STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC	:	
d/b/a NATIONAL GRID	:	
DISTRIBUTION ADJUSTMENT CLAUSE	:	**DOCKET NO. 4431**

REPORT AND ORDER

I. NATIONAL GRID'S FILING

On August 1, 2013, the Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed with the Rhode Island Public Utilities Commission (PUC or Commission) its annual Distribution Adjustment Charge (DAC) for effect November 1, 2013. The DAC is filed annually to establish a factor to reconcile estimated costs to actual costs included in rates over the twelve-month period beginning the first of November. The DAC provides for funding, or the reconciliation and refund, of amounts associated with a number of the Company's specific programs. It also facilitates the timely rate recognition of incentive/penalty provisions.

In support of its filing, National Grid submitted the pre-filed testimony[1] of Mariella C. Smith, the New England Pricing Lead Analyst in the Regulation and Pricing Department for National Grid USA Service Company Inc., to describe the changes to and reconciliation of the various DAC factors[2] and to provide the proposed updated factors to become effective November 1, 2013. Before discussing the individual factors, Ms. Smith highlighted the changes made to the DAC in settlement of last year's DAC filing which

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[1] Prefiled testimony generally is available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at www.ripuc.org/eventsactions.html, organized by docket number. Ms. Smith's prefiled testimony specifically is available at www.ripuc.org/eventsactions/docket/4431-NGird-2013-DAC(8-1-13).pdf.

[2] There are ten DAC factors: a System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Program factor, an Environmental Response Cost factor, a Pension and Post Retirement Benefits Other than Pension factor, a Capital Expenditure Tracker factor, an On-Systems Margin Credit factor, a Reconciliation factor, an Earnings Sharing Mechanism factor and a Service Quality factor.

were changes to: (1) the System Pressure Factor calculation, (2) the interest impacting the Advanced Gas Technology (sometimes AGT) fund balance, and (3) the treatment of profits from future land sales which involved land for which site investigation and remediation costs were included in the Environmental Response Cost factor. Additionally, she identified five other changes that occurred subsequent to last year's DAC filing and as a result of the Settlement in National Grid's most recent rate case[3] that took effect on February 1, 2013. Those changes were as follows: (1) lining up the reconciliation period of the DAC factors with the Company's April to March fiscal year; (2) including only the margin associated with non-firm customers in the On-System Margin threshold, establishing an annual revenue requirement of $1.8 million for the non-firm customers, and including annual adjustments to the threshold resulting from customers switching between firm and non-firm service; (3) revising the Pension and Post-Retirement Benefits Other than Pensions (PBOP) rate allowances; (4) increasing the uncollectible percentage used to gross up the DAC from 2.46% to 3.18%; and (5) agreeing to refund, through the DAC, 50% of the incremental revenue resulting from the installation of a large gas-fired combined heat and power unit until the Company's next base rate case.[4]

Ms. Smith's testimony described each of the DAC factors and the proposed changes to those factors. She noted that the System Pressure factor[5] balancing percentage was updated to 75.77% in last year's DAC case. Ms. Smith provided an update of the

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[3] Docket No. 4323.

[4] Smith Direct at 1-5, Aug. 1, 2013; Docket No. 4323, Amended Settlement Agreement, Gas Tariffs, Sec. 3, Sched. A, November 14, 2012, www.ripuc.org/eventsactions/docket/4323-NGrid-AmendedSettlement-Book4(11-14-12).pdf.

[5] System Pressure factor is based on the projected commodity related portion of LNG costs, including non-economic dispatch LNG costs, and the percentage of local storage needed to maintain system pressure from November 1, 2013 through October 31, 2014

Company's recent AGT[6] rebate activity and identified an account balance of $2,461,303, which includes $21,597 of interest that will be returned to customers. Ms. Smith represented that National Grid is not proposing to add to the $300,000 of funding provided annually through base rates opining that this amount is sufficient to satisfy rebates in the near future. She noted that the Company will reassess the need to modify this funding in next year's DAC filing in August 2014 and propose any changes it deems necessary at that time.[7]

Ms. Smith provided that National Grid is not proposing to add to the current level of funding provided for the Low Income Assistance Program factor which is funded through base rates. She noted that an additional $72,515 of environmental costs must be charged to ratepayers through the Environmental Response Cost factor resulting in an increase of $0.0001 per therm to compensate for the shortage of funds recovered through base rates.[8]

In its last rate case, the Settlement Agreement resulted in changes to the threshold amount of the On-System Margins factor, the calculation of which affected the factor for this year. Ms. Smith explained that because the change did not become effective until after the beginning of the year within which the $2.816 million threshold was still effective, the calculation included a portion of the margins that were in excess of the prior $2.816 million dollar threshold and the remaining portion of excess margins that were in

[6] The purpose of the AGT program is to promote the development of energy-efficient natural gas technologies that increase utilization of natural gas during periods of low demand resulting in a reduction of the unit cost of gas for all customers by generating distribution revenues to support fixed costs associated with resources needed during peak periods
[7] Smith Direct at 5-10, Sched. MCS-1, MCS-2, MCS-3.
[8] *Id.* at 10-13, Sched. MCS-1, MCS-4.

excess of the current $1.8 million threshold.[9] Because the calculation resulted in excess earnings, $0.0012 per therm will be returned to customers. Ms. Smith presented an overview of the Capital Expenditure Tracker, the purpose of which she described was to either collect from or refund to customers variations in capital spending during the rate year, and the Accelerated Replacement Program factor, designed to accelerate over a five year period the replacement of bare-steel and cast-iron mains and high pressure, bare-steel services. The Settlement Agreement in the last rate case provided for the elimination of the Capital Expenditure Tracker, the costs for which are now being recovered in base rates, and the Accelerated Replacement Program the costs for which are now being addressed in the Company's Infrastructure Safety and Reliability (ISR) plans.[10]

Since no service quality penalties were assessed against the Company for the current year, Ms. Smith provided that no money would be returned to ratepayers through the Service Quality[11] factor. She identified a $7,490,077 under-collection to be recovered through the Revenue Decoupling Adjustment (sometimes RDA),[12] which computes to $0.0280 per therm for Residential, Small and Medium Commercial and Industrial (C&I)

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[9] This filing calculates nine months of On-System Margins because the Settlement Agreement in Docket No. 4323 provided that each twelve-month period beginning April 1, the Company will calculate total non-firm customer margins exclusive of Rhode Island Gross Earnings Tax. Prior to the Settlement Agreement, the twelve-month period ended June 30. Thus, the July 1 through January 31 period reflects the $2.816 million threshold, and the February 1 through March 31 period reflects the $1.8 million threshold resulting in the nine month period represented by National Grid in the current case.

[10] Smith Direct at 13-28, Sched. MCS-1, MCS-5, MCS-6. The ISR Report and Reconciliation was filed with the Commission on August 1, 2013 and is discussed below.

[11] The general purpose of a service quality plan is to ensure that customers receive a reasonable level of service. It consists of five key aspects: (1) service measures, (2) benchmark standards, (3) the amount of the penalty, (4) the penalty weight for each measure, and (5) the time period for measuring performance to assess a penalty upon which the Company is assessed. Should the Company fall below a range established in the metrics, it is assessed a fine.

[12] The details of the annual reconciliation were filed with the PUC on July 2, 2013 and are discussed below.

customers. She provided that the ISR reconciliation[13] resulted in an over-collection of $104,147, which included the FY 2013 revenue requirement on actual cumulative capital investment covered by the ISR Plan and a reconciliation of the FY 2012 reconciliation amount. Regarding the reconciliation component of the DAC, Ms. Smith explained how each of the individual DAC items were separated into three, rate class specific groups and reconciled on the basis of the gas year for all rate classes. She set forth in detail how this factor was calculated.[14]

Ms. Smith identified a projected throughput of 38,500,653 dths for the Company's gas year of November 1, 2013 through October 31, 2014. Attached to her testimony are a number of schedules with the details of the proposed factors. Those are combined in Schedule MCS-1 to present the Company's preliminary DAC factor. That factor includes a separate factor developed for the Residential, Small and Medium C&I rate classes, which include the RDA factor, and a separate factor related to the reconciliation of the base rate items, AGT, Low Income Assistance Program factor , and Environmental Response Cost factor for the Large and Extra-Large rate classes. Each of these class specific factors are combined with the ISR reconciliation factors and the prior Reconciliation applicable to all rate classes and then added to the ISR factors approved by the PUC in the Company's ISR filing.[15]

William R. Richer, Director of Revenue Requirements, Rhode Island, for National Grid USA Service Company, Inc., provided testimony to describe the status of the Company's earnings subject to the Earning Sharing Mechanism for the period ending

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[13] The details of the ISR reconciliation were filed with the PUC on August 1, 2013 and are discussed below.
[14] Smith Direct at 18- 27, Sched. MCS-1, MCS-7, MCS-8.
[15] *Id.* at 27-28, Schedule MCS-1. The Company's ISR Plan is filed in December for an effective date of April 1.

March 31, 2013, the calculation of the Pension and PBOP costs subject to the reconciliation mechanism, the ISR revenue requirement used in the reconciliation of the ISR factor, and the revenue requirements of the final period for the Capital Expenditures Tracker and Accelerated Replacement Program tracker. He noted that the reported return on equity for the twelve-month period ending September 2012 was 4.41% and it was unlikely there would be any excess earnings subject to sharing.[16]

Noting how the PBOP adjustment factor is designed to refund or recover the reconciliation of the prior year's amounts collected in base rates for Pension and PBOP expenses, Mr. Richer explained the changes that resulted from the PUC's decision in the Company's last rate case. The Company's proposed factor represents seven months of rate allowance from the period prior to the Commission's decision in the last rate case, July 2012 through January 2013, as well as two months of rate allowance from the period subsequent to the Commission's decision in the last rate case, February 2013 through March 2013. The calculation revealed a $1.6 million under-collection of pension expense and a $0.6 million over-collection of PBOP. Additionally, Mr. Richer identified $253,631 of carrying charges resulting from PBOP liabilities being underfunded that would be refunded to customers.[17]

On July 1, 2013 and in accordance with the provisions of the Company's gas tariff,[18] which established an annual reconciliation of target revenue per customer and actual revenue per customer through a Revenue Decoupling Adjustment factor to be included in the DAC, National Grid filed its annual RDA factor for the 10-month period

[16] Richer Direct at 1-5, Aug. 1, 2013; www.ripuc.org/eventsactions/docket/4431-NGrid-2013-DAC(8-1-13).pdf.
[17] *Id.* at 5-9, Sched. WRR-1.
[18] R.I.P.U.C. NG-Gas No. 101, Sec. 3, Sched. A

ending January 31, 2013. In support of the proposed $0.0288 per therm RDA factor[19] designed to collect a $7.49 million under-collection, the Company submitted the testimony of Mariella Smith. Ms. Smith provided an overview of the RDA reconciliation mechanism and explained the actual Revenue Decoupling Mechanism (sometimes RDM) results for the period April 1, 2012 through January 31, 2013, as well as the calculation of the RDA factor to be included in this year's DAC for effect November 1, 2013.[20]

Ms. Smith explained the breakdown per class of the $7,490,077 under-recovery, stating that the main driver for the under-recovery was the warmer-than-normal weather, that resulting in reduced in actual revenues billed to heating customers, with residential heating customers accounting for 87% of that under-recovery. She explained that the RDA factor was calculated by dividing the under-recovery by the forecasted throughput for the Residential and Small and Medium C&I rate classes to arrive at the RDA factor of $0.0288 per therm that is to be included in the DAC filing.[21]

On August 1, 2013, National Grid filed its FY2013 Gas Infrastructure, Safety, and Reliability Plan Annual Report and Reconciliation[22] which comprises a reconciliation of two components: (1) the difference between the forecasted and actual revenue requirement and (2) the reconciliation of forecasted collections and actual collections. To support the calculations set forth in the filing, National Grid provided the pre-filed testimonies of Walter F. Fromm, Director Network Gas Strategy-New England for National Grid USA Service Company, Inc., and Mr. Richer.

[19] This proposed factor was updated to $0.0280 in the Company's September 2, 2013 filing.
[20] Smith Decoupling Direct at 2-3, Sched. MCS-1, July 1, 2013; www.ripuc.org/eventsactions/docket/4431-NGrid-Gas-RDA(7-1-13).pdf.
[21] *Id.* at 6-8, Sched. MCS-3.
[22] R.I.P.U.C. NG-Gas No. 101, Sec. 3, Sched. A, Sheet 6.

Mr. Fromm addressed testimony to present the details of the filing, as well as the actual spending for the April 1, 2012 through March 31, 2013 period. He explained the major spending variances in the specific categories of the ISR Plan. Mr. Fromm indicated that the Company spent $59.60 million for non-growth capital investment under the Gas ISR Plan, approximately $2.29 million less than the Company's annual approved budget of $61.89 million. He indicated that information required to support capital spending amounts was included in the Company's annual report for FY2013 and that quarterly reporting will resume in FY2014.[23]

Mr. Fromm identified $1.94 million of increased costs in Public Works spending, most of which were associated with contract work for the Narragansett Bay Commission, as the primary driver of the $2.29 million variance in FY2013. In a number of categories, spending was under-budget which off-set the over-spending in the Public Works category. In requesting full reconciliation of the actual spending, Mr. Fromm contended that the under-spending was reasonable and consistent with the intent of the ISR Plan to maintain the overall safety and reliability of the gas system while meeting customer needs.[24]

Mr. Richer presented the updated $5,085,563 FY2013 revenue requirement associated with actual FY2013 and FY2012 capital investment levels and actual tax deductibility percentages for FY2012. He described of the impact of the Company's last rate case on the Gas ISR revenue requirement, summarized the revenue requirement

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[23] Fromm ISR Direct at 2-4, Sched. WFF-1. Aug. 1, 2013; http://www.ripuc.org/eventsactions/docket/4306-NGrid-Gas-ISR-FY2013-Reconciliation(8-1-13).pdf.
[24] *Id.* at 5-7, Sched. WFF-1; .

reconciliation, and explained the change in the tax depreciation calculation. He stated that the Company's actual, non-growth capital investment for FY2013 was $56.5 million.[25]

II. NATIONAL GRID'S SEPTEMBER 3, 2013 SUPPLEMENTAL FILING

On September 3, 2013, National Grid filed supplemental testimony from Mariella Smith, to incorporate updates to the DAC components included in the August 1, 2013 filing, and William R. Richer, to provide a revision to the pension and PBOP expense reconciliation and a status update on the Earnings Sharing Mechanism component. Ms. Smith proposed a System Pressure factor of $0.0038 per therm, calculated by multiplying the forecasted 2013-2014 LNG lease payment costs by the updated system pressure balancing percentage. She provided the actual Pension and PBOP expenses and updated the reconciliation factor from $0.0038 to $0.0041 for the Residential, Small and Medium C&I rate classes and from $0.0036 to $0.0039 for the Large and Extra-Large classes. She reiterated that the DAC factors for the Residential, Small and Medium C&I rate classes, and the Large and Extra-Large rate classes differ. The Revenue Decoupling Adjustment factor only applies to the Residential, and Small and Medium C&I customers. A separate factor was developed for the Large and Extra-Large rate classes to accommodate the reconciliation of the base rate related items previously discussed.[26]

Ms. Smith provided a table setting forth the various proposed DAC rates applicable to the different rate classes, ranging from $0.0083 per therm to $0.0442 per therm. She said that the proposed DAC rates would result in an annual decrease of

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[25]Richer ISR Direct at 2-10, Att. WRR-1, Aug. 1, 2013; http://www.ripuc.org/eventsactions/docket/4306-NGrid-Gas-ISR-FY2013-Reconciliation(8-1-13).pdf.

[26] Smith Supplemental at 1-5 Sched. MCS-1S, MCS-2S, MCS-5, MCS-7, Sept.3, 2013; http://www.ripuc.org/eventsactions/docket/4431-NGrid-DAC-Supplement-Filing(9-3-13).pdf.

approximately $7.00 or 0.6% for an average residential customer using 846 therms annually.[27]

Mr. Richer provided updates to the Pension and PBOP reconciliation as well as the status of the Company's earnings subject to the ESM for the period ending March 31, 2013. He noted that the August 1, 2013 filing inadvertently omitted Pension and PBOP costs for the Service Company employees,[28] who are members of the Niagara Mohawk pension and PBOP plans, and the supplemental pension costs for the Service Company employees. The correction of the omission resulted in an increase in the under-recovery of pension costs and a decrease in the amount of over-recovery of PBOP costs from what was presented in the original filing, resulting in a net increase of $227,904 to be collected from ratepayers.[29]

III. DIVISION OF PUBLIC UTILITIES AND CARRIERS DIRECT TESTIMONY

On October 4, 2013, the Division of Public Utilities and Carriers (Division) filed the direct testimonies of its consultants: Bruce R. Oliver, President of Revilo Hill Associates, Inc., and David J. Effron, of Berkshire Consulting Services. Mr. Oliver discussed all elements of the DAC, except the PBOP, Earnings Sharing Mechanism, and the ISR Revenue Requirement Reconciliation, which were reviewed by Mr. Effron. Mr. Oliver noted that the current rate proposed by the Company, prior to inclusion of the ISR, reflects a $0.0075 per therm decrease from the current net DAC charge of $0.0476 for Residential and Small and Medium C&I classes and a $0.0023 per therm increase from

[27] *Id.* at 5-7, Sched. MCS-1S, MCS-10S.
[28] Service Company employees are those employees who perform duties for all jurisdictional companies.
[29] Richer Supplemental at 1-3, Sched. WRR-1, Sept. 3, 2013 at 1-3; http://www.ripuc.org/eventsactions/docket/4431-NGrid-DAC-Supplement-Filing(9-3-13).pdf.; National Grid Data Response at 1-1, 1-4, Sept. 2, 2013; http://www.ripuc.org/eventsactions/docket/4431-NGrid-DR-DPU1(9-3-13).pdf.

the current net DAC charge of $0.0069 for the Large and Extra Large C&I classes. He presented a list of rates by class showing the inclusion of the ISR charges, noting the substantially negative changes for all rate classes.[30]

Mr. Oliver stated that the allowance for uncollectibles was increased by the Commission in the Company's last rate case. He recommended no changes after reviewing the various factors, but indicated that further review was required and that further analysis could require a different recommendation.[31]

He found the Company's computation of the System Pressure factor to be consistent with the terms of the Settlement Agreement in National Grid's last DAC case. He recommended no change in funding to the Advanced Gas Technology program and found no reason to supplement existing low income funds. While he noted that the Division had not conducted a full audit of the Company's environmental costs, his review revealed that those expenses appear to be reasonable.[32]

Mr. Oliver reiterated Ms. Smith's testimony regarding calculation of the On-System Margin Credit factor. Because the calculation revealed $426,061 in revenues in excess of the combined prorated thresholds, Mr. Oliver noted, that excess amount would be credited to customers. Subject to receipt of additional information to verify that the revenue thresholds were properly adjusted to reflect the migration of customers and to clarify a potential billing error, Mr. Oliver provided that the proposed On-System Margin Credit factor appeared reasonable.[33]

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[30] Oliver Direct at 2-3, Oct. 12, 2013; http://www.ripuc.org/eventsactions/docket/4431-DPU-Oliver_10-4-13.pdf.
[31] *Id.* at 4-5.
[32] *Id.* at 5-16.
[33] *Id.* at 16-20.

In discussing the RDA, Mr. Oliver noted that Ms. Smith's calculation, resulting in a $7,490,077 under-collection, was properly computed. Regarding the reconciliation adjustment, Mr. Oliver stated that the Company's proposed reconciliation factor of $0.0041 per therm was three times higher than last year's factor of $0.0014 per therm. He attributed the increase to the new method of determining the System Pressure factor and the more than double increase in the Accelerated Replacement Program Tracker amount.[34]

Mr. Effron reviewed the calculations of the Pension and PBOP expenses, the ISR Revenue Requirement Reconciliation, and the Earnings Sharing Mechanism components of the DAC. After the Company's correction of computational errors he had previously detected in the Pension and PBOP funding carrying charges, he recommended no other adjustments.[35]

III. HEARING

At the public hearing conducted on October 17, 2013, National Grid presented witnesses and argument. Mariella Smith provided a brief overview of the different DAC factors. In clarifying Mr. Oliver's issue regarding the migration of customers between firm and non-firm service, she noted that the Company monitors the bills of its firm and non-firm customers on a monthly basis. The migration issue was triggered by one of National Grid's customers opening another account. She related that migration of customers from firm to non-firm or vice versa is not common. Moreover, the individuals responsible for billing notify her when a customer migrates.[36]

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[34] *Id.* at 20-23.
[35] Effron Memorandum at 1, Oct. 4, 2013; http://www.ripuc.org/eventsactions/docket/4431-DPU-Effron_10-4-13.pdf.
[36] Hr'g Tr. 2-21, Oct. 17, 2013.

Responding to questioning about the necessity of the Advanced Gas Technology fund, in light of the Company's energy efficiency program, Ms. Smith testified that the programs differ. She described the AGT program as promoting gas use during periods of low demand, and the energy efficiency program as promoting conservation. Counsel for National Grid, Thomas Teehan, offered further explanation, contending that the two programs are separate; the AGT is part of the DAC, and the energy efficiency program is a statutory program. He acknowledged that subsequent to the time that the legislature created the Demand Side Management charge, the Company had requested that "AGT" be used to identify the program funded through the DAC, to avoid confusion with the statutorily-created energy efficiency charge.[37]

Ms. Smith was also questioned about the Low Income Assistance Program factor and low income funding. She explained that there are three categories of funds to provide low income support: (1) federal LIHEAP funding; (2) the legislatively-created LIHEAP enhancement program,[38] for which the Company collects $0.83 per month from ratepayers for a total of between $6.5 and $7.5 million annually; and (3) $1.7 million provided for in base rates. When asked about why the Company maintains the Low Income Assistance Program factor, which had not been funded in approximately seven years, Mr. Teehan responded that its purpose was to supplement existing funds, if necessary.[39]

Mr. Richer testified regarding National Grid's pension adjustments and clarified why employees who are members of the Niagara Mohawk pension plan are accounted for in the Company's DAC pension reconciliation. He explained that a number of employees

[37] H'rg Tr. 22-27, Oct. 17, 2013.
[38] R.I. Gen. Laws §39-1-27.12.
[39] *Id.* at 28-35.

work for the Service Company and perform duties for all of the jurisdictional companies. To the extent that those employees are incurring costs for or performing work which relates to the Rhode Island company, he said, those costs are allocated to and become an expense for Rhode Island ratepayers.

Questioned about the problems the Company has experienced with its new financial system, Mr. Richer provided that National Grid is continuing to work toward resolution of those problems, noting particularly that the costs of the Company's stabilization efforts will be borne by National Grid and not its customers. He opined that the Company's return on equity might increase slightly, but he did not expect it vary by much.[40]

Testifying for the Division at hearing, Mr. Oliver stated that, with the exception of his reservations regarding the margin calculations for non-firm service, he had no dispute with the Company's proposed DAC factors. He criticized the Company's confidential treatment of the person who had been awarded the money from the AGT fund for natural gas trash trucks, noting that the money had all come from ratepayers. He also challenged whether natural gas vehicles should even come within the purview of the AGT program. He further noted that this same individual had been awarded AGT funding to build a fueling facility for the trucks and had applied for additional funding to buy more trucks. In response to Mr. Oliver's concern, Attorney Teehan assured the Commission that he would discuss the issue of confidentiality with his client.[41]

Mr. Oliver also discussed his view on the difference between what a weather normalization factor would have provided versus decoupling in terms of reconciliation.

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[40] *Id.* at 39-45.
[41] *Id.* at 47-54.

He noted that, while it would have been useful to have, he was not privy to the heating degree days.[42] He opined that his rough estimation revealed a much smaller adjustment for weather normalization would have applied with a weather normalization factor than was applied through decoupling. Without more analysis, however, he was unable to determine whether the decoupling adjustment was driven by weather or aggressive conservation efforts. Mr. Oliver reiterated that it would be more helpful to have the data provided in electronic spreadsheets at the time the Company makes its initial filing for both DAC and Gas Cost Recovery, rather than having to issue data requests to obtain the spreadsheets after the filings have been made.[43]

When questioned about the LIHEAP[44] funding, Mr. Oliver provided that it is rare to find funding from three different sources going into one activity. He noted that in the past decade there have been no adjustments made to the LIHEAP fund and in his opinion the factor is not necessary particularly in light of the number of other factors in the DAC. Finally, Mr. Oliver related that he did not evaluate, in depth, the service company cost allocations, because that tends to be more Mr. Effron's responsibility. Mr. Effron was not present at the hearing.[45]

IV. FINDINGS

At an open meeting on October 25, 2013, the PUC deliberated on the proposed DAC factors and rate. The PUC approved the following factors: System Pressure - $0.0038 per therm; Advanced Gas Technology Program - $0.0000 per therm; Low

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[42] Prior to the passage of the Decoupling Act in 2010, National Grid, through the DAC weather normalization factor, adjusted revenues to account for the impact of weather that varied by more than 2 percent from normal degree days during the preceding winter period of November through April.
[43] H'rg Tr. 54-60, Oct. 17, 2013.
[44] This reference was used interchangeably when discussing the LIAP factor.
[45] H'rg Tr. 60-62, Oct. 17, 2013.

Income Assistance - \$0.0000 per therm; Environmental Response Cost – \$0.0001 per therm; Pension and Post-Retirement Benefits - \$0.0024 per therm; On-System Margin Credits - (\$0.0012) per therm; Reconciliation Factor - \$0.0041 per therm for Residential/Small/Medium C&I customers and \$0.0039 per therm for Large/X-Large customers; and Earnings Sharing Mechanism - \$0.0000 per therm. In addition to the individual factors, the PUC approved an Uncollectible Percentage of 3.18%, resulting in a DAC adjusted for uncollectibles of \$0.0092 per therm for Residential/Small/Medium C&I customers and \$0.0090 for Large/X-Large customers. The PUC also approved a Revenue Decoupling Adjustment charge of \$0.0280 for Residential/Small/Medium C&I customers and a Revenue Decoupling Reconciliation charge of \$0.0026 for Residential/Small/Medium C&I customers. The approval of all of the factors plus the 3.18% adjustment for uncollectibles and the Revenue Decoupling adjustments resulted in a base DAC factor of \$0.0401 per therm for Residential/Small/Medium C&I customers and \$0.0092 per therm for Large/X-Large customers.[46]

In addition to the specific factors and adjustments set forth above, the PUC approved the base DAC factor being added to an ISR reconciliation adjusted for uncollectibles and then added to an ISR component.[47] The resulting calculations revealed a DAC rate of \$0.0197 per therm for Residential Non-Heating customers, \$0.0425 per therm for Residential Heating customers, \$0.0442 per therm for Small C&I customers, \$0.0429 per therm for Medium C&I customers, \$0.0107 for Large Low Load C&I customers, \$0.0131 per therm for Large High Load C&I customers, \$0.0083 per therm

[46] The specific factors for the various customer classes are set forth in Attachment A.
[47] The different ISR reconciliation amounts and components based on customer class are set forth in Attachment B.

for X-Large Low Load C&I customers and $0.0095 per therm for X-Large High Load C&I customers.

The Commission found that the evidence, both oral and written, presented by National Grid and the Division supported the reconciliation of the factors, set forth above, and was satisfied that the calculations supporting these factors are accurate. In the Commission's previous order, Docket No. 4339, the parties were ordered to assess the advisability of incorporating the Advanced Gas Technology program into the Company's Energy Efficiency program and to provide the PUC with its findings prior to its DAC filing. Since the parties did not do this prior to the conclusion of this matter, the PUC finds that the obligation to do so continues. Such a report shall be provided to the PUC prior to the Company's next DAC filing.

ACCORDINGLY, it is

(21464) ORDERED:

1. The System Pressure factor of $0.0038 per therm is approved for effect November 1, 2013.
2. The Advanced Gas Technology factor of $0.0000 per therm is approved for effect November 1, 2013.
3. Any interest earned on the balance in the Advanced Gas Technology fund shall continue be credited to ratepayers.
4. The parties shall assess the advisability of incorporating the Advanced Gas Technology program into the Company's Energy Efficiency program and shall provide the PUC with its findings prior to the next DAC filing.

5. The Environmental Response Cost credit factor of $0.0001 per therm is approved for effect November 1, 2013.
6. The Company shall continue to include in its annual Environmental Report for Gas Service all asset sales or exchanges involving real property that the Company has acquired or may acquire that is funded by ratepayers through the DAC; any such future profits from the sale of land for which acquisition costs have been included in the ERC factor will be credited to ratepayers.
7. The Reconciliation factor of $0.0041 per therm for Residential/Small/Medium C&I customers and $0.0039 per therm for Large and X-Large C&I customers is approved for effect November 1, 2013.
8. The On-System Margin credit factor of ($0.0012) per therm is approved for effect November 1, 2013.
9. The Pension and Post-Retirement Benefits factor of $0.0024 per therm is approved for effect November 1, 2013.
10. The Service Quality Performance factor of $0.0000 per therm is approved for effect November 1, 2013.
11. The Revenue Decoupling Adjustment factor of $0.0280 per therm for Residential/Small/Medium C&I customers is approved for effect November 1, 2013.
12. The Revenue Decoupling Adjustment Reconciliation factor of $0.0026 per therm for Residential/Small/Medium C&I customers is approved for effect November 1, 2013.

13. The various ISR reconciliation and components as set forth in Appendix B of this Order are approved for effect November 1, 2013.

14. The overall Distribution Adjustment Charges of $0.0197 per therm for Residential Non-Heating customers, $0.0425 per therm for Residential Heating customers, $0.0442 per therm for Small C&I customers, $0.0429 per therm for Medium C&I customers, $0.0107 per therm for Large Low Load C&I customers, $0.0131 per therm for Large High Load C&I customers, $0.0083 per therm for Extra-Large Low Load C&I customers and $0.0095 per therm for Extra-Large High Load C&I customers are approved for effect November 1, 2013.

15. National Grid shall provide electronic versions of all spreadsheets at the time of its initial filing.

16. National Grid shall comply with all other findings and instructions contained in this Report and Order.

EFFECTIVE NOVEMBER 1, 2013 AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING ON OCTOBER 25, 2013. WRITTEN ORDER ISSUED MAY 15, 2014.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr., Commissioner