

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

IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY d/b/a NATIONAL GRID : **DOCKET NO. 4709**
FY 2017 ELECTRIC PENSION :
ADJUSTMENT FACTOR :

ORDER

On August 1, 2017, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its proposed electric Pension Adjustment Factor (Factor) with the Public Utilities Commission (Commission or PUC).¹ In support of its filing, National Grid submitted the Direct Testimony and Schedules of William R. Richer, Director of Revenue Requirements, Rhode Island, for National Grid USA Service Company, Inc.² Mr. Richer proposed a credit Factor of \$0.00085/kWh for effect on October 1, 2017.³

Mr. Richer explained how the pension and post-retirement benefits other than pension (Benefits) expenses are reconciled.⁴ He noted that in the event the Company does not fund its pension or benefits plans at a Minimum Funding Obligation level, which equals the amount billed to customers plus the amounts of capitalized pension and benefits costs, it will incur a carrying charge. The Company owed \$118,658 of carrying charges to customers this year because the pension was under-funded during the twelve months ending March 2017. The Company also owed

¹ Pursuant to the Commission's decision in Docket No. 4323, Order No. 21011 (Apr. 11, 2013), and R.I.P.U.C. 2119, National Grid is authorized to reconcile its actual pension and post-retirement benefits other than pensions expenses annually for the twelve-month period ending March 31. The difference between the Company's actual expense and the allowance included in base distribution rates is either charged or credited to electric retail delivery customers on a uniform per kWh basis. All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at <http://www.ripuc.org/eventsactions/docket/4709page.html>.

² William R. Richer Test. at 1 (Aug. 1, 2017); http://www.ripuc.org/eventsactions/docket/4709-NGrid-Elec-PAF2017_8-1-17.pdf.

³ Richer Test. at 3, Schedule WRR-2.

⁴ Richer Test. at 4.

\$159,992 of carrying charges to customers because the post-retirement benefits other than pensions' liability was under-funded during the same twelve-month period.⁵ Mr. Richer provided that the reconciliation shows an under-recovery of pension expense and over-recovery of benefits for the twelve months ending March 2017 in the amounts of \$2,259,018 and (\$9,541), respectively.

Mr. Richer testified that the Company made a correction in this filing reflecting pension and Benefits associated with transmission assets owned by the Company and operated by the New England Power Company (NEP).⁶ According to Mr. Richer, NEP compensates the Company for the use of the transmission lines through a Federal Energy Regulatory Commission (FERC) approved Integrated Facilities Agreement which authorizes the Company to recover transmission related operating costs, including pension and Benefits costs. Mr. Richer stated that the Company had not been reflecting pension and Benefits credits that it recovered through the Integrated Facilities Agreement since the Factor became effective on February 1, 2013.⁷ Mr. Richer indicated that the Company is crediting customers total pension and Benefits expenses, including interest, of \$4,668,317 and \$3,588,506, respectively, for recoveries received through the Integrated Facilities Agreement from February 1, 2013 through March 31, 2016.⁸

Mr. Richer provided that the net reconciliation, including expenses recovered through the Integrated Facilities Agreement, revealed a total over-recovery including interest of \$6,303,199 for pension and Benefits expenses. Mr. Richer divided the over-recovery by the 7,337,969,020 forecasted kWhs for the period October 1, 2017 through September 30, 2018 to arrive at the

⁵ *Id.* at 5, Schedule WRR-1.

⁶ Richer Test. at 5.

⁷ *Id.* at 5-6.

⁸ *Id.* at 6. According to Mr. Richer, the fiscal year 2017 NEP recoveries are reflected as a credit in the current year pension and Benefits expense. Richer Test. at 6, Schedule WRR-1.

\$0.00085/kWh proposed Factor.⁹ The impact of the proposed Factor on a typical residential customer is a decrease of \$0.91, or approximately 1.0% from \$89.06 to \$88.15.¹⁰

On September 13, 2017, the Division of Public Utilities and Carriers (Division) filed a memorandum recommending approval of National Grid's proposed \$0.00085/kWh Factor for effect October 1, 2017, subject to the Division's review of outstanding discovery, and any issues that may arise as the result of that review to be addressed in the Company's subsequent Pension Adjustment Factor Filing.¹¹

At an Open Meeting held on September 22, 2017, based on the recommendation of the Division, the PUC voted unanimously to approve National Grid's proposed 2017 Pension Adjustment Factor of \$0.00085/kWh for effect on October 1, 2017.¹²

Accordingly, it is hereby

(23259) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed 2017 Pension Adjustment Factor of \$0.00085/kWh for effect on October 1, 2017 is approved.

⁹ Richer Test. at 7, Schedule WRR-2.

¹⁰ Richer Test. at 7.

¹¹ Division Mem. (Sept. 9, 2017).

¹² The PUC did not rule on the Company's proposed treatment of new Financial Accounting Standards Board (FASB) accounting rules on the Pension Adjustment Factor. Richer Test. at 14. The Company must adopt the FASB amendments no later than April 1, 2019, but has not yet decided whether to do so in its fiscal year 2018 or 2019 and has proposed a Factor that was calculated in compliance with the FASB changes. For these reasons, the PUC declined to rule on the Company's request.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2017 PURSUANT
TO AN OPEN MEETING DECISION HELD ON SEPTEMBER 22, 2017. WRITTEN ORDER
ISSUED AUGUST 22, 2018.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson



Marion S. Gold, Commissioner



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 seven 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.