital investments was \$10,634,403. The result was a reduction to the ISR

¹² Prefiled Test. of Jennifer Grimsley, 6-7.

¹³ Prefiled Test. of William Richer, 7, Schedule WRR-1, Page 1 of 14.

¹⁴ *Id.*

¹⁵ National Grid Supplement to August 1 Reconciliation Filing, Schedule WRR-1-Revised, Page 1 of 14. [http://www.ripuc.org/eventsactions/docket/4382-NGrid-Reconciliation-Supp\(9-25-14\).pdf](http://www.ripuc.org/eventsactions/docket/4382-NGrid-Reconciliation-Supp(9-25-14).pdf).

revenue requirement of approximately \$350,000.¹⁶ The rate impact shown in the corrected schedules is a \$0.07 decrease to the monthly bill of a typical residential customer taking standard offer service and using 500kWh per month, reducing the bill from \$86.65 to \$86.58. All rate impacts were reflected on Mr. McCabe's typical bill analysis schedules.¹⁷

At an Open Meeting held on September 30, 2014, the PUC considered the filings made by National Grid and the Division. By a vote of 2-1, the PUC approved the proposed O&M credit factor and the CapEx Reconciling Factors, which differ based on rate class. Commissioner DeSimone concurred with the decision to reduce rates, but would have further reduced rates by deducting from the revenue requirement the sum of \$243,950, the 46% above-budget costs associated with police details. The Company's explanation for the increase was that the number of towns requiring police details, towns that had not previously required them had increased. He opined that there appears to be no justification for this increase.

In this filing, as with other recent filings, the Company is still haunted by the October 2012 implementation of the SAP information system. National Grid noted that it had delayed the filing of its fourth quarter ISR report to coincide with the filing of the annual reconciliation. This had provided the Company additional time to review the financial information included in the report. The Company also noted that additional adjustments will be made in FY 2015 that actually relate to FY 2014. These adjustments would result from SAP issues. The PUC may look into the increased administrative costs associated with multiple revised filings, particularly where they change rate impacts to customers.

¹⁶ *Id.*

¹⁷ *Id.*

Accordingly, it is hereby

(21810) ORDERED:

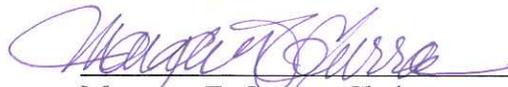
1. The CapEx and O&M reconciliation factors proposed by the Narragansett Electric Company d/b/a National Grid for the fiscal year 2014 Electric ISR Reconciliation are approved for effect on October 1, 2014 through September 30, 2015.
2. The Cap Ex reconciliation factors are approved as follows for effect on October 1, 2014 through September 30, 2015:

A-16/A-60.....	(\$0.00021)
C-06.....	(\$0.00021)
G-02.....	(\$0.00015)
B-32/G-32.....	(\$0.00009)
B-62/G-62.....	(\$0.00009)
S-10/S-14.....	(\$0.00103)
X-01.....	(\$0.00017)
3. The uniform per kilowatt-hour O&M reconciliation credit factor of (\$0.00005) is approved for effect on October 1, 2014 through September 30, 2015.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2014 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 30, 2014. WRITTEN ORDER ISSUED FEBRUARY 4, 2015.

PUBLIC UTILITIES COMMISSION

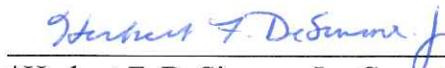




Margaret E. Curran, Chairperson



Paul J. Roberti, Commissioner



*Herbert F. DeSimone, Jr., Commissioner

*As set forth in the findings, Commissioner DeSimone concurred with the majority decision.

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 7 days 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.