

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

**IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY d/b/a NATIONAL GRID : DOCKET NO. 4855
FY 2018 ELECTRIC PENSION :
ADJUSTMENT FACTOR :**

ORDER

On August 1, 2018, 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 Jeffrey D. Oliveira, Revenue Requirement Specialist, Rhode Island, for National Grid USA Service Company, Inc.² Mr. Oliveira proposed a credit factor of \$0.00023/kWh for effect on October 1, 2018.³

Mr. Oliveira explained how the pension and post-retirement benefits other than pension 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, the Company incurs a carrying charge at the weighted average cost of capital.

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/4855page.html>.

² Jeffrey D. Oliveira Test. (Aug. 1, 2018); [http://www.ripuc.org/eventsactions/docket/4855-NGrid-PAF2018\(8-1-18\).pdf](http://www.ripuc.org/eventsactions/docket/4855-NGrid-PAF2018(8-1-18).pdf).

³ Oliveira Test. at 6, Sch. JDO-2.

⁴ Oliveira Test. at 4.

The Company's rate allowance for pension cost totals \$7,723,559.⁵ The Company's reconciliation showed actual pension expense of \$8,413,134, resulting in an under-recovery of pension expense in the amount of \$689,575, which was subject to a carrying charge of \$26,540.⁶ The Company over-recovered Post Retirement Benefits Other than Pension (PBOP) expense in the amount of \$2,987,532.⁷ The pension under-recovery of \$689,575 and carrying cost for the pension under-recovery of \$26,540, combined with the over-recovery of \$2,987,532 for PBOP, results in a net current year over-recovery of \$2,324,497.⁸

The Company then adjusted the current year deferral by accounting for a remaining total deferral balance of \$690,448 from 2016: \$441,384 for pension and \$249,064 for PBOP.⁹ The resulting net over-recovery from the current and prior years of \$1,634,049, together with interest of \$38,530,¹⁰ totals \$1,672,578.¹¹ This figure is then divided by the forecasted kWhs for the period of October 1, 2018, through September 30, 2019, to derive the proposed credit factor of \$0.00023.¹² The Company provided a typical monthly bill analysis for each rate class in Schedule JDO-3. The impact on a typical residential customer receiving Standard Offer Service and using 500 kWhs per month is an increase of \$0.32, or approximately 0.3%, from \$99.63 to 99.95.¹³

The Company's filing also included an update of pension and PBOP costs incurred during the period ending March 31, 2017 which the Company is currently recovering through the current pension adjustment factor, through September 2018. As of the end of the twelve-month period

⁵ Sch. JDO-1 at 1.

⁶ JDO-1 at 3.

⁷ Oliveira Test. at 5; Sch. JDO-2 at 1.

⁸ Sch. JDO-2 at 1, Line 3.

⁹ Sch. JDO-2 at 1, Line 4.

¹⁰ See Sch. JDO-2 at 2; Interest is calculated from April 2018 through September 2019 at the customer deposit rate of 2.33%.

¹¹ Sch. JDO-2 at 1, Line 7.

¹² Sch. JDO-2 at 1, Line 9.

¹³ Oliveira Test. at 5

ending March 31, 2017, the Company had an over-recovery of \$2,306,821 for pensions and an over-recovery of \$3,881,439 for PBOP.¹⁴ By the end of June, 2018, the amount remaining to be credited to customers for the pension over-recovery was \$869,938¹⁵ and the amount remaining to be credited to customers for the PBOP over-recovery was \$1,324,021¹⁶, for a total of \$2,193,959.¹⁷ The Company will continue to credit customers through September 30, 2018, and any balance, positive or negative, will be reflected in next year's pension adjustment factor filing.

The Company reported that it did not include a summary of retail delivery rates reflecting the proposed reconciling factor in this filing, as required by prior orders, because several other reconciling factors that affect the retail delivery rates are concurrently under consideration in other pending dockets. These filings include the Company's pending rate case in Docket 4770 (with effective date of September 1, 2018), the Company's Infrastructure, Safety and Reliability (ISR) factor, CapEx and Operation and Maintenance (O&M) reconciling factors, and the Renewable Energy Growth Factor filing, all for effect on October 1, 2018. Once all those dockets are concluded the Company will file a Summary of Retail Delivery Rates in compliance with the Commission's orders in all these dockets.

On September 7, 2018, the Division of Public Utilities and Carriers (Division) filed a memorandum recommending approval of National Grid's proposed \$0.00023/kWh Credit Factor for effect October 1, 2018. While the Division had not yet reviewed certain outstanding discovery, it indicated that any issues that might arise therefrom would be addressed in the Company's subsequent Pension Adjustment Factor Filing.¹⁸

¹⁴ Oliveira Test. at 8; Sch. JDO-5 at 2 & 3.

¹⁵ Oliveira Test. at 8; Sch. JDO-5 at 1, Line 15 (c).

¹⁶ Oliveira Test. at 8; Sch. JDO-5 at 2, Line 15 (c).

¹⁷ Oliveira Test. at 8.

¹⁸ Division Mem. (Sept. 7, 2018). On September 6, 2018, the Division submitted data requests to the Company. As of September 13, 2017, the Company had not fully responded to those data requests.

At an Open Meeting held on September 24, 2018, based on the recommendation of the Division, the PUC voted unanimously to approve National Grid's proposed 2018 Pension Adjustment Credit Factor of \$0.00023/kWh for effect on October 1, 2018.

Accordingly, it is hereby

(23284) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed 2018 Pension Adjustment Credit Factor of \$0.00023/kWh for effect on October 1, 2018, is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2018 PURSUANT TO AN OPEN MEETING DECISION HELD ON SEPTEMBER 24, 2018. WRITTEN ORDER ISSUED SEPTEMBER 25, 2018.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

*Marion S. Gold, Commissioner

Abigail Anthony, Commissioner

*Commissioner Gold did not participate in this decision.

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.