

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :  
d/b/a NATIONAL GRID FISCAL YEAR 2016 ELECTRIC :  
INFRASTRUCTURE, SAFETY, AND RELIABILITY : DOCKET NO. 4539  
PLAN ANNUAL REPORT AND RECONCILIATION :

REPORT AND ORDER

Pursuant to R.I. Gen. Laws § 39-1-27.1, on March 31, 2015, the Public Utilities Commission (PUC) approved The Narragansett Electric Company d/b/a National Grid's (National Grid or Company) Fiscal Year (FY) 2016 Electric Infrastructure, Safety, and Reliability Plan (2016 Electric ISR Plan) and associated rate factor.<sup>1</sup> The 2016 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.<sup>2</sup>

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 subsequent 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

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<sup>1</sup> Order No. 22174 (issued Oct. 21, 2015); [http://www.ripuc.org/eventsactions/docket/4539-NGrid-Ord22174\\_10-21-15.pdf](http://www.ripuc.org/eventsactions/docket/4539-NGrid-Ord22174_10-21-15.pdf).

<sup>2</sup> Test. of James H. Patterson, Jr., 3, n.1 (citations omitted); [http://www.ripuc.org/eventsactions/docket/4539-NGrid-ElectricISR-FY2016-Reconciliation\(8-1-16\).pdf](http://www.ripuc.org/eventsactions/docket/4539-NGrid-ElectricISR-FY2016-Reconciliation(8-1-16).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.<sup>3</sup>

On August 1, 2016, National Grid filed its Annual Report and Reconciliation (2016 Reconciliation Filing). National Grid submitted the testimony of James H. Patterson, Jr., Director, Network Strategy, New England Electric, to provide an overview of the filing and to provide detail on the status of projects and spending.<sup>4</sup> In particular, Mr. Patterson indicated that National Grid had placed approximately \$6 million less than forecasted of plant-in-service, resulting primarily from the fact that the Company deferred several projects in the discretionary categories. This was offset somewhat by approximately \$8.1 million above the forecast in the non-discretionary category. As a result, National Grid placed \$71.5 million of plant-in-service in FY 2016 compared to the forecast of \$77.5 million.<sup>5</sup>

Capital Spending was \$6.2 million above budget, resulting from approximately \$5.1 million spending above budgeted amounts in non-discretionary spending, with the majority of it attributable to over-spending in the Damage/Failure category.<sup>6</sup> The under-budget variance of \$2.2 million in the System Capacity and Performance category resulted from delays in several projects.<sup>7</sup> The under-spending in the Damage/Failure category was offset by overspending in the Asset Condition and the South Street Project categories of \$1.7 million.<sup>8</sup> Each of the Asset Condition projects that contributed to the over-spend were based on budgeting prior to awarding of contracts or developing of project grade estimates. In the case of the South Street Project, after awarding

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<sup>3</sup> Order No. 22174 at 13-14.

<sup>4</sup> 2014 Reconciliation Filing, Test. and Attachment JHP-1 of Patterson, 3.

<sup>5</sup> *Id.* at Attachment JHP-1, 3.

<sup>6</sup> *Id.* at 5.

<sup>7</sup> *Id.* at 13.

<sup>8</sup> *Id.* at 5. This number is net of savings resulting in delays and deferrals in order to keep the discretionary spend within approved budget numbers. *Id.* at 11.

the contract, the Company also chose to advance some of the work, relating to the over-spend in FY 2016.<sup>9</sup>

Next, Mr. Patterson explained that Vegetation Management spending was on budget with the Company completing its annual distribution mileage cycle pruning goal. National Grid remains in confidential discussions with Verizon to resolve Vegetation Management spending issues.<sup>10</sup> Infrastructure and Maintenance spending was under budget, although the Company completed 100% of its goal. The reason the goals could be met under budget was because of reductions in capital expenditures which reduced operating expenditures.<sup>11</sup> Finally, Mr. Patterson stated that the Company met both reliability performance metrics in Calendar Year 2015 which had one major event day related to a wind storm on August 4, 2015. He indicated that the Company's performance has shown an overall improving trend over the past several years.<sup>12</sup>

Amy S. Tabor, Senior Analyst of New England Revenue Requirements, submitted testimony indicating the actual FY 2016 revenue requirement related to O&M expenses was \$9,926,066. This included roughly \$8.9 million for Vegetation Management activities as well as \$1.2 million for Inspection and Maintenance expenses. These were offset by lower than expected contact voltage testing costs.<sup>13</sup> Ms. Tabor also discussed the revenue requirement associated with National Grid's FY 2016 capital investment of \$8,571,356. The total FY revenue requirement was \$18,497,362, or approximately \$2.7 million lower than the projected revenue requirement of \$21,201,793.<sup>14</sup> As shown in the testimony and schedules of Adam Crary, Senior Analyst for

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<sup>9</sup> *Id.* at 10-11.

<sup>10</sup> *Id.* at 18.

<sup>11</sup> *Id.* at 19.

<sup>12</sup> *Id.* at 22-24.

<sup>13</sup> Test. of Amy S. Tabor, Schedule AST-1, Page 1.

<sup>14</sup> *Id.*

Electric Pricing, the result was a rate decrease for all classes of customers to return \$1,978,773 of over-recovery from the rates set by the PUC in March 2015.<sup>15</sup>

On September 22, 2016, the Division of Public Utilities and Carriers (Division) filed a memorandum from its consultant, David Efron, indicating that he had reviewed the testimony and calculations, determined that “the filing accurately portrays the actual ISR revenue requirement associated with the FY 2016 electric ISR filings,” and recommended approval.<sup>16</sup>

At an Open Meeting held on September 29, 2016, the PUC considered the filings made by National Grid and the Division and approved the FY 2016 Electric ISR CapEx and O&M Reconciliation factors as filed. Over the last few years, Rhode Island, working in partnerships with National Grid and other energy stakeholders, has made tremendous progress towards a dynamic, innovative and clean energy system. The investments authorized in the Electric ISR Plan represent an incredible opportunity to upgrade and modernize our electric grid. It is the PUC’s responsibility to insure that the investments reflect the full suite of energy policy goals included in Rhode Island law, including increasing energy affordability and reliability, developing the market for clean energy and for energy innovation, diversifying energy sources, and reducing the environmental impact of our energy use. In order to ensure the PUC’s goals are met, the PUC will be scheduling a discussion of the status of requests made by the Commission when the current ISR plan was approved. For example, the PUC was very interested in the status of National Grid’s development of long range plans and in the results from the Volt/Var pilot.

Accordingly, it is hereby

(22635) ORDERED:

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<sup>15</sup> Test. of Crary I-11, Attach. ASC-1, ASC-4.

<sup>16</sup> *Id.* at 6.

1. The CapEx and O&M Reconciliation Factors proposed by the Narragansett Electric Company d/b/a National Grid for the FY 2016 Electric Infrastructure, Safety, and Reliability Plan Reconciliation are approved for effect on October 1, 2016 through September 30, 2017.

2. The Cap Ex Reconciliation Factors are approved as follows for effect on October 1, 2016 through September 30, 2017:

A-16/A-60.....	(\$0.00001)
C-06.....	(\$0.00003)
G-02.....	(\$0.00006)
B-32/G-32.....	(\$0.00010)
B-62/G-62.....	\$0.00013
S-10/S-14.....	(\$0.00039)
X-01.....	(\$0.00000)

3. The uniform per kilowatt-hour O&M Reconciliation credit factor of (\$0.00022) is approved for effect on October 1, 2016 through September 30, 2017.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2016 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 29, 2016. WRITTEN ORDER ISSUED DECEMBER 21, 2016.

PUBLIC UTILITIES COMMISSION



*Margaret E. Curran*

Margaret E. Curran, Chairperson

*Herbert F. DeSimone, Jr.*

Herbert F. DeSimone, Jr., Commissioner

*Marion S. Gold*

Marion S. Gold, 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 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.