STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY	**:**
d/b/a RHODE ISLAND ENERGY'S ELECTRIC	**:**
INFRASTRUCTURE, SAFETY, AND RELIABILITY	**: DOCKET NO. 22-53-EL**
PLAN FY 2024 PROPOSAL	**:**

REPORT AND ORDER

I. Overview

On December 22, 2022, The Narragansett Electric Company d/b/a Rhode Island Energy (RI Energy or Company) filed with the Public Utilities Commission (Commission) its proposed Electric Infrastructure, Safety, and Reliability Plan (Electric ISR Plan) for FY 2024.[1] RI Energy indicated that the Division of Public Utilities and Carriers (Division) was not in agreement with the proposed plan.[2,3,4]

The proposed FY 2024 period was designed to set a budget for the period April 1, 2023 through December 31, 2024, a twenty-one month period.[5] This is the first ISR plan filed by the Company since the acquisition by PPL Holdings, LLC (PPL).[6] Whereas National Grid's fiscal year ran from April 1 through the following March 31, PPL's matches the

[1] The FY 2024 Electric ISR Plan and all of the documents referenced herein can be found on the Commission's website at: https://ripuc.ri.gov/Docket-22-53-EL.
[2] Filing Letter at 1 (Dec. 22, 2022).
[3] Rhode Island Gen. Laws § 39-1-27.7.1(d) provides two pathways for Commission review. The first is where the Company files a plan that was negotiated with the Division. The second is where the Company and Division are unable to reach an agreement. In that instance, the Company files its proposal and the Division acts in a more traditional adversarial role. This is the first time the Commission has reviewed a disputed Electric ISR Plan since passage of the law in 2010.
[4] The RI Attorney General and OER intervened in this matter.
[5] Filing Letter at 2.
[6] The Narragansett Electric Company was previously doing business as National Grid. 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.

Calendar Year. According to RI Energy, the twenty-one month plan was designed to realign the ISR plan with the Company's new fiscal year.[7]

After conducting a preliminary review of the filing and R.I. Gen. Laws § 39-1-27.7.1, the Commission requested briefs from the Company and Division addressing whether the twenty-one-month proposal was consistent with the law. The Company and Division disagreed about the proper interpretation of the law. After a review of the briefs, the Commission required the Company to submit a revised twelve-month budget for the fiscal year referenced in the Company's tariff. The proposed revised budget was filed on January 27, 2023. The new 12-month budget represented a 68% increase in the capital budget over the FY 2023 approved capital budget.

Following discovery, testimony from the Division, the filing of a position statement from the Attorney General, additional revised budget filings, and several days of hearings, on March 29, 2023, the Commission ultimately reduced the revised capital budget that was provided during the hearings, by $53,461,000.[8,9] The adjustment resulted in an approved revenue requirement of $55,418,057, requiring an incremental fiscal year upward rate adjustment of $5,696,733. This will support a FY 2024 Electric ISR Plan capital budget of $112,329,000, a vegetation management budget of $13,950,000, an infrastructure and maintenance (I&M) budget of $738,000, and other expense of $425,000.[10]

[7] Labarre Test. at Bates page 7.
[8] Attachment 3c Second Supplemental. The Attorney General and Office of Energy Resources intervened but did not present witnesses.
[9] Specifically, the Commission removed a new Grid Modernization category and funding, redirectined a small amount of funding to the Asset Condition category for a small number of reclosers that can properly fall within that category. The Commission also followed Mr. Booth's recommendation and reduced the budget for major projects within the Asset Condition category by $10 million finding that the remaining budget allowance is sufficient to support a reasonable implementation schedule and is still greater than what was allowed in FY 2023. The Commission rejected the new Mainline Recloser program that was proposed within the System Capacity and Performance budget, finding that it was not adequately supported by the record for inclusion in the FY 2024 budget. The result was a $53.461 million reduction to the FY 2024 capital budget.
[10] Compliance Filing, Section 5:Attachment 1(C); Compliance Filing – Effective Rates April 1, 2023, Docket No. 22-53-EL- Electric ISR FY 2024 Budget (Mar. 30, 2023).

II. Threshold Issue Relating to the ISR Fiscal Year

A. The Statutory and Tariff Language Relating to "Fiscal Year"

R.I. Gen. Laws §39-1-27.7.1(d) requires each gas and electric distribution company prior to the beginning of the fiscal year to consult with the Division of Utilities and Carriers (Division) regarding its ISR spending plan for the following fiscal year. Specifically,

> (d) Prior to the beginning of *each fiscal year*, gas and electric distribution companies shall consult with the division of public utilities and carriers regarding their infrastructure, safety, and reliability spending plan for the *following fiscal year*…. (emphasis added).

Fiscal year is not defined in the statute, nor does the statute require that the fiscal year be that of the distribution company. Prior to the current year, when The Narragansett Electric Company was owned by National Grid, the annual plan was filed in December and requested rates for effect April 1 through March 31. This coincided with the US GAAP fiscal year of National Grid and was consistent with the tariff, RIPUC No. 2199 which states:

> "Current Year" shall mean the fiscal year beginning April 1 of the current year and running through March 31 of the subsequent year during which the proposed CapEx Factor and O&M Factor will be in effect.
>
> The CapEx Factors shall recover the Cumulative Revenue Requirement on Cumulative CapEx as approved by the Commission in the Company's annual Electric ISR Filings. The CapEx Factors shall be applicable for the twelve-month period commencing April 1.
>
> "O&M Factor" shall mean the per-kWh factor for all rate classes, except for Rate B-32, designed to recover the Forecasted I&M Expense and Forecasted VM Expense for the Current Year, as allocated by the O&M Allocator, based on Forecasted kWh for the Current Year for each rate class. For Rate B-32, the O&M Factor shall mean the per-kW factor based on Forecasted kWh for the Current Year and historic load factors for the rate class.
>
> The O&M Factor shall recover the sum of the annual Forecasted I&M Expense and Forecasted VM Expense as approved by the Commission in

> the Company's annual Electric ISR Filings. The O&M Factor shall be applicable for the twelve-month period commencing April 1.

In May of 2022, PPL acquired Narragansett Electric and began doing business as Rhode Island Energy. Unlike National Grid's fiscal year which ran from April 1 through March 31, RI Energy's US GAAP fiscal year coincides with the calendar year, consistent with the financial accounting schedule utilized by its parent Company – PPL.

B. Commission Request for Briefing on Fiscal Year Issue

On January 3, 2023, the Commission directed the Company and the Division to provide legal briefs in both this docket and Docket No. 22-53-EL (Electric ISR) addressing the following issue:

> How are the Proposed 21-month plans that span two fiscal years (FY 2023 and FY 2024) filed as the FY 2024 Proposed Electric Infrastructure Safety and Reliability Plan and the Proposed FY 2024 Gas Infrastructure Safety and Reliability Plan made by Rhode Island Energy on December 22, 2022 consistent with the statutory requirement to file a spending plan for the following fiscal year?

The Company's brief argued that the extended fiscal year (21 months) was consistent with the statute and appropriate for a number of reasons. First, it asserted that fiscal year is not defined by statute and is flexible. It argued that it is common when there has been a change in company control to use an extended fiscal year, and that a company can define its own fiscal year. Next it argued that there is no requirement in the statute that mandates that the ISR Plan cover a period of twelve months. It maintained that the statutory language focuses on the contents of the ISR Plans more than the time period they cover. It further argued that because of the dates in the approved FY 2023 ISR Plan filed by its predecessor, National Grid, cover the April 2023 to March 31, 2024 period, it proposed the 21-Month Plan to align with the RI Energy fiscal year and believed that to be appropriate.[11]

The Company argued that its proposed 21-Month fiscal year will not interfere with the annual reconciliation filings it plans to file in August of 2023 in relation to the FY 2023 Plan and in 2025 following the end of RI Energy's FY 2024 Plan period. It maintained that while the section of the statute addressing revenue decoupling specifies an "applicable twelve-month period", the section related to the ISR Plan merely states "fiscal year". It argued that this is evidence that the legislature did not intend that the term "fiscal year" be limited to a 12-month period.[12]

Finally, the Company argued that being required to submit two ISR Plans for the 21-Month period would be unduly burdensome, unnecessary, and not in the best interest of customers. Because it would require two plans to be submitted within only a "few months", the Company alleged that the Division, the Commission, and other interested parties will be required to engage in additional review to an already "congested regulatory calendar." Moreover, the Company argued that it is unnecessary because the Company's submission of two plans with shorter time periods would not change the content of what was proposed in the 21-Month Plan but would result in a double review of the Plan and a doubling of the parties' and the Commission's time and effort. RI Energy asserted that requiring multiple filings with shorter periods may also have a negative impact on customers. It provided that collecting the revenue over a period of 21 months would offer greater rate stability than if the Company was required to file a 9-Month and a 12-Month plan. Lastly, it noted that its proposal to extend the fiscal year is a one-time occurrence.[13]

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[11] RI Energy Brief at 5-9 (Jan. 17, 2023).
[12] *Id.* at 9-11.
[13] *Id.* at 11-13.

The Division, in its brief stated that since the inception of the ISR, it has never consulted with the Company on a plan or budget other than for a 12-month fiscal year. The Division argued that the language of the statute is clear and the word “each” before “fiscal year” is a clear indication that the consultation process engaged in by the Division with the Company occur each and every year. The Division asserted that the phrases “following fiscal year” and “prospective fiscal year” in the statute best align with the April 2023 through December 2023 period and dovetails with the annual nature of the rate reconciliation preapproved budget. The Division maintained that it lacks authority to skip the consultation process, to reach an agreement on multiple fiscal year ISR budgets or investments made in multiple fiscal years, to review and approve an ISR plan for a year beyond the fiscal year, or to set an ISR factor beyond the 12-month period of the “prospective fiscal year.”[14] Finally, the Division argued that setting an ISR electric rate based on multiple fiscal years will improperly require customers to pay for projects prematurely.[15] In addition to its legal arguments, the Division recommended that the Commission only review and set factors for the proposed 9-Month budget, that it require the Company to file an updated CY 2024 ISR Plan by September 1, 2023, that it establish a procedural schedule, and that a CY 2024 budget only be established after review of the filing and the Division recommendations.[16]

C. Open Meeting Decision Regarding Fiscal Year Definition

At an Open Meeting on January 20, 2023, the Commission considered the arguments made by the Company and the Division.[17] The Commission noted that the term

[14] Division Brief at 3-5 (Jan. 17, 2023).
[15] *Id.* at 5-7.
[16] *Id.* at 7-8.
[17] Neither OER nor the Attorney General took a position on the issue.

"fiscal year" is not defined in the statute, nor does the statute specify that "fiscal year" must be the fiscal year of the Company. For more than ten years and since the inception of the law, the Narragansett Electric Company has used an April 1 through March 31 fiscal year which is set forth in the Company's approved tariffs. Coinciding with a fiscal year that commenced on April 1 was beneficial for several reasons. Construction on the distribution system usually commences after the winter season ends. Another benefit was that the Commission's review of the ISR budget would occur during the first quarter of the year as opposed to the last quarter when the Commission has a number of complex matters and annual filings before it both from the Company and other regulated utilities. From the Company's financial accounting perspective, the alignment of an ISR fiscal year to the Company's US GAAP fiscal year also was convenient and efficient to National Grid.

The Commission noted that at no time prior to submitting the 21-Month Plan to the Division on October 21, 2022 or prior to filing it with the Commission on December 22, 2022, did the Company request a change to or waiver from the time period set forth in its current tariff. Instead, it chose to propose a tariff change in the December 22nd filing, requesting a change from a fiscal year spanning April through March, to a 9-month period of April through December. This presupposed the Commission would approve the request to change the tariff, even though the Company was aware of the Division's objection to the 21-Month fiscal year prior to the time that it filed the 21-Month Plan with the Commission.

As the Company acknowledged, "fiscal year" is not defined by the statute. Moreover, the statute does not refer to "fiscal year" as "the Company's fiscal year". It only specifies "each fiscal year" and "the prospective fiscal year". Nor is "fiscal year" associated with or limited to a company's financial reporting requirements within the statute. In fact, the Company recognized the lack of limitations in its brief when it argued:

> [t]he plain language of [the statute] focuses on the *contents* of the ISR plans more than the specific timeline they cover. The reference to "fiscal year" provides a framework for the Company to ensure it:
> (a) regularly plans for necessary safety and reliability investments;
> (b) consults with the Division about these proposed investment expenditures; and
> (c) has a deadline by which to file its ISR plans.

While it may be convenient for RI Energy to have the ISR fiscal year match its US GAAP accounting fiscal year on a calendar basis, it is not a legal requirement under the law – a point which was effectively conceded by the Company when it proposed a 21-month period as its 2024 fiscal year and proposed a tariff change that specified a spending segment of only 9 months.

This Commission has broad authority to define the ratemaking rules and the processes for evaluating proposals that impact rates provided that the result is fair and reasonable. In that regard, it is reasonable for the Commission to consider administrative efficiency, resource constraints, the timing of when rate increases that go into effect, and how the timing would affect ratepayers. In that regard, changing the ISR fiscal year to match the RI Energy calendar year would not be inconsequential to the regulatory process and the Commission's ability to properly review the filing. The Commission has a number of complex matters before it during the fourth quarter of the calendar year which is when the ISR Plan would need to be filed and reviewed if the ISR fiscal year was shifted to a calendar year.[18] Changing the ISR fiscal year to what has been proposed would disrupt the administrative efficiencies built into the current framework and disrupt the regulatory

[18] R.I. Gen. Laws §39-1-27.7.1(d)(4) states "[i]f the company and the division cannot agree on a plan, the company shall file a proposed plan with the commission and the commission shall review and, if investments and spending are found to be reasonable needed to maintain safe and reliable distribution service over the short and long term, approve the plan within ninety (90) days."

process.[19] Moreover, it would adversely impact the review process of not only the Company's ISR Plan but of other matters before the Commission by diverting necessary time spent reviewing those matters to the ISR Plan. Moving to a calendar year also would result in an additional rate increase being imposed on ratepayers in the middle of the heating season – a time when heating customers are often facing increases from the annual winter cost of supply.

The Commission has a duty to both the utility and ratepayers to assure review of the proposed spending levels are scheduled in a manner that is conducive to a thoughtful and complete review and that is not rushed by the challenges of end-of-the-year requirements. The Commission also has the authority to consider timing that affects the size of rate increases. In contrast, while it might be more convenient for the Company to be able to align its capital budget plan with the financial review that the Company performs each year at its parent level at PPL, such convenience does not outweigh the detriment to the regulatory process caused by a shift to a calendar year review. There is no financial loss to the Company and the Company retains a reasonable opportunity to recover all of the costs relevant to the applicable capital spending plan if the current fiscal year is retained.

Finally, the Commission made a finding that the Company failed to comply with the terms of its own tariff. Thus, the filing was deficient. As a result of the tariff non-compliance and the other considerations identified above, the Company was ordered to make supplementary filings of its schedules and budgets to align with the tariff condition presently in effect – April 1 through March 31.

[19] It is worth noting that the Company made an argument based on administrative efficiencies when it proposed one 21-month planning period instead of two, arguing that it was unduly burdensome on the parties and customers. RIE Brief at 11 (Jan. 17, 2023).

While this decision was ultimately founded upon a finding that the Company's filing was inconsistent with the tariff, the Commission emphasizes that the decision was not driven merely by a tariff-based technicality. The Commission's decision also is founded upon the reasonableness of leaving the current ISR fiscal year in place for the practical reasons given above, notwithstanding the fact that the Company's US GAAP fiscal year is based on the calendar year.[20] This was not a decision by the Commission which directed the Company to change its financial accounting fiscal year for purposes of US GAAP. Rather, it was a decision that was limited to specifying the period over which the Commission will define the review period over proposed capital spending plans under the ISR which will ultimately result in rate changes. The Company's actual fiscal year for financial reporting that was chosen by the Company for US GAAP purposes remains unchanged.

II. Rhode Island Energy's Revised Filing

A. Revised Budget

On January 27, 2023, the Company submitted a Revised Electric ISR Plan covering the 12-month period April 1, 2023, through March 31, 2024. The initial revised proposed revenue requirement for the period was $58,694,860 to support a capital budget of $176,318,000 plus Operations & Maintenance (O&M) for vegetation management; Inspection & Maintenance (I&M); Volt/Var Optimization and Conservation Voltage Reduction Expansion (VVO/CVR); and a new O&M category for grid modernization investments.[21] The Company subsequently removed the O&M related to grid modernization

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[20] The Commission notes that this same reasoning relating to the definition of the fiscal year equally applies to the electric ISR which was decided and considered in Docket No. 22-53-EL at the same time that the decision was made in this docket.

[21] Supplemental Budget (Jan. 27, 2023).

and in another filing, reduced the proposed capital budget by $10.5 million, specifically in the Grid Modernization category, due to supply chain constraints. The proposed second supplemental capital budget totaled $165,790,000.[22] The revised Vegetation Management budget was proposed at $13,950,000.[23] The remainder of the revised non-capital budget totaled $1,163,000 after the Company removed its request for O&M related to the Grid Modernization investment proposals.[24]

The Company included six spending categories within the capital investment budget: to meet state and federal regulatory requirements applicable to the electric system (Customer Request/Public Requirement);[25] to repair failed or damaged equipment (Damage Failure);[26] to address load growth/migration; to provide reliability and power quality in the face of growing/shifting customer demands on the system (System Capacity and Performance);[27] to replace assets if their condition impairs reliable and safe service to customers, prioritized based on likelihood of failure (Asset Condition);[28] and a new category "to meet evolving operation and reliability needs, customer expectations, and State clean energy goals" (Grid Modernization).[29]

The proposed revised budget for the Vegetation Management Program represented an increase of approximately $2.1 million from the spending approved in the FY 2023 Electric ISR Plan.[30] The primary reason for the increase is an increase in the cycle trimming budget, which will now include an enhanced trimming and risk reduction component based on a new

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[22] Second Supplemental Budget (Mar. 21, 2023); Hr'g. Tr. at 43-44 (Mar. 8, 2023).
[23] Supplemental Budget (Jan. 27, 2023).
[24] Second Supplemental Budget (Mar. 21, 2023); Updated Supplemental Budget (Mar. 8, 2023).
[25] Initial ISR Filing at Bates page 89.
[26] *Id*. at 90.
[27] *Id*. at 101.
[28] *Id*. at 96.
[29] *Id*. at 92.
[30] Supplemental Budget (Jan. 27, 2023); Initial ISR Filing at Bates page 165.

type of data analysis. Instead of a set recurring cycle for trimming, the Company will review the circuit locations and actual growth in its prioritization and if there are hazards found on a circuit such as heavy overhand, dying trees, structurally deficient trees, the Company will include a targeted "on-cycle" risk reduction work instead of relying only on "off-cycle" risk reduction. This, in turn, should reduce the need for as much work under the "pockets of poor performance," something for which the Company was projecting lower spending.[31]

The Second Supplemental Revised budget for I&M spending included capital amounts already accounted for above plus $738,000 for O&M costs related to the I&M program, including inspections, voltage testing, and the contact voltage program. Finally, there were" other" O&M expenses in the amount of $425,000, related to the ongoing long-range system capacity load study and expansion of the VVO/CVR program.[32]

The Company agreed to provide the Commission with quarterly reports on the progress of executing the ISR Plan as well as an annual report at the time the Company files its annual reconciliation.[33] RI Energy provided the Commission with a benefit cost analysis based on the Commission's Docket No. 4600 Guidance Document and Framework to support four new budget proposals or a revised scope.[34]

B. Development of the ISR Factor

In written testimony, Peter Blazunas, a consultant from Concentric Energy Advisors, explained that the overall ISR Factor embedded in distribution rates contains two mechanisms: (1) an Infrastructure Investment Mechanism to recover costs associated with incremental capital investment and (2) an O&M Mechanism to recover O&M expenses

[31] Initial ISR Filing at Bates pages 160-164.
[32] *Id*. at Bates pages 167-169; Second Supplemental Budget (Mar. 21, 2023).
[33] *Id*. at Bates page 34.
[34] *Id.* at Bates 128-158.

related to inspection and maintenance and vegetation management activities. To design the Infrastructure Investment Mechanism and develop the incremental capital investment, following Commission review of a cumulative revenue requirement, RI Energy applies a rate base allocator that was developed in the most recently approved cost-of-service study. These become the Capital Expenditure Factors included in each rate class's respective overall ISR Factor. Similarly, the O&M mechanism is designed to allocate the inspection and maintenance and vegetation management expenses to rate classes based on the percentage of total distribution O&M expense allocated to each rate class in the most recent cost-of-service study. Within each rate class, RI Energy calculates a per unit charge based on kilowatt hour (kWh) usage for non-demand classes and on a kilowatt (kW) basis for demand classes.[35]

Each year, by August 1, the Company proposes Capital Expenditure reconciling factors and an O&M reconciling factor to become effective on October 1 for the following twelve-month period. The reconciliation compares the actual cumulative revenue requirement to actual billed revenue generated from the Capital Expenditure Factors included in the prior year's overall ISR Factor. Any over- or under-recovery is refunded to or collected from customers through the Capital Expenditure Reconciling Factors. The O&M reconciling factor will compare the actual 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.[36]

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[35] Blazunas Test. at Bates 277-79, 280-82.; Section 6: Rate Design; For G-02 and G-32/B-32 customers, whose charges include both demand and usage, the Capital Expenditure Factors and O&M Factors are designed "to not significantly change the relationship between the existing charges and will ensure that customers within the class that have differing usage characteristics will not experience significantly different bill impacts." Crary Test. at 195.

[36] *Id*. at Bates 279-80, 282.

III. Approved FY 2024 Electric ISR Budget and Revenue Requirement

Following evidentiary hearings conducted over four full days during which the Commission heard testimony from eight Company witnesses[37] and Mr. Booth, the Commission considered the evidence at an Open Meeting held on March 29, 2023. As a result of its review of the evidence in the record, the Commission made several modifications to the budget resulting in an approved revenue requirement of $55,418,057, requiring in an incremental fiscal year upward rate adjustment of $5,696,733. This will support a FY 2024 Electric ISR Plan capital budget of $112,329,000, a vegetation management budget of $13,950,000, an infrastructure and maintenance (I&M) budget of $738,000, and other expense of $425,000.[38]

A. Preliminary Observations

At the outset, before addressing the specific decisions in this case, the Commission notes that in this first ever contested ISR Plan filing, there was an undertone of a breakdown in respect during the course of the Division's preliminary review. This may arise in part from either the change in company ownership, the shift in organizational control to more local authority, or a combination of both. The Commission recognizes that there is likely a benefit from a return to more local authority over the planning and investment decisions of the utility compared to that which existed under the National Grid paradigm. The Commission has

[37] Alan LaBarre, Senior Director of Electric Operations; Nicole Begnal, ISR Manager; Christopher Rooney, Manager of Distribution and Transmission Forestry; Kathy Castro, Director of Asset Management and Engineering; Ryan Constable, Engineering Manager in Distribution Planning and Asset Management; Wanda Reder, Consultant; Stephanie Briggs, Senior Manager of Revenue and Rates; Jeffrey Oliveira, Regulatory Programs Specialist; Peter Blazunas, Consultant, and Daniel Glenning, Director of Projects and Construction Management. Andrew Elmore, Vice President – Tax, and Natalie Hawk, Director of Tax Accounting and Reporting also filed testimony but did not attend the electric ISR hearing. Mr. Elmore and Ms. Hawk did testify on the identical issues at the FY 2024 Gas ISR hearing and the Commission took administrative notice of their testimony for this matter.

[38] Compliance Filing, Section 5:Attachment 1(C); Compliance Filing – Effective Rates April 1, 2023, Docket No. 22-53-EL- Electric ISR FY 2024 Budget (Mar. 30, 2023).

confidence that the planning and engineering teams at the Company are competent, capable, and enthusiastic about constructing and maintain a safe and reliable electric system.

The Company, however, must accept the validity of the concerns raised by the Division through its consultant, Mr. Booth. Mr. Booth has a great deal of credibility with the Commission and serves as a valuable resource to balance the Company's enthusiasm. He raises important contextual concepts for consideration of the Commission which does not have the benefit of its own engineering staff. His testimony in this case also represented the balance of ratepayer funds toward the state policy goal of "just and reasonable rates" which, based on testimony from public officials, means, to some extent, affordability. The Company's initial proposal represented a significant increase in capital investment over the next two to five years, coupled with a separate Advanced Metering Functionality proposal, and an all-or-nothing presentation by the Company. These factors all combined has led the Commission to consider whether there are appropriate cost controls and sensitivity to rate impacts within the Company.[39]

The Commission is also concerned with certain testimony from Company witnesses at the hearings that suggested the ISR budget represented the only investment and pathway for the Company. Such a stance ignores basic ratemaking principles and inappropriately suggests that it is the Commission who decides whether an investment is needed for safety and reliability. It is the Company that has the burden of proving that its investment budget is reasonable and supported by the evidence. It must show that the investment is needed in the short- and long-term to provide safe and reliable service. It must identify the problem on the system, the location on the system, how the investment will solve the stated problem, and how

[39] The Commission has opened a separate docket (23-34-EL) to review the budgeting and planning processes for ISR in the future. To date, the discussions with the Company have been productive and in the cooperative spirit.

the investment is consistent with the Least Cost Procurement Standards. It is then Commission that determines whether the Company has met its burden of proof to include the investment in its revenue requirement for preferential rate treatment.

Delay of recovery of an expense from the special ratemaking treatment provided by ISR is not a disallowance of cost. Instead, the Company can seek to include that investment in its rate base for rate recovery in its next rate case. Thus, if the Company, despite a Commission ruling determines that it must make an investment in the system that is prudent, it has the legal obligation to do so and it may request cost recovery no later than the next rate case. The Company appeared to assert that if it is level funded, it will not invest in a necessary component of the system. This position appears to be an inappropriate attempt to shift risk from the Company onto the regulator for management decisions.

The ISR statute, adopted in 2010 is an exception to the normal ratemaking methodology and needs to be applied judiciously to ensure a reasonable pace of investment necessary to achieve safe and reliable service. That is how the ISR has been working and the Company's enthusiasm for accelerating the investment in new technologies and automation needs to be reviewed in this context.

B. Grid Modernization

The Company proposed a new capital spending line item for "Grid Modernization" within the non-discretionary budget. This new subcategory of spending comprised 25% of the overall budget.[40] The Company witnesses stated, "[t]hese investments are needed now because of deteriorating reliability trends increased operational risk present with the high DER adoption rates reinforced by the State Climate Mandates, growing interconnection queues,

[40] Proposed FY 2024 Electric ISR Plan at Bates 31.

and supply chain delays and material availability."[41] The Company contended that these investments were, like Customer Requests/Public Requirements and Damage Failure subcategories, driven by forces outside of the Company's control in both scope and timing. Thus, the Company categorized them as non-discretionary.[42] Under the current tariff language, such a designation would allow the Company to exceed budgeted amounts and receive full cost recovery. In contrast, discretionary spending is subject to certain limitations on cost recovery.[43]

The Division, through its witness, Gregory Booth, P.E., recommended removing the entire Grid Modernization budget, challenging the Company's categorization of the spending as non-discretionary, the stated need, and the contentions about worsening reliability. He stated that the proposal was "premature and proactive absent any justification for early advancement of capital spending prior to implementation of AMF and a comprehensive communication system capable of communicating both within Rhode Island and back to the PPL control center."[44] He further contended that, "The $45 million of grid modernization spending proposed is premature and accomplishes little toward reliability enhancement or DER enablement. Until AMF is fully functional, and a comprehensive telecommunications system is fully functional, grid modernization equipment will have no real functional benefit."[45] With respect to reliability, Mr. Booth noted that the Company's reliability results have remained and continue to remain well within the Commission's SAIDI and SAIFI guidelines.[46] He challenged the Company's position that grid modernization investments are

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[41] *Id*. at 32.
[42] *Id*.
[43] *Id*. at 178-80.
[44] Booth Test. at 10-11.
[45] *Id*. at 13.
[46] *Id*. at 14.

required now to integrate and manage forecasted DER because such investments have not been required to date and given availability of land and conservation concerns, the proliferation of large DER investments is likely to slow.[47] Furthermore, he opined that the new vegetation management approach would continue to improve the currently acceptable reliability statistics.[48] In short, Mr. Booth argued that the proposed ISR Plan failed to justify the immediate need for the advancement of grid modernization investments, particularly absent an approved Grid Modernization Plan.[49]

The Company responded to numerous discovery requests and hearing questions directed toward their claim of need in the short- and long-term for these investments. The questions also focused on the Company's contentions that their reliability metrics were experiencing a declining trend. After a review of the entire record, the Commission unanimously found that RI Energy had failed to meet its burden of showing that the proposed investments were needed to meet short-term safety and reliability measures. Furthermore, with respect to long-term need, the Commission found that there was no immediate need for the investments to meet foreseeable long-term needs.

Specifically, the Commission found that the evidence does not support the Company's contentions that: (1) there is a downward trend in reliability; (2) that there is a near term need for the proposed Grid Modernization investments related to visibility and control of DER; nor (3) that Grid Modernization investments are needed to meet the Act on Climate or Renewable Energy Standard. Therefore, the evidence did not support an urgent need to approve funding through ISR of investments in the Grid Modernization category prior to consideration of a Grid Modernization plan.

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[47] *Id*.
[48] *Id*. at 15.
[49] *Id*.

Furthermore, the Grid Modernization plan description provided by the Company is not a plan based on realistic forecasts, but rather, on scenarios to test the system under varying conditions.[50] In other words, the Company presented the Commission with "if all of these things happen, here are the investments we will need" instead of "here is what we forecast will happen on the system and the resulting investments we will need." Therefore, the Company did not present a credible plan for funding approval through the ISR.

Instead, before the Company can meet its burden of proof, it needs to present realistic forecasts of what is likely to happen on the system as a precursor to the proposed solutions. The all-or-nothing approach taken by the Company in its proposal failed to recognize the realities of needing to balance investments with ratepayer impact.[51] As part of all ISR proposals, the Company needs to prove the near and long-term need based on evidence; the necessary pace of investment; the location of the need for the investment; and the proper sequencing in order to avoid imprudent expenditures from inefficient or premature investment plans.

Although the Company repeatedly stated that there is a declining trend in SAIFI, the evidence did not support this contention. The information presented in the responses to Record Requests 3 and 9 show a randomness to the Company's SAIFI performance rather than a declining trend.[52] The Company has consistently met its service quality metrics over the past several years and calendar year 2022 showed improvement in reliability.[53]

Additionally, the Company failed to show that decline in reliability is related to the visibility and remote control on the system. Instead, Attachment 4, Charts 1 and 8 of the

[50] Hr'g. Tr. at 563-69; 571; 599-600; 665-66; 751-55, 756.
[51] Hr'g. Tr. at 602-07; 617-19.
[52] RI Energy's Responses to RR-3 and RR-9.
[53] Proposed FY 2024 Electric ISR Plan at Bates 124; Hr'g. Tr. at 575-76.

Electric ISR Plan show a correlation of reliability to the challenges with tree mortality related to the Spongy Moth (formerly called the Gypsy Moth) infestation of a few years ago.[54] The Company has responded by proposing modifications to the vegetation management that it has claimed will improve reliability by 15%-18%.[55] Reviewing those facts in evidence as a whole, the Commission concluded that there is no trend of declining reliability, that where there are declines in reliability, trees are still a major challenge which the Company proposed to address through modifications to the vegetation management approach. Therefore, the Commission could not find, based on the evidence presented, that the Grid Modernization investments as proposed in this docket are needed to solve the stated problem.

Turning to the Company's stated need for visibility and control because of increased DER on the system, first, there is no support for these investments being anything other than discretionary in nature. While the Company has attempted to portray the need as reactionary, unlike Customer Requests/Public Requirements or Damage/Failure, the nature of the investments are much more in line with System Capacity and Performance or Asset Condition.

Unlike the first two categories, these investments are neither unplanned nor unpredictable events that occur outside of the normal course of the Company's planning and investment processes. The fact that the Company is considering how to automate the system to gain visibility and control is indicative of the fact that the Company can plan for the impact of DER and electrification on the system. The Company defined the purpose of the Grid Modernization category as meeting "the evolving operation and reliability needs, customer

[54] Proposed FY 2024 Electric ISR Plan at Bates 119, 27; The Company has committed to continuing to track and report on trees removed as a result of pests, particularly because of the ongoing concerns related to the Emerald Ash Borer, another invasive pest.
[55] Hr'g Tr. at 109; Booth Test. at 15.

expectations, and State clean energy goals."[56] The Commission finds this assertion to be inconsistent with the operational realities. To the contrary, the proposals included in Grid modernization are a part of the normal System Capacity and Performance category which is defined as "projects [that] are required to ensure that the electric network has sufficient capacity to meet the existing and growing and/or shifting demands of customers."[57] The proposal of different technologies and solutions to meet the same overall objective does not necessarily change the categorization of investment nor does it change the burden of proof.[58]

In addition, when the Company's witness was asked to identify specific areas on the system where the Grid Modernization investments were needed to provide safe and reliable service, the best the witness could respond is that there are places where the investments would be beneficial, but he could not commit to identifying areas where they are needed.[59] The witnesses testified that the Company has invested in feeder monitors in those areas as part of the strategic DER allowance. And, while the Company may eventually need a more dynamic system to handle hourly load changes as the difference between generation and load gaps exist, the Company's own load forecasts do not support a need in the near or medium term. Load is not forecasted to exceed 1900 MW until 2029 under an extreme scenario. In addition, Figure 10 of the forecasts shows that the potential for gaps becomes more problematic as we move closer to 2036.[60] The Company's witness was unable to identify any areas on the system that have currently have characteristics similar to what might exist in 2036. The Commission cannot approve funding through ISR on a grid modernization plan that was not developed on a real load forecast, but on a stress test under extreme scenarios.

[56] Proposed FY 2024 Electric ISR Plan at Bates 92.
[57] Proposed FY 2024 Electric ISR Plan at Bates 33.
[58] *See* Hr'g. Tr. at 1011.
[59] Hr'g. Tr. at 669-70.
[60] RI Energy Response to Div 1-14; Attachment Div 1-14 (Figure 10), Bates page 71.

The evidence does not support the Company's contention that grid modernization is needed to meet the Act on Climate or RES mandates. Record Request 24 shows that even if there were no additional DERs over what was commercially operational in Spring 2023, there are enough renewable energy certificates available to meet the 2040 requirements under the Company's load forecast. Therefore, meeting this policy goal is not a driver of investment today.

Finally, Mr. Booth expressed concern that a grid modernization investment category is premature without a grid modernization strategy. The Company filed a Grid Modernization Plan after it filed this ISR Plan. The Amended Settlement Agreement in Docket No. 4770 contemplated action on a Grid Modernization Plan before the Company receives funding approval for an investment strategy. For all these reasons, the Commission finds that the Company failed to meet its burden of proof to include these proposed investments in the FY 2024 ISR budget for funding approval.[61]

C. Asset Condition Adjustments

The Grid Modernization Category included funding for reclosers which, at the hearing, Mr. Booth testified if they were at the end of their useful life, they could be properly included in the Asset Condition category.[62] The Company identified 18 such reclosers. Therefore, the Company shall reallocate $1.3 million from the Grid Modernization category to the Asset Condition category.

Within the Asset Condition category, there is a major projects subcategory that includes specific project. The Commission accepted Mr. Booth's recommendation to reduce

[61] The Company had proposed Grid Modernization budget line item $35.257M. That amount was denied. However, the Commission ordered the reallocation of $1.3M to the Asset Condition category as noted in the Asset Condition section of this order. The net of these two adjustments is a downward adjustment to the FY 2024 Electric ISR budget is $33,957,000.

[62] Hr'g. Tr. at 1005-1007.

the overall Asset Condition budget by $10 million. The Commission found that the Company's proposed 48% increase to that budget did not hold up against Mr. Booth's challenge. First, the Commission agrees with Mr. Booth that the Company is likely to face challenges completing that much incremental investment. Second, the Company did not adequately analyze different implementation schedules. Finally, the Commission is concerned with the Company's repeated criticism on the Division's focus on ratepayer impact. Such a perspective supports the need for heightened scrutiny of the budgets.

D. System Capacity and Performance

1. Mainline Recloser Program

The Company proposed a new Mainline Recloser Enhancements program to install 100 new reclosers prioritized based on feeder length, number of customers, type of customers, and feeder reliability values to reduce mainline fault impacts. According to the Company, the absence of reclosers on exposed overhead lines and circuits with one or zero reclosers increases customer outages due to the lack of sectionalization and reduces the ability to remotely transfer load during an outage.[63]

The Division did not support funding for the new Mainline Recloser Program, arguing that it was premature, was not supported by a protection study, and not coordinated with RI Energy's other reliability initiatives.[64]

[63] Proposed FY 2024 Electric ISR Plan at Bates 105.
[64] Booth Test. at 58-60. Mr. Booth explained that "reclosers are distribution devices mounted on poles at select locations along circuits. Their primary function is sensing line conditions and acting like a circuit breaker when anomalies occur. If a problem is temporary, reclosers have the capability to open, allow a faulted condition to clear, and then reclose again helping to maintain service continuity. If the fault is not temporary, reclosers in strategic locations can open to protect the faulted section and minimize the number of customers affected by an outage. Reclosers are common equipment on distribution systems and also leveraged by utilities for switching schemes in operations. The Company has hundreds of reclosers on its system, categorized as dark (no communication or remote control), remotely operated (two-way commands), and GMP enabled (cable of network connection for automated schemes). Whether existing, labeled as "Mainline", or "GMP", reclosers are the same equipment and underlying specifications but may be outfitted with varying control technology." Booth Test. at 57.

The Company initiated this program in FY 2023 and will spend nearly $1 million, although it was added after Division approval of the initial ISR Plan. The Company has proposed to install 100 new reclosers and presented that the primary driver was to target immediate reliability issues. Mr. LaBarre, however, testified that the choice of 100 was an arbitrary number and based on his determination that there are "nowhere near enough reclosers."[65] However, RI Energy's witnesses testified that they did not conduct an alternatives analysis as part of their decision. They contended that only reclosers could solve the problems identified by the Company. Furthermore, they asserted that $80,000 was not that much money per location despite requesting $17 million for the complete recloser program.[66]

After a review of the entire record during which multiple discovery responses and testimony was provided, the Commission finds that the Company failed to meet its burden of proof that this new line item was a well-developed program designed to meet an immediate or long-term reliability need and was coordinated with other reliability measures being implemented by the Company.

As noted above, a review of the Company's responses to questions about reliability does not support a finding that there is any statistical trend in SAIFI, let alone a declining trend.[67] Mr. Booth's contention that the Company is not adequately considering how to account for its various reliability enhancements is supported by the record. Taken together, trees, deteriorated equipment, and intentional outages account for 55% of all interruptions in 2021 with a rising incidence of tree-related outages. Two of these causes are addressed by the enhanced vegetation management approach and asset condition subcategories.

[65] Hr'g. Tr. at 133-34.
[66] Hr'g. Tr. at 198-99; 450-63.
[67] RI Energy's Response to RR-3 and RR-9.

As noted above in the Grid Modernization section, trees are still the leading challenge with periods of increasing SAIFI corresponding to gypsy moth tree mortality. The Company has testified that it is responding with VM enhancements to clear out the dead trees and proactively addressing the impending threats from the Emerald Ash Borer. If the Company's estimates that the enhanced vegetation management strategy will result in a 15-18% increase to reliability, that would result in SAIFI at 25% below our standard, a positive result. Even without the $9.5M budget, the system capacity and performance budget would still increase by 50% over the prior year representing a significant increase in the discretionary budget. The Commission finds that this is a sufficient system capacity and performance budget level for FY 2024.

2. CEMI-4

The Company proposed a new CEMI-4 Program (Customers Experiencing Multiple Interruptions) to address areas of poor performance. As described by the Company:

> System and Circuit Average Interruption Frequency Indices (SCAIFI) measure the experience of the average customer; however, using them exclusively can drive planning and investment decisions to parts of the system that have the highest customer densities. This leads to uneven reliability performance across the distribution circuits and unhappy customers. Currently, approximately 12% (60,000) of Rhode Island Energy customers experience four or more interruptions in a rolling twelve-month period, putting Rhode Island Energy in the third quartile of performance. The CEMI-4 Program will identify and fix reliability issues for customers experiencing significantly poorer service than system or circuit averages with a goal of first quartile performance within five to ten years.[68]

In the Division's filing, Mr. Booth advised that while the Division was not recommending any adjustments to the proposal, he was concerned that this initiative is premature and not well supported by the information in the record. He also expressed concern that the proposal also overlaps with current initiatives such as the worst performing feeder

[68] Proposed FY 2024 Electric ISR Plan at Bates 106.

program and vegetation management pockets of poor performance. The CEMI-4 initiative relies on different data and approaches that similarly address localized reliability issues. He therefore, recommended that RI Energy provide additional documentation regarding how the CEMI-4 program will be implemented and tracked. Consideration should be given to the worst performing feeder program structure where the Company performs a system evaluation, determines parameters for priority circuits, develops comprehensive engineering reviews with recommended solutions, screens solutions against other planned system projects, and projects costs. He stated that the Division will expect the CEMI-4 program to be measured and validated with updated BCAs as the program progresses to determine the prudency of continuation.[69]

RI Energy responded to data requests about this initiative, including how the feeders were identified, ranked, and prioritized. At the hearing, Mr. Constable provided additional testimony about how the Company would review the feeders and choose the appropriate solutions.[70] The evidence shows that while overall reliability is within acceptable parameters, there are scattered subsets of customers who experience more than 4 interruptions per year. This can lead to customer dissatisfaction and a perception that the system is not properly maintained.

Mr. Booth, however, raised valid points and the Commission, while approving this proposal for FY 2024, directs the Company to include in its FY 2024 Electric ISR Reconciliation Filing and future ISR Plan and Reconciliation filings the following CEMI-4 a filing that contains, at a minimum, the following information:

Which feeder(s) were chosen?
What was the CEMI number?
Why was the feeder prioritized over another with a similar CEMI?

[69] Booth Test. at 61.
[70] Hr'g. Tr. at 476-88.

What was the problem identified?
What were the alternative solutions identified?
What were the costs of each solution?
Why did the Company choose the solution implemented?

If the selected solution is funded somewhere else in the ISR budget (i.e., vegetation management, a setting change, or another category), where was the cost booked and how will the benefit be tracked to the spend (in the vegetation management example, are the costs and benefits booked to vegetation management or CEMI-4)? The Company shall then track the feeder CEMI for three years and report the results as part of each ISR filing.

E. Proposed Tariff Change

RI Energy had proposed a change to the Electric ISR tariff RIPUC No. 2255 to change the FY 2024 year to a twenty-one month period and to change the definition of "Current Year" from the year ending March 31 to the year ending December 31. Consistent with the Commission's January 20, 2023 decision, the tariff change is denied.

F. Motion for Protective Treatment

RI Energy submitted a Motion for Confidential Treatment of certain information in the Area Studies provided in response to Division data request 1-20. No objection was filed. The Commission has reviewed the information and agrees that the redacted information constitutes critical energy infrastructure that is protected from disclosure under R.I. Gen. Laws § 38-2-2-(4)(B). Therefore, RI Energy's motion is granted.

G. Vegetation Management

There was no dispute between the parties about the revised 12-month Vegetation Management budget. However, the Company is making unopposed changes to its approach. Instead of simply putting all circuits on a 4-year cycle for routine pruning, RI Energy will be using data analytics to optimize its cycle pruning schedule. In addition, the Company will be examining each circuit prior to scheduling cycle pruning to determine whether the circuit requires "on-cycle outage risk reduction" pruning. According to the Company, such work would include "hazard tree removal, targeted heavy overhand removal, dying trees, structurally deficient trees, and weak wooded species removal." This, the Company explained, should allow for all work on a circuit to be done at once, eliminating the need to send crews back out to the same circuit between scheduled cycle trimming. As a result, the budget for enhanced hazard tree management component of Vegetation Management, now called, off-cycle outage risk reduction is lower than in prior years and will target tree risks from pests such as the Emerald Ash Borer. The Company committed to continuing to track such pest related tree removal. Finally, the Company will incorporate the data analytics into the sub-transmission cycle pruning.[71]

The result of the combination of the cycle pruning with on-cycle outage risk reduction will be a reduced ability to understand the efficacy of the routine cycle trim work versus the hazard tree work. The Company has historically provided a report on the effectiveness of the enhanced hazard tree work and Commission still wants to understand the efficacy of the hazard tree work compared to the efficacy of the combined work against past performance, and to understand how much investments will be needed in each of these budget items. Therefore, within forty-five (45) days, the Company shall file a plan for how it will collect data on their vegetation management program that will allow for disaggregation of cycle pruning and enhanced hazard tree management program.

H. Capitalization Policies

Company witnesses Stephanie Briggs, Senior Manager of Revenue and Rates, Jeffrey Oliveira, Regulatory Program Specialist, Andrew Elmore, Vice President – Tax, and Natalie

[71] Proposed FY 2024 Electric ISR Plan at Bates 160-63.

Hawk, Director of tax accounting and reporting submitted testimony on the development of the revenue requirement and the impact of the transaction between PPL and National Grid. One of the topics was the Company's capitalization policy.[72] According to the testimony, while there are differences between PPL's policy and National Grid's, the Company is continuing to apply National Grid's policy in the instant filing. They explained that the capitalization policy could change during CY 2024. They proposed that any changes made during the program year would be captured in the annual ISR reconciliation.[73]

During the hearing, Ms. Briggs explained that an effect of a change to the capitalization policy would be that certain assets currently expensed would instead be capitalized. This would result in lower expenses to the Company in that year than were expected, increasing the Company's earnings in that year.[74] The Company was still evaluating the capitalization policies but had not yet performed any analysis of the effect on

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[72] According to AccountingTools, Inc., a company that provides information about accounting topics to the practicing accountant:

> A capitalization policy is used by a company to set a threshold, above which qualifying expenditures are recorded as fixed assets, and below which they are charged to expense as incurred. The policy is typically set by senior management or even the board of directors.
> The threshold level set by a capitalization policy can vary considerably. A smaller business with few expenditures may be willing to accept a low capitalization threshold of just $1,000, whereas a larger business that may be overwhelmed by the recordation requirements of fixed assets may prefer a very high limit, such as $50,000. Nonprofits may prefer a low capitalization limit, so that they can keep close track of their assets. Many businesses find that a capitalization threshold of about $5,000 balances the offsetting issues of avoiding excessive record keeping and avoiding charging large items to expense as incurred.
> The capitalization policy also governs whether certain expenditures are accounted for as separate assets, or as part of a larger asset. For example, the policy could state that the roof of a building be classified separately from the rest of the structure, on the grounds that the roof may be replaced several times over the life of the building.
> Another criterion for separate classification as a fixed asset is when an item has significantly different maintenance requirements from those of nearby assets. Thus, the capitalization policy could state that a group of machines clustered on an assembly line be classified as a single asset if they share common maintenance requirements, but as separate assets if they have significantly different maintenance requirements.
> https://www.accountingtools.com/articles/capitalization-policy (last visited Nov. 7, 2023).

[73] Briggs, Oliveira, Elmore, and Hawk Test. at Bates 269-72.
[74] Hr'g. Tr. at 308-10.

expense for upcoming years under a policy change.[75] Ms. Briggs suggested that the Company would need to consider the rate impact on customers prior to implementing the policy change in the ISR prior to the next base rate case. However, she was unable to explain why this would make sense where the methodologies used to calculate the ISR revenue requirement are the same as those used in the last base rate case.[76] In addition, she was unable to determine without applying a new capitalization policy whether the impact on the ISR would be positive or negative.[77] For assets not included in the ISR, Ms. Briggs confirmed that a policy change prior to the next base rate case would impact earnings.[78]

The Commission prohibited RI Energy from reflecting in any filings, any changes to its capitalization policies that will impact rate base, operating expense, and/or the Company's earnings reports prior to the next base rate case. The Company's current revenue requirement and associated distribution rates, including ISR, were based on various policies in place in 2018. The impact on the revenue requirement and associated rates from a change to the capitalization policy is unknown. Where the ISR revenue requirement is based on the same assumptions used in setting the base distribution revenue requirement, the Company provided no persuasive evidence to apply any changes to the capitalization policy prior to the next base rate case.

Accordingly, it is hereby,

(24873) ORDERED:

1. The Narragansett Electric Company d/b/a Rhode Island Energy's FY 2024 Electric Infrastructure, Safety and Reliability Budget and Revenue Requirement, filed on December 22, 2022, is hereby rejected.

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[75] *Id*. at 310-11. In response to RR-5, the Company stated that it has not performed any studies or analysis regarding the financial impact of the potential changes in capitalization policies on expenses from now until the next rate case.
[76] *Id*. at 313-18.
[77] *Id*. at 318-21.
[78] *Id*. at 321-23.

2. The proposed tariff change reflected in Schedule PRB-1 is hereby denied.

3. The Narragansett Electric Company d/b/a Rhode Island Energy's approved FY 2024 Electric Infrastructure, Safety and Reliability revenue requirement is $55,418,057, requiring in an incremental fiscal year upward rate adjustment of $5,696,733. This will support a FY 2024 Electric ISR Plan capital budget of $112,329,000, a vegetation management budget of $13,950,000, an infrastructure and maintenance (I&M) budget of $738,000, and other expense of $425,000.

4. The Narragansett Electric Company d/b/a Rhode Island Energy's Compliance Filing filed on March 30, 2023 accurately reflects the budget levels and revenue requirement resulting from the March 29, 2023 Open Meeting decision.

5. The Narragansett Electric Company d/b/a Rhode Island Energy's Attachment 3c Supplemental – Five Year Budget with Details, marked as Exhibit 18 in this matter, serves as the document from which the adjustments were made and includes detail that will be reviewed as part of the FY 2024 Electric ISR Reconciliation filing.

6. The Narragansett Electric Company d/b/a Rhode Island Energy's Motion for Protective Treatment of its response to Division Data Request 1-20 is hereby approved because the area studies contain critical energy infrastructure and are protected from disclosure under R.I. Gen. Laws § 38-2-2-(4)(B).

7. The Narragansett Electric Company d/b/a Rhode Island Energy shall include in its FY 2024 Electric ISR Reconciliation Filing and future ISR Plan and Reconciliation filings the CEMI-4 reporting requirements included in this order.

8. The Narragansett Electric Company d/b/a Rhode Island Energy shall provide, as part of its FY 2025 filing, details on individual projects where the costs differ from budget by more than 10%, whether that difference resulted from over- or under-spending or timing. Further, in all Electric ISR quarterly reports and reconciliation filings, the Company shall provide a report and explain any budgets variance greater than 10%.

9. Contemporaneously with its FY 2025 Electric ISR Plan, The Narragansett Electric Company d/b/a Rhode Island Energy shall file a benefit analysis consistent with the Guidance Document issued Docket No. 4600A.

10. The Narragansett Electric Company d/b/a Rhode Island Energy shall not reflect in any filings, any changes to its capitalization policies that will impact rate base, operating expense, and/or the Company's earnings reports prior to the filing of its next base rate case.

11. The Narragansett Electric Company d/b/a Rhode Island Energy shall include in its review of the allocation of customer contributions to the proper cost categories

all distributed generation projects for which the customer contribution did not cover the full cost of the project; the reasons why; and the impact on rate base and the associated revenue requirement. The report shall be filed no later than August 1, 2023, with the Reconciliation of the Electric ISR filing with all necessary adjustments to any ISR revenue requirement/reconciliation explained and highlighted.

12. The Narragansett Electric Company d/b/a Rhode Island Energy shall comply with all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON APRIL 1, 2023, PURSUANT TO OPEN MEETING DECISIONS ON JANUARY 20, 2023, MARCH 29, 2023, AND MARCH 31, 2023. WRITTEN ORDER ISSUED DECEMBER 1, 2023.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski

Ronald T. Gerwatowski, Chairman

Abigail Anthony

Abigail Anthony, Commissioner

John C. Revens, Jr.

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.