

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a RHODE ISLAND ENERGY’S FISCAL YEAR 2022 : **DOCKET NO. 5098**
ELECTRIC INFRASTRUCTURE, SAFETY, AND RELIABILITY :
PLAN ANNUAL REPORT AND RECONCILIATION :

REPORT AND ORDER

Pursuant to R.I. Gen. Laws § 39-1-27.1, on March 29, 2021, the Public Utilities Commission (PUC) approved The Narragansett Electric Company d/b/a National Grid’s now doing business as Rhode Island Energy (RI Energy or Company)¹ Fiscal Year (FY) 2022 Electric Infrastructure, Safety, and Reliability Plan (2022 Electric ISR Plan). The PUC also approved rate factors for recovery of expenses related to the approved plan.² The 2022 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

¹ Since approval of the FY 2022 Electric ISR Plan, on May 25, 2022, PPL Rhode Island Holdings, LLC, an indirect wholly owned subsidiary of PPL Corporation, acquired 100 percent of the outstanding shares of common stock of The Narragansett Electric Company, now doing business under the name Rhode Island Energy.

² Minutes of PUC’s Open Meeting (Mar. 29, 2021); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/minutes/Minutes-March-29%2C-2021.pdf>.

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 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.³

On August 2, 2022, RI Energy filed its Annual Report and Reconciliation (2022 Reconciliation Filing). RI Energy submitted the testimony of Patricia C. Easterly, Senior Manager Performance and Financial Planning and Analysis, to provide an overview of the filing and to provide detail on the status of projects and spending.⁴ In particular, Ms. Easterly indicated that RI Energy's plant-in-service was approximately \$9.7 million less than forecasted while cost of removal was \$6.9 million lower than expected. The result was a net 2022 ISR investment of \$96.5 million, approximately \$16.6 million under RI Energy's planned amount of \$113.1 million.⁵

Capital Spending was \$5.1 million above budget, resulting from approximately \$5.3 million above-budget amounts in non-discretionary and discretionary spending. Underspending in the non-discretionary spending was offset by spending related to distributed generation and major storm work. The remaining variance was in discretionary spending, driven primarily by underspending in several categories.⁶

Next, Ms. Easterly explained that Vegetation Management-related O&M expense was higher than expected in FY 2022. However, O&M spending related to the I&M spending, Volt/Var Optimization and Conservation Voltage Reduction programs were each also under budget.⁷

³ Easterly Test. at .

⁴ Easterly Test., 3-6.

⁵ *Id.* at 3-4.

⁶ *Id.* at 4.

⁷ *Id.* at 5.

Finally, Ms. Easterly stated that the Company met both reliability performance metrics in Calendar Year 2022.⁸

Additionally, Ms. Easterly provided an update of a review of how contributions for capital spending on DG projects is allocated by cost type. This was a commitment made during the PUC's review of the FY 2023 Electric ISR Program in Docket No. 5209. While the Company had not completed its review, Ms. Easterly explained that the preliminary review resulted in an adjustment of \$391,000 that was made through this reconciliation filing to plan t additions from rate base. The result was a reduction to the reconciliation factor.⁹

Stephanie Briggs, PPL Services Corporation's Senior Manager Revenue and Jeffrey D. Oliveira, PPL Services Corporation's Regulatory Program Specialist, submitted joint testimony indicating the actual FY 2022 revenue requirement was \$37,760,618, a decrease from the projected revenue requirement of approximately \$41.3 million. They explained that this decrease is primarily attributable to a decrease in the actual effective FY 2022 property tax rate compared with the projected effective FY 2022 property tax rate in the FY 2022 ISR Plan, also attributed by a decrease in the FY 2022 revenue requirement on a lower level of capital investment.¹⁰ Ms. Briggs and Mr. Oliveira discussed various adjustments resulting from tax filings and prior legislative actions. As shown in the testimony and schedules of Peter R. Blazunas, a Project Manager for Concentric Energy Advisors, Inc., a consultant, the result of all adjustments was a rate decrease

⁸ *Id.* at 5-6.

⁹ Easterly Test. at 6.

¹⁰ Test. of Briggs and Oliveira at 8-10, Schedule SAB/JDO-1. 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.

for all classes of customers. The FY 2022 ISR factors resulted in an overcollection, requiring the credit of \$4,605,745 to customers.¹¹

On September 13, 2022, the Division of Public Utilities and Carriers (Division) filed a memorandum authored by John Bell, Chief Accountant, recommending approval of the ISR reconciliation factors for effect October 1, 2022.¹² The Division also provided a memorandum from its consultant Gregory L. Booth, P.E., which reviewed the variances between the budgeted amount and actual spend for FY 2022. Mr. Booth concluded that the variances did not raise any issue of prudence. Mr. Bell also noted that in response to Mr. Booth's comments in FY 2021, the explanations of the variances were clearer than in the past.

At an Open Meeting on September 23, 2022, the PUC considered the filings made by RI Energy and the Division and approved the FY 2022 Electric ISR CapEx and O&M Reconciliation factors as filed. The approved factors represent a reduction to customers' rates.

¹¹ Test. of Blazunas 4-11, Attach. PRB-1, PRB-2, PRB-4.

¹² Bell Mem. (Sept. 20, 2019); <http://www.ripuc.org/eventsactions/docket/4783-DIV%20Memo%209-13-19.pdf>.

Accordingly, it is hereby

(54560) ORDERED:

The CapEx and O&M Reconciliation Factors proposed by the Narragansett Electric Company d/b/a Rhode Island Energy for the FY 2022 Electric Infrastructure, Safety, and Reliability Plan Reconciliation are approved for effect on October 1, 2022.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2022 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 23, 2022. WRITTEN ORDER ISSUED DECEMBER 23, 2022.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



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 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.