STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC	**:**	
d/b/a NATIONAL GRID	**:**	
DISTRIBUTION ADJUSTMENT CHARGE	**:**	**DOCKET NO. 4514**

REPORT AND ORDER

I. NATIONAL GRID'S FILING AND DIRECT TESTIMONY

On August 1, 2014, 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, 2014. The DAC is filed annually to establish a factor to reconcile estimated gas costs to actual gas 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 prefiled testimony[1] of Yi-An Chen, a Senior 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, 2014. Ms. Chen's testimony described each of the DAC factors and the proposed

[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. Chen's prefiled testimony specifically is available at http://www.ripuc.org/eventsactions/docket/4514-NGrid-DACFiling(8-1-14).pdf.

[2] There are eleven DAC factors: a System Pressure factor, an Advanced Gas Technology factor, a Low Income Assistance Program factor, an Environmental Response Cost factor, a Pension Adjustment factor, an On-Systems Margin Credit factor, a Reconciliation factor, an Earnings Sharing Mechanism factor, a Service Quality factor, a Revenue Decoupling Adjustment factor and rate class specific Infrastructure, Safety, and Reliability factors.

changes to those factors. She noted that the System Pressure factor would be filed with the Company's Supplemental Filing on September 1 to coincide with the Gas Cost Recovery filing because forecasted liquefied natural gas (LNG) costs are directly related to gas costs. Ms. Chen provided an update of the Company's recent Advanced Gas Technology (AGT)[3] rebate activity and identified an account balance of $2,563,843, which did not include $29,930 of interest to be returned to customers through the Reconciliation factor. Ms. Chen represented that National Grid was not proposing to add to the $300,000 of funding provided annually through base rates, opining that this amount was sufficient to satisfy rebates in the near future. She noted that the Company would reassess the need to modify this funding in next year's DAC filing -- in August 2015 -- and propose any changes deemed necessary at that time.[4]

Ms. Chen provided that National Grid was 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 $568,913 of environmental costs must be charged to ratepayers through the Environmental Response Cost factor resulting in an increase of $0.0014 per therm to compensate for the shortage of funds recovered through base rates. She provided that the Pension Adjustment Factor would be credited $0.0052 per therm to return approximately $2 million to customers.[5]

Regarding the On-System Margin Credit factor, Ms. Chen explained that any excess collected above a $1.8 million threshold would be returned to customers and any

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[3] 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

[4] Chen Direct at 4-9, Sched. YC-1, YC-2, YC-3 (Aug.1, 2014).

[5] *Id.* at 9-14, Sched. YC-1, YC-4, YC-5.

deficiency below that threshold amount was recovered from customers. The threshold amount was adjusted to reflect the migration of existing non-firm customers to firm service which resulted in a threshold of $1,604,433. Ms. Chen stated that the total margin compared to the adjusted threshold resulted in a shortage of $135,571 to be collected from ratepayers.[6]

Since no service quality penalties were assessed against the Company for the current year, Ms. Chen explained, no money would be returned to ratepayers through the Service Quality[7] factor. She identified an $8,989,002 over-collection to be refunded to customers through the Revenue Decoupling Adjustment (sometimes RDA),[8] which computes to $0.0325 per therm for Residential as well as Small and Medium Commercial and Industrial (C&I) customers. She provided that the Infrastructure, Safety, and Reliability (ISR) reconciliation[9] resulted in an under-recovery of $1,633,930, which included the FY 2014 revenue requirement on actual cumulative capital investment covered by the ISR Plan and a reconciliation of the FY 2013 reconciliation balance amount. Regarding the reconciliation component of the DAC, Ms. Chen 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.[10]

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[6] Chen Direct at 14-15, Sched. YC-1, YC-6.

[7] 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.

[8] The details of the annual reconciliation were filed with the PUC on August 1, 2014 and are discussed below.

[9] The details of the ISR reconciliation were filed with the PUC on August 1, 2014 and are discussed below.

[10] Chen Direct at 15-21 , Sched. YC-1, YC-7, YC-8.

Ms. Chen identified a projected throughput of 38,110,517 decatherms for the Company's gas year of November 1, 2014 through October 31, 2015. Attached to her testimony were a number of schedules with the details of the proposed factors. Those are combined in Schedule YC-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 includes 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 added to the ISR factors approved by the PUC in the Company's ISR filing.[11]

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 March 31, 2013, the calculation of the Pension and Post Retirement Benefits Other Than Pensions (PBOP) costs subject to the reconciliation mechanism, and the ISR revenue requirement used in the reconciliation of the ISR factor. He noted that due to the implementation of the Company's new financial system, financial data was not available through March 2013. He explained that on July 3, 2014, National Grid filed an earnings report identifying preliminary returns on equity for FY 2014 of 8.24% and FY 2013 of 7.17%.[12]

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[11] *Id.* at 27-28, Sched. YC-1. The Company's ISR Plan is filed in December for an effective date of April 1.

[12] Richer Direct at 1-5 (Aug. 1, 2014); http://www.ripuc.org/eventsactions/docket/4514-NGrid-DACFiling(8-1-14).pdf.

Mr. Richer noted that the Pension 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. The calculation of this factor revealed an over-recovery of both pension and PBOP expense leading to carrying charges of $349,956 and $575,936, respectively, to be returned to customers. Finally, Mr. Richer provided the $1,633,930 revenue requirement associated with the FY 2014 ISR Plan investment.[13]

On August 1, 2014 and in accordance with the provisions of the Company's gas tariff,[14] which established an annual reconciliation of target revenue per customer and actual revenue per customer through a Revenue Decoupling Adjustment (RDA) factor to be included in the DAC, National Grid filed its annual RDA factor for the 14-month period February 1, 2013 through March 31, 2014. In support of the proposed ($0.0325) per therm RDA factor[15] designed to return approximately $9 million to ratepayers, the Company submitted the testimonies of Suhila Nouri Nutile and Melissa A. Little. Ms. Nutile provided an overview of the RDA reconciliation mechanism and explained the actual Revenue Decoupling Mechanism (sometimes RDM) results for the period February 1, 2013 through March 31, 2014 as well as the calculation of the RDA factor to be included in this year's DAC for effect November 1, 2014.[16]

Ms. Nutile explained the breakdown per class of the $9 million over-recovery, she stated that the main driver, was the colder-than-normal weather which resulted in an increase in actual revenues billed to heating customers. Residential heating customers accounted for more than three quarters of that over-recovery. She explained that the

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[13] Richer Direct at 5-8, Sched. WRR-1, WRR-2.
[14] R.I.P.U.C. NG-Gas No. 101, Sec. 3, Sched. A
[15] This proposed factor was updated to $0.0280 in the Company's September 2, 2013 filing.
[16] Nutile Decoupling Direct at 2-3, Sched. SLN-1 (Aug. 1, 2014); http://www.ripuc.org/eventsactions/docket/4514-NGrid-Gas-RDA2014(8-1-14).pdf .

RDA factor was calculated by dividing the over-recovery by the forecasted throughput for the Residential and Small and Medium C&I rate classes to arrive at the RDA factor of $(0.0325) per therm that is to be included in the DAC filing.[17]

Ms. Nutile also discussed the approximate 3,000 residential non-heating customers that the Company identified through extensive data analysis as being more appropriately classified as Residential Heating. She noted that classifying these customers as residential would have had no impact on the $9 million credit balance. She provided that the Company is in the process of reclassifying these customers and will update the Revenue-Per-Customer targets for the residential classes in its next Revenue Decoupling Mechanism (RDM) reconciliation filing to reflect the customers that are actually transferred from the Residential Non-Heating class to Residential Heating class. Ms. Little's testimony provided the proposed revenue requirement on actual cumulative growth investment made from January 1, 2012 through January 31, 2014 and explained how the rate year revenue requirement was allocated among customer classes and factored into the adjusted class revenue per customer amounts.[18]

On August 1, 2014, National Grid filed its FY2014 Gas Infrastructure, Safety, and Reliability Plan Annual Report and Reconciliation[19] 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 prefiled

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[17] Nutile Direct, *supra* note 16, at 9-10, Sched. SLN-1.
[18] *Id.* at 3-17; Little Decoupling Direct at 2-10 (Aug, 1, 2014); http://www.ripuc.org/eventsactions/docket/4514-NGrid-Gas-RDA2014(8-1-14).pdf
[19] R.I.P.U.C. NG-Gas No. 101, Sec. 3, Sched. A, Sheet 6.

testimonies of Walter F. Fromm, Director Network Gas Strategy-New England for National Grid USA Service Company, Inc., and William R. Richer.

Mr. Fromm provided testimony to present the details of the filing, as well as the actual spending for the April 1, 2013 through March 31, 2014 period. He explained the major spending variances in the specific categories of the ISR Plan. Mr. Fromm indicated that the Company spent $73.11 million for non-growth capital investment under the Gas ISR Plan, approximately $7.82 million more than the Company's annual approved budget of $65.29 million.[20]

Mr. Fromm identified $8.43 million of increased costs for the Proactive Main Replacement Program which installed an additional 2.5 miles of gas main associated with leak prone pipe replacement and higher unit costs for main replacement. He also noted $1.37 million of increased costs in Public Works spending, most of which were associated with contract work for the Narragansett Bay Commission, and $2.25 million overspending for Mandated Programs. He identified these three areas of increased costs as the primary drivers of the $8.43 million variance in FY2014. In a number of categories, spending was under-budget, off-setting the over-spending in the categories set forth above. 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.[21]

Mr. Richer presented the updated $1,633,930 FY2014 revenue requirement. He described the impact of the Company's last rate case on the Gas ISR revenue

[20] Fromm ISR Direct at 2-4, Sched. WFF-1 (Aug. 1, 2014); http://www.ripuc.org/eventsactions/docket/4380-4514-NGrid-Gas-ISR-Reconciliation(8-1-14).pdf.
[21] Fromm Direct, *supra* note 20, at 5-10, Sched. WFF-1.

requirement, summarized the revenue requirement reconciliation, explained the change in the tax depreciation calculation, and described the ISR property tax recovery formula adjustment. He stated that the Company's actual, non-growth capital investment for FY2014 was $70.4 million.[22]

On August 29, 2014, National Grid filed supplemental testimony from Yi-An Chen, incorporating updates to the DAC components included in the August 1, 2014 filing. Ms. Chen proposed a System Pressure factor of $0.0039 per therm. It was calculated by multiplying the forecasted 2014-2015 LNG lease payment costs by the updated system pressure balancing percentage. She provided an update of the Reconciliation adjustment factors of $0.0038 per therm applicable to all rate classes and $0.0025 per therm applicable to the Large and Extra-Large rate 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 are all different. 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.[23]

Ms. Chen provided a table setting forth the various proposed DAC rates applicable to the different rate classes, ranging from $(0.0170) per therm to $0.0140 per therm. She said that the proposed DAC rates would result in an annual decrease of

[22]Richer ISR Direct at 2-10, Att. WRR-1 (Aug. 1, 2014); http://www.ripuc.org/eventsactions/docket/4380-4514-NGrid-Gas-ISR-Reconciliation(8-1-14).pdf. .
[23] Chen Supplemental at 1-5 Sched. YC-1S, YC-2S, YC-5, YC-7 (Sept. 3, 2013); http://www.ripuc.org/eventsactions/docket/4514--NGrid-DAC-Supplemnt_Filing(8-29-14).pdf.

approximately $59.29 or 4.5% for an average residential customer using 846 therms annually.[24]

II. DIVISION OF PUBLIC UTILITIES AND CARRIERS' DIRECT TESTIMONY

On October 6, 2014, 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 ($0.0309) per therm decrease from the current net DAC charge of $0.0351 for Residential and Small and Medium C&I classes and a $0.0029 per therm increase from the current net DAC charge of $0.0044 for the Large and Extra Large C&I classes. He presented a list of rates by class, showing the inclusion of the ISR charges. He noted that the proposed DAC charges yielded large percentage reductions for all rate classes.[25]

Mr. Oliver expressed concern with three factors: the Environmental Response Cost factor, the On-System Margin Credits factor, and the Reconciliation factor. Specifically, he found a $1,482,810 credit against claimed costs for a project that was not reported in the appropriate fiscal year. Inclusion of the credit amount would lower the Company's claimed Environmental Response Cost factor from $0.0014 to $0.0011 per therm. Regarding the On-System Margin Credits factor, Mr. Oliver identified a number of errors and inconsistencies related to billing adjustments and charges for the

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[24] Chen Supplemental, *supra* note 23, at 5-6, Sched. YC-1S, YC-10S.

[25] Oliver Direct at 2-5 (Oct. 6, 2014); http://www.ripuc.org/eventsactions/docket/4514-DPU-Oliver_10-6-14.pdf.

unauthorized use of gas during curtailments, including use of an incorrect factor to compute gas costs attributable to unauthorized gas use, instances of no recognition of charges for gas use during periods of service curtailment, and lack of distribution charge assessment during periods of unauthorized gas use. The Company's calculation of the Reconciliation factor also caused Mr. Oliver some concern. He found the period did not provide for a clear final reconciliation of DAC components and included significant reported negative throughput volumes for certain classes of customers. He expressed that the negative throughput volumes for an entire class were indicative of either a significant data problem or the Company reflecting large negative adjustments to throughput volumes billed for the particular class.[26]

Regarding the revenue decoupling testimony provided by the Company, Mr. Oliver discussed the Company's acknowledged need to reclassify approximately 3,000 Residential Non-Heating customers as Residential Heating customers and agreed that the reclassification would have a minimal impact on the Revenue Decoupling factor. He identified two impacts caused by the increase in winter period gas used by the Non-Residential Heating class. First, it caused the Division to question the appropriateness of including the Non-Residential Heating class with the C&I High Load Factor classes for Gas Cost Recovery (GCR) purposes. Second, all High Load Factor customers received a greater allocation of costs and higher rates than they otherwise would have experienced. Even so, Mr. Oliver noted, the transfer of these customers to the Residential Heating class would most likely not cause significant bill increases.[27]

[26] Oliver Direct, *supra* note 25, at 6-18.
[27] *Id.* at 18-22.

Mr. Oliver recommended approval of the DAC factors proposed by National Grid conditioned on the Company revising its Environmental Cost Recovery Factory calculations to reflect the credit against claimed costs previously discussed and including documentation to allow for further investigation of large billing adjustments. He also recommended the Company use a fully historical period, comporting with National Grid's fiscal year, for future DAC reconciliations.[28]

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. He noted no exceptions to the calculations for the Pension and PBOP expenses or the ISR Revenue Requirement Reconciliation. He observed, however, that pension and postretirement benefits expenses were estimated and would be trued up when actual amounts were available. He also noted that the Company was unable to produce a calculation of the earned return on equity because of issues with the implementation of the Company's financial reporting system. He represented that he would review that calculation when necessary information was provided and report any exceptions to the Commission.[29]

III. NATIONAL GRID REBUTTAL TESTIMONY

Ms. Chen filed rebuttal testimony responding to Mr. Oliver's concerns. She agreed with Mr. Oliver's recommendation that the Environmental Response Cost factor be revised to reflect a customer credit. Explaining that Mr. Oliver's concerns about billing adjustments and charges for unauthorized use of gas during periods of curtailment do not impact the On-System margin, she provided that this issue was addressed in the

[28] *Id.* at 23.
[29] Effron Memorandum at 1 (Oct. 6, 2014); http://www.ripuc.org/eventsactions/docket/4514-DPU-Effron_10-6-14.pdf.

Company's GCR rebuttal testimony. She provided that National Grid was willing to engage in further discussions with Mr. Oliver to address and to resolve his concerns.[30]

Ms. Chen explained that the Company's reconciliation periods align with the period over which the rate is designed. She provided that the Company was willing to discuss different options with Mr. Oliver to avoid the Reconciliation factor being based on estimates. Finally, she noted that the transfer of approximately 3,000 Residential Non-Heating customers to the Residential Heating class would be addressed in the GCR docket. She provided the updated DAC factors at various levels of consumption and identified a $59.65 or 4.6% decrease for an average residential heating customer using 846 therms.[31]

III. HEARING

At the October 23, 2014 public hearing, National Grid presented witnesses and argument. Yi-An Chen adopted as her own the answers provided by Anne Leary in the GCR hearing[32] regarding the large billing adjustments and improperly classified customers. She testified that the Company agreed to provide a fiscal year schedule to the Division to allow for easier evaluation of the DAC and Revenue Decoupling Mechanism reconciliations. She noted that National Grid will propose a tariff revision to its transportation terms and conditions so that, in the future, customers who use gas during periods of curtailment will be charged the volumetric distribution charge in addition to being subject to a penalty. Ms. Chen represented that the Company had made the

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[30] Chen Rebuttal at 1-4 (Oct. 17, 2014); http://www.ripuc.org/eventsactions/docket/4514-NGrid-Chen(10-17-14).pdf.

[31] Chen Rebuttal, *supra* note 30, at 4-6.

[32] During the Docket No. 4520 hearing, Ms. Leary addressed Mr. Oliver's concerns about meter errors, incorrect supply and inappropriate rate assignments. She expressed confidence that the problems currently experienced would not reoccur to the extent that they had occurred in the instant case, especially with regard to correcting estimated meter reads. She noted that National Grid was evaluating different processes to identify instances of inappropriate rate classification.

$1,482,000 adjustment to reflect the credit to the Environmental Response Cost factor that Mr. Oliver had revealed.[33]

Fred Payne, a Company witness familiar with the AGT program, identified a university as a potential AGT rebate recipient. He noted, however, that the rebate would not likely be made for approximately a year and a half to two years. He also provided that no payment had yet been made to Toray and that the first $500,000 payment of that company's $1.8 million rebate would be made during the first quarter of the next year (2015). Mr. Payne acknowledged that National Grid had no projects pending for the current year (2014). Ms. Chen agreed that there was currently a $2,563,843 balance in the AGT account, amounting to more than four years of funding that the Company could receive. She also acknowledged that since the Toray project and a natural gas vehicle trash hauler project during 2013, no projects had been formally presented to National Grid. Additionally, Ms. Chen explained that the Low Income Assistance Program matches LIHEAP funds up to 133%. She further provided that no service quality penalties had been assessed against the Company.[34]

Testifying for the Division at the hearing, Mr. Oliver stated that over the course of the last few years, National Grid's DAC filings have strengthened considerably. Because the AGT fund has a substantial balance and no new projects have been forthcoming, he asserted, it would be reasonable to consider returning some of the balance in the fund to ratepayers.[35]

IV. FINDINGS

[33] Hr'g Tr. 15-19 (Oct. 23, 2014).
[34] *Id.* at 20-42.
[35] *Id.* at 46-48.

Immediately following the hearing, the PUC deliberated on the proposed DAC factors and rate. During discussion of the approximate $2.5 million balance in the AGT fund, the PUC noted that only one $500,000 rebate was expected to be paid in 2015. Finding no justifiable reason to carry such a large balance and noting that the Company could request reinstatement of the funding in next year's DAC proceeding, the PUC ordered the Company to credit customers $1 million from the AGT fund and to reflect the credit factor in its compliance filing.

The PUC approved the following factors: System Pressure - $0.0039 per therm; Advanced Gas Technology Program – ($0.0026) per therm; Low Income Assistance - $0.0000 per therm; Environmental Response Cost – $0.0011 per therm; Pension and Post-Retirement Benefits – ($0.0052) per therm; On-System Margin Credits - $0.0003 per therm; Reconciliation Factor - $0.0038 per therm for Residential/Small/Medium C&I customers and $0.0025 per therm for Large/X-Large customers; Service Quality factor - $0.0000 per therm; 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 $0.0013 per therm for Residential/Small/Medium C&I customers and $0.0000 for Large/X-Large customers. The PUC also approved a Revenue Decoupling Adjustment charge of ($0.0325)[36] for Residential/Small/Medium C&I customers and a Revenue Decoupling Reconciliation charge of ($0.0027) 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

[36] Parentheses denote a credit amount.

a base DAC factor of ($0.0339) per therm for Residential/Small/Medium C&I customers and $0.0000 per therm for Large/X-Large customers.[37]

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.[38] The resulting calculations revealed a DAC rate of ($0.0028) per therm for Residential Non-Heating customers, ($0.0162) per therm for Residential Heating customers, ($0.0157) per therm for Small C&I customers, ($0.0200) per therm for Medium C&I customers, $0.0111 for Large Low Load C&I customers, $0.0108 per therm for Large High Load C&I customers, $0.0029 per therm for X-Large Low Load C&I customers, and $0.0040 per therm for X-Large High Load C&I customers. The Commission found that the evidence presented by National Grid and the Division supported the reconciliation of the factors as set forth above. The Commission further found that the calculations supporting the factors were accurate.

ACCORDINGLY, it is

(21855) ORDERED:

1. The System Pressure factor of $0.0039 per therm is approved for effect November 1, 2014.
2. The Advanced Gas Technology factor of ($0.0026) per therm is approved for effect November 1, 2014.
3. Any interest earned on the balance in the Advanced Gas Technology fund shall continue be credited to ratepayers.

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

4. The Environmental Response Cost credit factor of $0.0011 per therm is approved for effect November 1, 2014.
5. 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.
6. The Reconciliation factor of $0.0038 per therm for Residential/Small/Medium C&I customers and $0.0025 per therm for Large and X-Large C&I customers is approved for effect November 1, 2014.
7. The On-System Margin credit factor of $0.0003 per therm is approved for effect November 1, 2014.
8. The Pension and Post-Retirement Benefits factor of ($0.0052) per therm is approved for effect November 1, 2014.
9. The Service Quality Performance factor of $0.0000 per therm is approved for effect November 1, 2013.
10. The Revenue Decoupling Adjustment factor of ($0.0325) per therm for Residential/Small/Medium C&I customers is approved for effect November 1, 2014.
11. The Revenue Decoupling Adjustment Reconciliation factor of ($0.0027) per therm for Residential/Small/Medium C&I customers is approved for effect November 1, 2014.

12. The various ISR reconciliation and components as set forth in Appendix B of this Order are approved for effect November 1, 2014.

13. The overall Distribution Adjustment Charges of ($0.0028) per therm for Residential Non-Heating customers, ($0.0162) per therm for Residential Heating customers, ($0.0157) per therm for Small C&I customers, ($0.0200) per therm for Medium C&I customers, $0.0111 per therm for Large Low Load C&I customers, $0.0108 per therm for Large High Load C&I customers, $0.0029 per therm for Extra-Large Low Load C&I customers and $0.0040 per therm for Extra-Large High Load C&I customers are approved for effect November 1, 2014.

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

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

EFFECTIVE NOVEMBER 1, 2014 AT WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING ON OCTOBER 17, 2014. WRITTEN ORDER ISSUED MARCH 18, 2015.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Paul J. Roberti, Commissioner

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 (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.

Attachment A

National Grid - RI Gas

Docket No. 4514

DAC Summary & Comparison to National Grid's Updated DAC*

		APPROVED PER PUC ORDER	
Line No.	**Current**	**Residential/Small Medium C&I**	**Large/X-Large C&I**
1 System Pressure (SP) Factor	$ 0.0038	$ 0.0039	$ 0.0039
2 Advanced Gas Technology (AGT) Factor	$ 0.0000	($ 0.0026)	($ 0.0026)
3 Low Income Assistance Program (LIAP) Factor	$ 0.0000	$ 0.0000	$ 0.0000
4 Environmental Response Cost (ERC) Factor	$ 0.0001	$ 0.0011	$ 0.0011
5 Pension and Post-Retirement Benefits (PBOP) Factor	$ 0.0024	($ 0.0052)	($ 0.0052)
6 On-System Margin Credit (MC) Factor	$ (0.0012)	$ 0.0003	$ 0.0003
7 Service Quality Performance (SQP)	$ 0.0000	$ 0.0000	$ 0.0000
8 Earnings Sharing Mechanism (ESM)	$ 0.0000	$ 0.0000	$ 0.0000
9 Reconciliation (R) Factor	$ 0.0041-0.0039	$ 0.0038	$ 0.0025
10 Subtotal	**$ 0.0060-0.0067**	**$ 0.0013**	**$ 0.0000**
11 Uncollectible Percentage	3.18%	3.18%	
12 **DAC Adjusted for Uncollectibles**	**$ 0.0095-0.0092**	**$ 0.0013**	**$ 0.0000**
13 Revenue Decoupling Adjustment	$ 0.0280	($ 0.0325)	$ 0.0000
14 Revenue Decoupling Adjustment Reconciliation	$ 0.0026	($ 0.0027)	$ 0.0000
15 DAC Factor	**$ 0.0401-0.0092**	**($ 0.0339)**	**$ 0.0000**

***All figures are per therm.**

Attachment B

Docket No. 4514

DAC Factors including annual ISR component

	ISR Reconciliation w/o uncollectible (therms)	Uncollectible Percentage	ISR Reconciliation (therms) (A)	Base DAC Component (therms) (B)	DAC Component Subtotal Rates (therms) (C) =(A) + (B)	ISR Component (therms) (D)	November 1, 2014 DAC Rates (therms) (E) = (C)+(D)
Res-NH	$0.0087	3.18%	$0.0089	($0.0339)	($0.0250)	$0.0222	($0.0028)
Res-NH-LI	$0.0087	3.18%	$0.0089	($0.0339)	($0.0250)	$0.0222	($0.0028)
Res-H	$0.0029	3.18%	$0.0029	($0.0339)	($0.0310)	$0.0148	($0.0162)
Res-H-LI	$0.0029	3.18%	$0.0029	($0.0339)	($0.0310)	$0.0148	($0.0162)
Small	$0.0029	3.18%	$0.0029	($0.0339)	($0.0310)	$0.0153	($0.0157)
Medium	$0.0024	3.18%	$0.0024	($0.0339)	($0.0315)	$0.0115	($0.0200)
Large LL	$0.0019	3.18%	$0.0019	$0.0000	$0.0019	$0.0092	$0.0111
Large HL	$0.0017	3.18%	$0.0017	$0.0000	$0.0017	$0.0091	$0.0108
XL-LL	$0.0001	3.18%	$0.0001	$0.0000	$0.0001	$0.0028	$0.0029
XL-HL	$0.0005	3.18%	$0.0005	$0.0000	$0.0005	$0.0035	$0.0040

***Factors Include Uncollectible Allowance**