

**State of Rhode Island and Providence Plantations**

**Public Utilities Commission**

**Minutes of Open Meeting Held October 30, 2007**

**Attendees: Chairman Elia Germani, Commissioner Robert Holbrook, Commissioner Mary Bray, Patricia Lucarelli, Cindy Wilson-Frias, Thomas Massaro, Alan Nault, Douglas Hartley and Luly Massaro.**

**Chairman Germani called the open meeting to order at 2:00 PM. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.**

**Minutes of Open Meeting held on August 16, 2007 and October 11, 2007:** After review, Chairman Germani moved to approve the minutes. Commissioner Holbrook seconded the motion and the motion was unanimously passed. **Vote 3-0.**

**Competitive Telecommunications Service Providers**

The following companies submitted tariff revisions. The Division reviewed the tariff filings and does not recommend suspension of:

2618 – AT&T Communications of NE, Inc. (tariff filings 10/4/07)

2426 – TCG Rhode Island (tariff filing 10/9/07)

3582 – Lightyear Network solutions, LLC (tariff filing 10/9/07)

2486 – MCImetro Access Transmission Services LLC (tariff filing 10/2/07)

2262(P7) – MCI Communications Services, Inc. (tariff filings 10/2/07)

After review, the Commission followed the Division's recommendation that the tariff filings be allowed to go into effect without suspension.

**Renewable Energy Resources Generation Units** – The Commission reviewed the Renewable Energy Resource certification application submitted by the following company:

3856-A – Ware River Power Inc. for its Generation Unit: Pioneer Hydro Electric Co, Inc. (for existing generation)

3856-B – Ware River Power Inc. for its Generation Unit: Pioneer Hydro Electric Co., Inc. (for new generation)

After review, Chairman Germani moved that the Pioneer Hydro Electric Generation Unit meets the eligibility requirement as Existing and New, Small Hydro Renewable Energy Resource and hereby approve the certification application filed Ware River Power Inc. The motion was seconded by Commissioner Bray and the motion was unanimously passed. **Vote 3-0.**

**3881 – National Grid (NGrid)** – The Commission reviewed NGrid's tariff advice filing to amend General Terms and Conditions for natural gas RIPUC NG No. 101, Section 1, Schedule A, Part 3, to expand and clarify the provision regarding the prohibition of submetering for resale. After review, Chairman Germani moved to suspend the effective date of the tariff filing pending further examination and discovery to be issued by the Commission. Commissioner Holbrook seconded the motion and the motion was unanimously passed. **Vote 3-0.**

**3866 – National Grid** – The Commission reviewed the record relating to NGrid’s annual Gas Cost Recovery Charge (GCR) filing. After review, Chairman Germani entertained a motion that encompasses the following:

- To approve National Grid’s filed GCR factors effective November 1, 2007.
- To approve the filed liquid natural gas vehicle rate.
- To approve the file gas marketer transportation charges.
- To approve the proposed changes in the Gas Purchasing Plan tariff to reflect the Company’s use of financial hedge (as recommended by the Division’s witness).
- To approve a Gas Procurement Incentive of \$364,389.
- To defer approval of the Asset Management Incentive of \$52,181 pending the Commission’s examination of the Company’s recently filed Long-Range Gas Supply Plan (in Docket No. 3789)
- To approve National Grid’s Motion for Protective Treatment of confidential information contained in Exhibits GLB-2, GLB-5 and GLB-12 of the GCR filing submitted on September 4, 2007.

Commissioner Holbrook moved to approve the motion. Commissioner Bray seconded the motion. The motion was unanimously passed. **Vote 3-0.** The approved GCR factors on per therm basis are: \$1.0844 for Residential and Small C&I customers; \$1.0835 for Medium C&I customers; \$1.0875 for Large Low Load Factor C&I customers; \$1.0614 for Large High Load Factor customers; \$1.0844 for Extra Large Low Load Factor customers; and \$1.0513 for Extra Large High Load Factor customers. The approved GCR factor for the Natural Gas Vehicle rate is \$0.7901 per therm. The approved Marketer Transportation Charges are: \$0.0501 per therm of throughput for FT-2 marketer gas charge; pipeline surcharges and credits that will result in a weighted average upstream pipeline transportation cost of \$0.0879 per therm of capacity; and the Pool Balancing Charge of \$0.0028 per percentage of balancing.

**3859 – National Grid** – The Commission reviewed the record relating to National Grid’s annual Distribution Adjustment Charge (DAC) filing to implement a revised DAC charge effective November 1, 2007. After review, Chairman Germani moved to approve a DAC charge of a negative \$(0.0025) per therm on an interim basis pending further review of the non-firm margin information. The DAC factor is approved effective November 1, 2007. Commissioner Holbrook seconded the motion and the motion was unanimously passed. **Vote 3-0.**

**3832 – Providence Water Supply Board (PWSB)** – The Commission reviewed the record relating to PWSB’s rate application, discussed and deliberated on the following outstanding issues:

Cost of Service Issues:

1. Cranston tax refund – To accept the parties’ agreement to offset rates by \$375,000 per year for 3 years. The refund will be deposited in a restricted fund and the balance (approximately \$385,000) will be available for tax litigation costs. This adjustment also results in a reduction of \$100,027 to Administrative & General Contract Services.
2. Net Operating Reserve - To approve a 1% unrestricted net operating reserve and a 2% reserve restricted for a shortfall in billings. The 2% revenue reserve

will terminate at July 1, 2009 if Providence Water does not file a rate proposal for conservation based rates by that date.

3. For revenue calculations, PWSB is to use the average consumption from the 2004-2007 period. Also, use updated customer counts for services, meters, and hydrants.
4. City Service Cost - To reject PWSB's request of \$1,240,355 and approve the current amount in rates increased by:
  - (1) the inflation factor used in the rate filing—2.5% for 2.5 years; and
  - (2) incremental costs not in the prior years' allowance for 'Stop Loss Insurance' and the annual GASB 43/45 consulting fee. This results in a City Service Cost of \$839,167.
5. To provide additional funding of \$2,100 for the cost of a conservation notice bill insert.
6. To disallow the annual payment amount of \$248,180 for the estimated cost of retirees' health insurance for the 1997 to 2005 period. This amount was to be in rates for 6 years to recover \$1,489,080.
7. Restricted Accounts - To continue to restrict existing restricted accounts and increase the funding for IFR to \$13,900,000 and Meter Replacements to \$1,000,000. Additionally, the following will be restricted:
  - (1) Any excess funding in rates that results from salary increases of less than 3%, shall be reported to the Commission. After review of the accounting by the Commission, the excess funding will then be deposited to the restricted IFR account.
  - (2) The Revenue Reserve of 2%. Transfers from this fund for PWSB's operations will be allowed only upon Commission approval after PWSB demonstrates to the Commission the need for such funds as a result of reduced sales levels. Additionally, the accrual and collection of such funds will terminate at July 1, 2009 if the PWSB has not filed a conservation-based rate design by that date.
  - (3) The Cranston property tax refund will be restricted with \$375,000 credited annually to ratepayers and the remainder restricted for litigation expenses related to property tax challenges. Any future tax refunds will be deposited into this account for further disposition as ordered by the Commission.
8. PWSB is authorized to fund 263 positions including full-time and part-time positions.

#### Cost Allocation and Rate Design Issues:

1. To use updated 2004 through 2007 sales volumes for allocators in the cost of service study. Also, use updated customer counts for services, meters, and hydrants.
2. To reject the proposed 25% monthly customer charge for wholesale customers.
3. To reject the proposal to allocate only 50% of demand cost to fire service.
4. To allocate pensions and benefits to the base category in the Customer Account cost center.
5. Labor and power costs related to pumping should be allocated separately from treatment costs.

#### Cost Allocation and Rate Design Issues:

The Commission accepted the PWSB proposals for the following:

1. PWSB's use of the inch-mile method for allocation of Lost and Unaccounted for Water.
2. Allocation of the Western Cranston Fund.
3. Allocation of Miscellaneous Revenues.

Reporting Requirements:

1. PWSB shall report on the funding of restricted accounts every 4 months.
2. PWSB shall file its semi-annual reports in a timely manner, no later than 90 days after the respective reporting period ends.
3. PWS shall include information in its semi-annual reports relative to pension funding, retiree health care funding and capitalized labor.

Chairman Germani entertained a motion to approve the above items as discussed herein. Commissioner Holbrook seconded the motion. Commissioner Bray agreed with the majority with the exception of the establishment of the restricted Revenue Reserve Fund of 2%. She dissented on the basis that the Commission granted a 1.5% reserve for Newport Water and had stated that it would open a generic docket to examine the establishment of a restricted revenue reserve to address revenue shortfalls. She was not comfortable approving such reserve to PWSB without proceeding with the generic docket. **Vote 3-0** with the exception of a **2-1 vote** for establishing a 2% revenue reserve fund. As approved, PWSB is authorized to collect additional revenues in the amount of \$6,935,500 for a total cost of service of \$58,086,064 to be applied to usage on and after November 1, 2007.

A transcript of the Commission's October 30, 2007 open meeting discussion relating to the above Docket No. 3832 is available at the office of the Commission Clerk.

The meeting adjourned at 3:20 P.M.