

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

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S FISCAL YEAR 2019 ELECTRIC :
INFRASTRUCTURE, SAFETY, AND RELIABILITY : **DOCKET NO. 4783**
PLAN ANNUAL REPORT AND RECONCILIATION :

REPORT AND ORDER

Pursuant to R.I. Gen. Laws § 39-1-27.1, on March 30, 2018, the Public Utilities Commission (PUC) approved The Narragansett Electric Company d/b/a National Grid’s (National Grid or Company) Fiscal Year (FY) 2019 Electric Infrastructure, Safety, and Reliability Plan (2019 Electric ISR Plan), as amended by the PUC’s March 20, 2018 decision. The PUC also approved rate factors for recovery of expenses related to the approved plan.¹ The 2019 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.

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. 23349 (Dec. 18, 2018); [http://www.ripuc.org/eventsactions/docket/4783-NGrid-ISR-2019%20Ord23349%20\(12-18-18\).pdf](http://www.ripuc.org/eventsactions/docket/4783-NGrid-ISR-2019%20Ord23349%20(12-18-18).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.²

On August 1, 2019, National Grid filed its Annual Report and Reconciliation (2019 Reconciliation Filing). National Grid submitted the testimony of Patricia C. Easterly, Director - New England Electric Performance and Planning, to provide an overview of the filing and to provide detail on the status of projects and spending.³ In particular, Ms. Easterly indicated that National Grid's plant-in-service was approximately \$25.9 million more than forecasted while cost of removal was \$3.9 million lower than expected. The result was a net 2019 ISR investment of \$119 million, approximately \$22 million over National Grid's planned amount of \$97.2 million.⁴

Capital Spending was \$8.3 million above budget, resulting from approximately \$5.3 million above-budget amounts in non-discretionary spending, primarily the result of distributed generation projects and increased transformer purchases. The remaining variance was in discretionary spending, driven primarily by an increase in spending in the asset condition category.⁵

Next, Ms. Easterly explained that Vegetation Management-related O&M expense was lower than expected in FY 2019. Infrastructure and Maintenance spending and Volt/Var Optimization spending were each also under budget, although the Company completed 100% of its goals.⁶ Finally, Ms. Easterly stated that the Company met both reliability performance metrics in Calendar Year 2018, which included six major event days related to six storms. She indicated

² *Id.* at 8-9.

³ Easterly Test., 3-6.

⁴ *Id.* at 3.

⁵ *Id.* at 3-4.

⁶ *Id.* at 4-5; Attachment PCE-1 at 15-16 (Bates 22-23).

that the Company's performance has shown an overall improving trend over the past several years.⁷

Melissa A. Little, the Company's Director for New England Revenue Requirements, submitted testimony indicating the actual FY 2019 revenue requirement related to O&M expenses was \$10,400,295. This included roughly \$9.7 million for Vegetation Management activities, as well as \$0.6 million for Inspection and Maintenance expenses, and \$0.1 million for Volt/Var Optimization. These were offset by lower-than-expected contact voltage testing costs.⁸ Ms. Little also discussed the revenue requirement of \$12,304,466 associated with National Grid's FY 2019 capital investment. The total FY revenue requirement was \$22,704,761, or approximately \$3.6 million higher than the projected revenue requirement of \$19,062,036.⁹ As shown in the testimony and schedules of Robin Pieri, Senior Analyst for Electric Pricing, the result of all adjustments was a rate increase for all classes of customers. The FY 2019 ISR factors resulted in an under-collection, requiring the recovery of \$2,810,745 from customers.¹⁰

On September 13, 2019, the Division of Public Utilities and Carriers (Division) filed a memorandum from John Bell, Chief Accountant, recommending approval of the ISR reconciliation rates for effect October 1, 2019, but noting that there remained outstanding data requests and reserving its right to address any issues that may arise as a result of its continuing review.¹¹ On September 23, 2019, in response to a PUC request, Mr. Bell provided a supplemental memorandum, clarifying the Division's position. Mr. Bell stated:

⁷ *Id.* at 5-6, Attachment PCE-1 at 20-22 (Bates 27-29).

⁸ Test. of Melissa A. Little, Schedule MAL-1, at 1 (Bates 52). This amount reflects adjustments to rate base made in Docket No. 4770 In re: The Narragansett Electric Company d/b/a National Grid Electric and Gas Distribution Rate Filing. On September 1, 2018, new distribution base rates became effective. The revenue requirements on actual ISR additions made from FY 2012 through FY 2017 plus forecasted ISR additions for FY 2018 and FY 2019 were included in these new base rates.

⁹ *Id.*

¹⁰ Test. of Pieri 4-11 (Bates 111-118), Attach. REP-1, REP-2, REP-4 (Bates 121-139).

¹¹ Bell Mem. (Sept. 20, 2019); <http://www.ripuc.org/eventsactions/docket/4783-DIV%20Memo%209-13-19.pdf>.

From a ratemaking perspective, the Division found that the reconciliation factor was properly calculated. As noted earlier, the Division reserved its right to address any issues that arise from responses to outstanding data requests in the Company's subsequent ISR filing. At this time, the Division wants to clarify that on the surface the Company's reconciliation filing has not raised any specific concerns. Though the Division specifically mentioned addressing any concerns in the Company's subsequent ISR filing, the Division now believes it would have been clearer to simply state that we were reserving our right to conduct a more detailed review and that we would notify the Commission if we found any irregularities. The notification would not necessarily be limited to the Company's subsequent ISR filing. In summary, the purpose of the outstanding data requests was to assist the Division in getting a better understanding of budget variances as part of our due diligence. At the conclusion of our review we do not plan to take any further action unless irregularities are noted.¹²

At an Open Meeting on September 26, 2019, the PUC considered the filings made by National Grid and the Division and approved the FY 2019 Electric ISR CapEx and O&M Reconciliation factors. The PUC noted that Mr. Bell had confirmed that the factors had been accurately calculated, but that the Division still had outstanding questions surrounding the assumptions used by the Company in those calculations. Thus, the PUC indicated that in the FY 2021 ISR filing, the parties should address whether the reconciliation process provides sufficient time for the Division to conduct a solid review of the filing.

¹² Bell Supp. Mem. (Sept. 23, 2019); <http://www.ripuc.org/eventsactions/docket/4783-DIV-SuppMemo%209-23-19.pdf>.

Accordingly, it is hereby

(23759) ORDERED:

The CapEx and O&M Reconciliation Factors proposed by the Narragansett Electric Company d/b/a National Grid for the FY 2019 Electric Infrastructure, Safety, and Reliability Plan Reconciliation are approved for effect on October 1, 2019.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2019 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 26, 2019. WRITTEN ORDER ISSUED FEBRUARY 6, 2020.

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 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.