

**STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION**

**IN RE: NARRAGANSETT ELECTRIC COMPANY** :  
**d/b/a NATIONAL GRID’S REQUEST FOR APPROVAL** :  
**OF STORM FUND REPLENISHMENT –** : **DOCKET NO. 4686**  
**CONTINUATION OF RECOVERY FACTORS** :

**ORDER**

On February 23, 2022, The Narragansett Electric Company d/b/a National Grid (Narragansett or Company) filed a Joint Petition with the Division of Public Utilities and Carriers (Division) to increase the Storm Fund Replenishment Factor from 0.288¢ per kWh to 0.788¢ per kWh effective April 1, 2022, for the purpose of reducing the deficit balance in the Storm Contingency Fund (Storm Fund).<sup>1,2</sup> According to the Joint Petition, as of December 31, 2022, the Storm Fund balance had a deficit balance of \$160 million. The \$160 million represents a ratepayer liability to the Company. The Joint Petition represented that the increased factor would reduce the overall ratepayer burden by \$961,455 over the long term.<sup>3</sup> According to the Joint Petition, current funding would bring the Storm Fund to a positive balance by September 2026 if there are no storms over the next four and a half years. Based on historical experience and cost, keeping the current

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<sup>1</sup> Pet. (Mar. 12, 2021); [http://www.ripuc.ri.gov/eventsactions/docket/4686-NGrid-Joint%20Petition%20&%20Testimony%20\(PUC%202-23-22\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4686-NGrid-Joint%20Petition%20&%20Testimony%20(PUC%202-23-22).pdf).

<sup>2</sup> National Grid’s Storm Fund was first authorized by the Commission in 1982, as a rational and equitable approach to the problem of extraordinary storm costs, without the need for rate surcharges or filings for periodic rate relief. (Order No. 40654). For nine years, from 1982 through 1996, Narragansett Electric’s Storm Fund was in a deficit position, caused by service restoration costs from Hurricane Gloria in 1985 and Hurricane Bob in 1991. (Order 15360). Therefore, in 1996, in Docket No. 2509, the Commission initiated a comprehensive review of storm contingency funds for the then-existing five Rhode Island electric utilities. (Order No. 15360). The Commission’s objective was to fund reserves for extraordinary storm-related costs through an annualized funding mechanism, to provide rate stability while funding storm restoration costs. The Storm Fund operated as intended and in 2010, had a positive balance leading the Commission to suspend additional funding. (Order No. 19965A). At that time, ratepayers realized the positive benefit of the carrying charges. Unfortunately, commencing in 2012, as a result of an increased number of qualifying storms, the balance was reversed, and the fund has been consistently underfunded. (Order No. 23582). The most recent order of the Commission provided continuation of various storm recovery factors through rates for a total annual funding of \$27.3 million composed of: (1) \$7,300,000 annually in base distribution rates and (2) approximately \$20,000,000 annually from the existing Storm Fund Replenishment Factor. (Order No. 24086).

<sup>3</sup> Joint Pet. at 1.

funding without any increase would result in a Storm Fund deficit balance for another thirty-seven years.<sup>4</sup>

In support of the Joint Petition, Narragansett presented the prefiled testimony of Jeffrey D. Oliveira, Lead Revenue Requirement Analyst for National Grid USA Service Company.<sup>5</sup> Mr. Oliveira explained that the Joint Petition arose from a Commission docket that had been opened to examine the funding sources of the Storm Fund, the design of the storm fund, and whether costs had been prudently incurred. The Commission had also redirected additional credit funds to the Storm Fund in lieu of a direct credit to ratepayers.<sup>6</sup> Following that decision, the Commission directed its staff to meet with Narragansett and the Division to gather information on the design of an appropriate Storm Fund Replenishment Factor.<sup>7</sup> Subsequently, Narragansett and the Division met further and agreed upon the proposal to increase the Storm Fund Replenishment Factor as set forth in the Joint Petition.<sup>8</sup> According to Mr. Oliveira, the proposed factor was designed to provide a balance between replenishing the storm fund with a reasonable bill impact.<sup>9</sup>

On March 4, 2022, the Division filed a Memorandum summarizing and supporting the request for increased funding. The Division stated that “[t]he Storm Fund’s purpose and usefulness is frustrated when a high deficit develops and continues to grow. Beyond that, of particular concern to the Division are the carrying costs borne by the ratepayers.”<sup>10</sup> The Division posited that allowing the Storm Fund to remain in a deficit position for thirty-seven years was not a viable

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<sup>4</sup> Joint Pet. at 1; Oliveira Test. at 10.

<sup>5</sup> Oliveira Test. at 1.

<sup>6</sup> Oliveira Test. at 3-4, 10.

<sup>7</sup> *Id.* at 4.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 6.

<sup>10</sup> Div. Mem. (Mar. 4, 2022); <http://www.ripuc.ri.gov/eventsactions/docket/4686-DPUC%20Position%20Memorandum%203-4-22.pdf>.

option and the 0.5¢ per kWh increase represents a fair, measured, and reasonable approach to replenishment of the fund.<sup>11</sup>

At an Open Meeting held on March 29, 2022, after review of the petition, and responsive pleading, the Commission approved the proposal to increase the Storm Fund Recovery Factor.<sup>12</sup> The balance of the Storm Fund has proven to be a moving and growing target over the past several years, with more qualifying storms and increased eligible costs. The Storm Fund represents a ratepayer liability to the Company and as the Division indicated, the proposal to increase the Storm Fund Recovery Factor is fairly modest and will hopefully bring the fund balance under control over the next five years, even with additional storms. However, in light of the increased number of storms that qualify for inclusion in the Storm Fund, the Commission has opened Docket No. 5188 to review the design and structure of the Storm Fund and associated funding.

Accordingly, it is hereby,

(24451) ORDERED:

The Storm Fund Recovery Factor of \$0.00788 per kWh is approved for usage on and after April 1, 2022.

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<sup>11</sup> Div. Mem. at 2.

<sup>12</sup> On March 9, 2022, the Commission conducted a hearing for public comment. No comments were received on this proposal.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON APRIL 1, 2022, PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2022. WRITTEN ORDER ISSUED JULY 27, 2022

PUBLIC UTILITIES COMMISSION



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Ronald T. Gerwatowski, Chairman



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Abigail Anthony, Commissioner



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John C. Revens, Jr., 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 Commission 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.