

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID FISCAL YEAR 2018 ELECTRIC :
INFRASTRUCTURE, SAFETY, AND RELIABILITY : **DOCKET NO. 4682**
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) 2018 Electric Infrastructure, Safety, and Reliability Plan (2018 Electric ISR Plan) and associated rate factor.¹ The 2018 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 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

¹ Order No. 22955 (Oct. 21, 2017); http://www.ripuc.org/eventsactions/docket/4682-NGrid-ElecISR-Ord22955_11-14-17.pdf.

² Anand Test., 5, n.1 (citations omitted); [http://www.ripuc.org/eventsactions/docket/4682-NGrid-Electric%20ISR%20FY2018-Reconciliation\(PUC%208-1-18\).pdf](http://www.ripuc.org/eventsactions/docket/4682-NGrid-Electric%20ISR%20FY2018-Reconciliation(PUC%208-1-18).pdf). (bates page numbers).

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, 2018, National Grid filed its Annual Report and Reconciliation (2018 Reconciliation Filing). National Grid submitted the testimony of Prabhjot S. Anand, Director, Strategy and Performance, to provide an overview of the filing and to provide detail on the status of projects and spending.⁴ In particular, Mr. Anand indicated that National Grid's plant-in-service was approximately \$17.8 million more than forecasted, resulting primarily from placing portions of the South Street substation project into service in quarter four of FY 2018. Cost of removal was also higher than expected. The result was a net 2018 ISR investment of \$102.6 million, approximately \$18.1 million over National Grid's planned amount.⁵

Capital Spending was \$6.4 million above budget, resulting from approximately \$5.6 million above-budget amounts in non-discretionary spending, with the majority of it attributable to over-spending in the Damage/Failure category. Mr. Anand noted that much of that was related to damage from major storms.⁶ The Company also made additional adjustments to ISR capital spending in FY 2018, resulting from a decision to capitalize additional labor activities, something that was approved in National Grid's recent base distribution rate case.⁷

Next, noting that Vegetation Management-related O&M expense was higher than expected in FY 2018, Mr. Patterson explained that to keep Vegetation Management spending within budget, the Company reduced the number of miles completed in its annual distribution mileage cycle pruning goal.⁸ Infrastructure and Maintenance spending was under budget, although the Company

³ Order No. 22955 at 5-6.

⁴ Anand Test., 5-6.

⁵ *Id.* at 6.

⁶ *Id.*

⁷ *Id.* at 7.

⁸ *Id.* at Attachment PSA-1, at 25. The original FY 2018 plan was to trim 1,270 miles. The Company revised the estimate to 1,233 in the Third Quarter Report, deferring more mileage into FY 2019. *See* Quarter 3 Report at 8 of

completed 100% of its goal. Finally, Mr. Patterson stated that the Company met both reliability performance metrics in Calendar Year 2017 which had four major event days related to two storms. He indicated that the Company's performance has shown an overall improving trend over the past several years.⁹

Melissa A. Little, Director for New England Revenue Requirements, submitted testimony indicating the actual FY 2018 revenue requirement related to O&M expenses was \$10,036,295. This included roughly \$9.5 million for Vegetation Management activities as well as \$0.7 million for Inspection and Maintenance expenses. These were offset by lower than expected contact voltage testing costs.¹⁰ Ms. Little also discussed the revenue requirement of \$12,681,344 associated with National Grid's FY 2018 capital investment. The total FY revenue requirement was \$22,717,639, or approximately \$4.1 million lower than the projected revenue requirement of \$26,837,179.¹¹ As shown in the testimony and revised schedules of Adam Crary, Senior Analyst for Electric Pricing, the result of all adjustments was a rate increase for all classes of customers. While the FY 2018 ISR factors collected excess revenues, requiring the return of \$4,119,540 to customers, the current ISR factors included a larger credit factor than resulted from the FY 2018 reconciliation. The reduction of the credit factor resulted in a higher rate to be recovered.¹²

25, stating, "[t]hrough the third quarter of FY 2018, the Company completed 65% of its annual distribution mileage cycle pruning goal of 1,233 miles. This represents an associated spend of 57% of the FY 2018 budget for the cycle pruning program. The mileage total has been reduced from the original 1,270 which was forecast to account for mileage which will be deferred to FY 2019. For FY 2018, the Company's VM operation and maintenance (O&M) spending is forecasted to be on budget at \$9.4 million."; http://www.ripuc.org/eventsactions/docket/4682-NGrid-ElecISR-Q3-FY2018_2-16-18.pdf.

⁹ *Id.* at 8-9; Attachment PSA-1, at 30.

¹⁰ Test. of Amy S. Tabor, Schedule AST-1, at 1.

¹¹ *Id.*

¹² Test. of Crary 1-11, Attach. ASC-1, ASC-4, ASC-2 Revised; ASC-4 Revised. The revisions were necessary to incorporate findings made by the PUC in Docket No. 4770 (In re: The Narragansett Electric Company d/b/a National Grid Electric and Gas Distribution Rate Filing), including new rate base allocators and the consolidation of two rate classes.

On September 20, 2018, the Division of Public Utilities and Carriers (Division) filed a memorandum from John Bell, Assistant to Chief Accountant, recommending approval of the ISR reconciliation rates for effect October 1, 2018 pending further review of various tax issues addressed in two Private Letter Rulings from the Internal Revenue Service. The Division reserved the right to address, as part of future ISR filings, any issues that arise as a result of that review.¹³

At an Open Meeting held on September 24, 2018, the PUC considered the filings made by National Grid and the Division and approved the FY 2018 Electric ISR CapEx and O&M Reconciliation factors as revised, subject to further review of the tax issues addressed by the Private Letter Rulings, if necessary, in future ISR filings.

Accordingly, it is hereby

(23358) ORDERED:

The CapEx and O&M Reconciliation Factors proposed by the Narragansett Electric Company d/b/a National Grid for the FY 2018 Electric Infrastructure, Safety, and Reliability Plan Reconciliation, as amended on August 31, 2018, are approved for effect on October 1, 2018.

¹³ Bell Mem. (Sept. 20, 2018).

EFFECTIVE AT WARWICK, RHODE ISLAND, ON OCTOBER 1, 2018, PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 24, 2018. WRITTEN ORDER ISSUED JANUARY 3, 2019.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran

Margaret E. Curran, Chairperson

Marion S. Gold

Marion S. Gold, Commissioner

Abigail Anthony

Abigail Anthony, 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.