STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE:	**THE NARRAGANSETT ELECTRIC**	**:**	
	COMPANY d/b/a RHODE ISLAND	**:**	
	ENERGY DISTRIBUTION	**:**	**DOCKET NO. 23-23-NG**
	ADJUSTMENT CHARGE	**:**	
	and GAS COST RECOVERY	**:**	

ORDER

On August 1, 2023, September 1, 2023, and September 15, 2023, The Narragansett Electric Company d/b/a Rhode Island Energy (RIE or Company) filed its Distribution Adjustment Charge (DAC) and Gas Cost Recovery (GCR) filings with the Rhode Island Public Utilities Commission (Commission or PUC) for effect November 1, 2023.[1] The DAC recovers certain specified costs that relate to delivering gas to all customers safely and reliably, the costs of which are not already recovered in base gas distribution rates or other applicable rate recovery mechanisms. The GCR recovers the costs of providing gas supply to firm gas sales customers of the Company who do not purchase their gas supply from third party marketers; but, instead, purchase firm supply from the Company who procures the gas supply and associated transportation on their behalf.[2]

On September 21, 2023, RIE also filed its semi-annual BTU factor report.[3] Subsequent to the initial DAC and GCR filings, the Company made supplemental filings that included updated testimony, schedules, rate factors, and bill impact analyses. The resulting incremental decrease to the DAC was approximately $25.5 million, while the incremental decrease to the GCR was

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[1] All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at https://ripuc.ri.gov/Docket-23-23-NG.
[2] All residential customers receive firm gas supply from the Company, along with a subset of non-residential customers who do not take firm or interruptible supply from an unregulated marketer. Residential customers do not have the choice to purchase gas from marketers.
[3] The Narragansett Electric Company's currently effective gas tariff, RIPUC NG-GAS No. 101 Section 1 Schedule B, Sheet 1 (definition of British thermal unit (BTU) content factor) requires The Narragansett Electric Company to calculate the seasonal BTU content based upon the prior six-month experience for the equivalent season, which The Narragansett Electric Company would then propose to take effect for the applicable May 1 and November 1. Such BTU content factors are used to covert volumetric meter readings into therms.

approximately $8.5 million, for a total cost decrease of approximately $34 million. The Company also filed an amendment to the Pension Adjustment Factor section of its natural gas tariff.

The Rhode Island Attorney General filed a Motion to Intervene and became a party when no objection to the motion was filed.

In response to the initial filings, the Division of Public Utilities and Carriers (Division) filed memoranda and direct testimony addressing the Company's proposed rate factors, incentive payment requests, the ISR reconciliation filing, and other issues on September 29, 2023. The filings recommended that the Commission approve the proposed rate factors, incentive payments, and the amendment to the tariff.

After conducting an evidentiary hearing on October 17, 2023, the Commission conducted an Open Meeting on October 25, 2023 during which it deliberated on the Company's DAC and GCR proposals. It approved recovery of the costs associated with all of the Company's proposed DAC and GCR factors and incentives and approved the proposed modification to the tariff.[4]

WITNESSES PRESENTING TESTIMONY

The following witnesses provided pre-filed testimony for the Company for the DAC:

1. Peter R. Blazunas and Tyler Shields provided testimony to describe the reconciliation of the various components of the DAC and to propose new factors to become effective November 1, 2023. They provided supplemental and revised testimony to update their original testimony and present a bill impact analysis of the proposed revisions.

[4] The approved factors are attached hereto as Appendix A.

2. Jeffrey D. Oliveira and Stephanie A. Briggs provided testimony to describe the Company's gas earnings subject to the Company's Earnings Sharing Mechanism for the 12-month period ending December 31, 2023.

3. Nathan Kocon provided testimony, and Stephanie A. Briggs, Jeffrey D. Oliveira, and Natalie Hawk provided joint testimony to present the Company's FY 2023 Annual Reconciliation filing for the Gas ISR Plan, including the actual spending for the period April 1, 2022 through March 31, 2023 and the Adjusted Capital Additions In-Service in FY 2023. The testimonies also provided detailed information regarding the major spending variances for this period and an updated revenue requirement associated with actual capital spending and tax deductibility percentages.

4. Jeffrey D. Oliveira and George R. Sunder provided joint testimony to describe the origin of the Company's Pension and Post-Retirement Benefits Other than Pensions (PBOP) expense reconciliation and provided the calculation of the Pension and PBOP costs to the allowance for recovery in base distribution rates. The testimony also described changes to the Company's Pension and PBOP cost calculations related to the acquisition of The Narragansett Electric Company by PPL.

The following witnesses provided pre-filed testimony for the Company for the GCR:

1. Elizabeth D. Arangio, Megan J. Borst, Samara A. Jaffe, and James M. Stephens provided joint testimony as the Gas Supply Panel regarding estimated gas costs and items relating the Company's proposed GCR factors. Their testimony also discussed the Company's portfolio for the 2023-2024 GCR period.

2. Theodore Poe, Jr., Tim Jones, and James Stephens provided joint testimony as the Gas Load Forecasting Panel to support the retail and wholesale forecasts of natural gas customer requirements that are used to estimate gas costs.

3. John M. Protano, Stephen D. Longo, and James Stephens provided testimony to discuss the results of the Company's Gas Procurement Incentive Plan (GPIP) and Natural Gas Portfolio Management Plan (NGPMP) for the period April 1, 2022 through March 31, 2023 and to provide an exhibit illustrating the impact of the current financial hedges for November 2023 through October 2024 in the GPIP.

Both the Company and the Division presented witnesses at the evidentiary hearing that adopted the pre-filed testimony and the responses to data requests and responded to inquiries about the filed documents.

THE DISTRIBUTION ADJUSTMENT CHARGE

The DAC is filed annually to establish a rate that reconciles certain estimated distribution system and gas costs to actual costs for the prior 12-month period from November 1 through October 31, as well as costs forecasted for the next twelve-month period beginning on November 1. The DAC provides for funding, or the reconciliation and refund, of amounts associated with several of the Company's specific gas programs, services, and initiatives, the costs of which are not already being recovered in base distribution rates. Each of the associated cost categories are tracked and reconciled separately. The net costs are allocated and charged across various rate classes through separate rate components referred to as "factors" that add up to the final DAC "factor" for each applicable rate class.[5] As part of the DAC filing, RIE also files an Annual Environmental Report for Gas Service, a Revenue Decoupling Mechanism (RDM) Reconciliation Filing, and a Gas Infrastructure, Safety, and Reliability (ISR) Plan Annual Reconciliation Filing, each of which provides data supporting the request for the increases or decreases in the various applicable rate components. In addition to reconciling and addressing certain gas service costs, the reconciliation process under the DAC tariff also facilitates the timely rate recognition of certain incentive/penalty provisions associated with the Company's management of certain gas costs.

The components or factors underlying the final DAC factor are: 1) a System Pressure factor; 2) an Environmental Response Cost (ERC) factor; 3) a Pension Adjustment factor; 4) an Arrearage Management Adjustment factor; 5) an Earnings Sharing Mechanism (ESM) factor; 6) a Low Income Discount Recovery (LIDR) factor; 7) a Service Quality Plan factor; 8) a Revenue Decoupling Adjustment (RDA) factor; 9) a rate class specific Infrastructure, Safety, and Reliability (ISR) factor; 10) two Reconciliation factors for last year's DAC factors;[6] and 11) a Storm Net Revenue factor. Most of the DAC factors are grossed up to include a 1.91% uncollectible percentage as approved in Docket No. 4770.[7]

The Narragansett Electric Company's August 1, 2023 DAC filing, September 1, 2023 Supplemental, and September 15, 2023 Revised filings provided testimony and support for a net rate decrease of approximately $25.5 million, when all the components are taken into account. The Company proposed to recover a DAC factor of $0.1673 per therm for the Residential and

[5] The term "factor," when used in the context of the rates, refers to a rate component designed to recover a particular type of cost that is specified and calculated in a manner defined in the Company's tariffs that have been approved by the Commission in prior proceedings. As indicated, the final DAC factor is a rate that is made up of numerous other factors which, when added together, sum to the final DAC factor.

[6] The two reconciliations are the "Revenue Decoupling Adjustment Reconciliation" and the "ISR Reconciliation."

[7] The two factors relating to revenue decoupling are not grossed up by the uncollectible rate.

Small and Medium Commercial and Industrial (C&I) customers, $0.0932 per therm for the Large and Extra-Large C&I customers, and $0.1438 per therm for Residential Low Income customers. After including the annual ISR component that varied ranging from a credit of $0.0036 per therm to a charge of $0.0254 per therm depending on customer class, the final DAC rates proposed by the Company ranged from $0.1927 per therm for Residential Heating and Residential Non-Heating customers to $0.0896 per therm for the Extra-Large Low Load C&I customers.[8] Firm throughput which is used to calculate many of the factors was identified as 39,576,910 Dth.[9]

The Company proposed the following factors, of which the Division recommended approval after finding them to be appropriate: 1) System Pressure $0.0652 per therm to recover the incremental cost of $25,841,592;[10] 2) $0.0012 per therm for Environmental Response Costs to recover the incremental cost of $484,956;[11] 3) ($0.0180) per therm for Pensions and Postretirement Benefits Other than Pensions to credit the incremental cost of $7,122,558;[12] 4) $0.0010 per therm for the Arrearage Management Adjustment to recover the incremental cost of $426,862;[13] 5) $0.0555 per therm for the FY 2022 RDM Adjustment factor to recover an under-recovery of $15,799,007;[14] 6) ($0.0003) for a Service Quality Factor to credit customer for the $150,000

[8] Blazunas/Shields Supp. DAC Test. Sch. PRB/TGS-1S Revised (Sept. 15, 2023). The Company filed one supplement and one revised testimony and schedules to the August 1, 2022 filing and schedules. The supplemental and revised testimonies included schedules where some of the factors were updated and which replaced original schedules. Updated schedules or revisions are referred to with a number and "S" or "R" respectively, indicating it is a supplement or revision with the most current figures and calculations. All references to schedules in this order and footnotes herein refer to the most recent schedule filed even though original testimony may be cited.
[9] Blazunas/Shields DAC Test. at 27 (Aug. 1, 2023).
[10] Blazunas/Shields Supp. DAC Test. at 7, PRB/TGS-1S; Morgan Mem. at 3-4 (Sept. 29, 2023).
[11] Blazunas/Shields DAC Test. at 8-9, Sch. PRB/TGS-1S Revised, PRB/TGS-3; Annual Environmental Report for Gas Service (Jul. 31, 2023); Morgan Mem. at 4.
[12] Blazunas/Shields Supp. DAC Test. at 9, PRB/TGS-4S; Oliveira/Sunder DAC Test. at 13, Sch. JDO/GRS-1 (Sept. 1, 2023); Morgan Mem. at 4-5.
[13] Blazunas/Shields DAC Test. at 10-14, Sch. PRB/TGS-1S Revised, PRB/TGS-5; Morgan Mem. at 5.
[14] Blazunas/Shields DAC Test. at 14-15, Sch. PRB/TGS-1S Revised, PRB/TGS-6; RDM Reconciliation Filing (Jun. 30, 2023); Morgan Mem. at 5-6.

penalty the Company incurred for performance in meter testing;[15] 7) $0.0000 per therm for the Earnings Sharing Mechanism factor because the Company's return on equity was below the earnings sharing threshold;[16] 8) $0.0320 per therm for the Reconciliation factor for all Residential and Small and Medium C&I rate classes and $0.0194 per therm for the Large and Extra-Large rate classes to recover $11,262,608;[17] 9) $0.0057 per therm for a FY 2022 RDM Reconciliation applicable to Residential and Small and Medium C&I rate classes for a $1,623,220 under-recovery;[18] 10) $0.0230 per therm for the Low-Income Discount Recovery factor to recover the total annual cost of the discount provided to the low-income rate class of $8,721,460;[19] and 11) $0.0000 per therm for a Storm Net Revenue factor because the credit of $5,676 is too small to calculate a factor so it will be carried over to next year's filing.[20]

To reconcile its ISR costs, which recover the incremental revenue requirement for the Company's capital investments for the applicable period, RIE proposed credit factors ranging from ($0.0036) to $0.0250 per therm.[21] The Commission previously approved a budget of $175.66 million for the Company's ISR Plan in Docket No. 5210. The ISR Reconciliation filing submitted by the Company on August 1, 2023 showed that it had actual spending of $171.09 million which was $4.57 million less than the approved budget.[22] The ISR Reconciliation filing calculated the actual revenue requirement at $44,292,572 reflecting a $1,855,603 increase from the forecasted

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[15] Blazunas/Shields DAC Test. at 16-18, Sch. PRB/TGS-1S Revised, PRB/TGS-8; Service Quality Report (Jul. 26, 2023); Morgan Mem. at 6.
[16] Blazunas/Shields DAC Test. at 18, Sch. PRB/TGS-1S Revised, Sch. PRB/TGS-11; Oliveira/Briggs Test. at 19 (Aug. 1, 2023); Morgan Mem. at 6.
[17] Blazunas/Shields Supp. DAC Test. at 6-7, Sch. PRB/TGS-1S Revised, PRB/TGS-9S; Morgan Mem. at 6.
[18] Blazunas/Shields DAC Test. at 19-24, PRB/TGS-1S Revised, PRB/TGS-10; Morgan Mem. at 6.
[19] Blazunas/Shields Supp. DAC Test. at 8; Blazunas/Shields Revised DAC Test. at 6-7; PRB/TGS 1S Revised, PRB/TGS-12S Revised; Morgan Mem. at 7. The Low-Income Discount Recovery factor provides a 25% discount to Rates 11 and 13 customers.
[20] Blazunas/Shields DAC Test. at 20, PRB/TGS-13; Sch. PRB/TGS-1S Revised; Morgan Mem. at 7. .
[21] Blazunas/Shields Supp. DAC Test. Sch. PRB/TGS-1S Revised, PRB/TGS-7S; Annual ISR Reconciliation Filing (Aug. 1, 2023).
[22] Kocon ISR Reconciliation Test. at 4 (Aug. 1, 2023).

revenue requirement of $42,936,970 approved by the Commission in Docket No. 5210.[23] This resulted in an under-collection of the revenue requirement associated with the incremental forecasted costs in the ISR, equal to $7,101,581.[24] The updated actual revenue requirement of $36,552,003 was allocated among the applicable rate classes, resulting in the range of factors by rate class from ($0.0036) to $0.0254 per therm.[25] The Company provided explanations for the variances in spending for the different programs. The primary driver of the decrease was underspending in some of the categories.[26] The Division filed a memorandum recommending approval of the Company's proposed factors. It found that the underspending was reasonable and recommended no adjustment to the updated $44,292,572 revenue requirement.[27]

The proposed factors result in a rate decrease for customers using 845 therms annually of 2 percent or $34.38 annually which includes gross earnings tax.[28] The Company also proposed recovery of the customer charge reduced to zero for customers in the Rate 11 and Rate 13 classes for the months of January, February, and March 2023. Instead of recovering the amount through the DAC factor which is a volumetric charge, the Company proposed recovery by increasing the customer charge for the two rate classes by $4.75 per month for April through October, which it identified as non-winter months. Any over- or under-recovery would be addressed in future a DAC filing.[29] The Division found the proposal to recover the deferred customer charge to be

[23] Briggs/Oliveira/Hawk ISR Reconciliation Test. at 8-9, Att. SAB/JDO-1, (Aug. 1, 2023).
[24] Blazunas/Shields Supp. DAC Test. Sch. PRB/TGS 7-S.
[25] Blazunas/Shields Supp. Revised DAC Test. Sch. PRB/TGS-1S Revised.
[26] Kocon ISR Reconciliation Test. at 4.
[27] Mancini Test. at 3-12 (Sept. 29, 2023).
[28] Blazunas/Shields Supp. Revised DAC Test. at 11-12.
[29] Blazunas/Shields Supp. DAC Test. at 12-13 (Sept. 1, 2023). The $4.75 includes interest at the Bank of America prime rate less 200 basis points.

reasonable but recommended that any over- or under-recovery be specified to be recovered in next year's DAC filing.[30]

Also filed in the docket was the Company's proposed amendment to its natural gas tariff, RIPUC NG-GAS No. 101, Schedule A, Section 3.4- Pension Adjustment Factor. With the change in the Company's fiscal year to the twelve-month period ending December 31, the Company encountered complications in the calculation of the Pension Adjustment Factor. Consistent with what it proposed for the Electric Pension Adjustment Factor, it proposed a similar amendment to align future pension and PBOP expense reconciliations with the Company's fiscal year and pension and PBOP plan valuations. The Division did not object to the proposed amendment.

THE GAS COST RECOVERY RATES

The GCR is an annual filing that allows RIE to adjust its rates for firm sales and the weighted average cost of upstream pipeline transportation capacity. It allows the Company to recover the costs of gas supplies, pipeline and storage capacity, production capacity and storage, and purchased gas working capital. It also permits the Company to account for supplier refund credits, capacity credits from off-system sales, and revenues from capacity release transactions. The Company calculates the gas charges separately for sales customers (a high load group and a low load group) and Firm Transportation (FT) customers (marketers). The gas charges to sales customers consist of two components: fixed costs and variable costs. Like the DAC, the cost calculation includes an adjustment for an uncollectible percentage of 1.91% as approved in Docket No. 4770.

[30] Morgan Mem. at 8.

In the September 1, 2023 GCR filing, RIE proposed the following: 1) a high load factor of $0.6054 per therm; 2) a low load factor of $0.6523 per therm; 3) an FT-2 Demand Rate Usage of $10.9149 Dth/Mth; and 4) an FT-2 Storage and Peaking for FT-1 firm transportation customers eligible for TSS of $0.8757 per dekatherm.[31]

RIE explained how it projected and calculated gas costs.[32] The Company explained that the GCR factors were based on the New York Mercantile Exchange ("NYMEX") forward curve as of the close of trading on August 4, 2023.[33] It noted that its total gas costs are $4 million lower than those forecasted in the Long-Range Resource and Requirements Plan (Long Range Plan). The lower costs are attributable to: 1) the increase in the supplier demand charges being offset by an increased fixed cost credit and 2) a decrease in gas commodity costs.[34] The Company presented a fiscal year 2023 Annual GCR Reconciliation balance of ($3,984,358).[35]

The Company submitted testimony regarding the development of its 2023/24 sales forecast of 39,371,275 MMBtu which was slightly lower than last year.[36] It presented testimony about the Gas Procurement Incentive Plan (GPIP) and the Natural Gas Portfolio Management Plan (NGPMP). It noted no changes to the GPIP over the last year. The Company stated that it had purchased discretionary supply of 621,100 Dth which resulted in a $56,907 incentive for the Company.[37] The NGPMP produced total savings of $15,322,072.02 of which $13,902,747.70 was

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[31] Gas Pricing Panel GCR Test. Attach. GPP-1 Revised, GPP-5 (Sept. 1, 2023).
[32] Gas Supply Panel GCR Test. at 10-18 (Sept. 1, 2023), Att. GSP-1, Att. GSP-2, Att. GSP-3 (Sept. 1, 2023).
[33] Gas Supply Panel GCR Test. at 10.
[34] *Id.* at 17.
[35] FY 2023 Annual Gas Cost Recovery Reconciliation (Jul. 7, 2023); Gas Pricing Panel Test. at Att. GPP-2.
[36] Gas Load Forecasting Test. at 10 (Sept. 1, 2023); FY 2023 Annual Gas Cost Recovery Reconciliation (Jul. 7, 2023).
[37] Energy Portfolio Management Test. at 12, Att. EPM-2 (Sept. 1, 2023).

customers' share. RIE asked the Commission to approve the remaining $1,491,324.32 as the Company's incentive.[38]

On September 21, 2023, RIE proposed a BTU factor of 1.026 for the six-month period November 2023 through April 2024.[39] In a memorandum dated October 11, 2023, the Division recommended approval of the proposed BTU factor as filed.[40]

On September 29, 2023, the Division filed the testimony of its consultant, Jerome D. Mierzwa. Mr. Mierzwa made a number of findings and recommendations. First, he found that consistent with his recommendation in Docket No. 22-13-NG, the Company had re-evaluated the reasonableness of its current design day standard of 68 heating degree days and presented its results in the 2023 Long-Range Plan which it filed with the Commission on June 30, 2023. He provided that he was satisfied with the re-evaluation which extended the term of analysis and that based on his analysis of the of the additional HDD data and the Company's exclusion of forecast error was no longer concerned that that the design day standard was unreasonable or too conservative.[41] He found that the practice of removing peak hour costs from the GCR and recovering them through the DAC to be reasonable.[42] He found that the Company should track the actual incremental variable costs it incurs to meet hourly peak demand, report those costs in its 2024 DAC and GCR filings, and if significant remove them from the GCR reconciliation process and include the costs

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[38] Energy Portfolio Management Test. at 13-15, Att. EMP-3, EMP-4.
[39] Pimental BTU Letter at 1 (Sept. 21, 2023).
[40] Mancini Mem. at 1 (Oct. 7, 2023).
[41] Mierzwa Test at 5, 8-14 (Sept. 29, 2023).
[42] *Id.* at 5, 14-16.

in the DAC reconciliation process.[43] He did not express any concern with the incentive amounts sought by the Company for either the GPIP or the NGPMP.[44]

Mr. Mierzwa noted that the Company's proposed factors were based on NYMEX forward curves as of the close of trading on August 4, 2023 and the current commodity prices are consistent with those utilized by the Company.[45] Lastly, Mr. Mierzwa recommended that the Company be required to provide the information presented in Attachment GSP-1 in Excel format with all formulas intact.[46]

HEARINGS

Public Comment Hearing

On September 13, 2023, the Commission held a public comment hearing to take comments from the public. The hearing was held in the evening both in person and virtually to afford anyone interested the opportunity to provide public comment.

Evidentiary Hearings

The Commission then held an evidentiary hearing on October 17, 2023 to hear evidence on both the proposed DAC and GCR factors in Docket Nos. 23-23-NG.

A panel of witnesses was presented to adopt their respective pre-filed testimonies and sponsored information requested responses relating to the GCR. Ms. Jaffe explained Asset Management Agreements, the process, and how the existing agreements have remained similar to

[43] *Id.* at 6, 16-17.
[44] *Id.* at 6, 17.
[45] *Id.* at 6, 18.
[46] *Id.* at 6, 18-19.

those entered into prior to the sale of The Narragansett Electric Company to PPL.[47] Mr. Stevens testified that the procurement process for transportation capacity will look very similar to what it was when the Company was owned by National Grid.[48] And Ms. Jaffe discussed the benefits of managing the capacity internally as opposed to outsourcing it.[49] Ms. Arangio supported the testimony that internally managing the portfolio is beneficial to customers.[50]

Ms. Arangio testified about the difference in gas costs between the current year and last year and how the cost of imported LNG is significantly lower than it was last year. She explained the reasons that the Company needs to purchase LNG.[51] Finally, Mr. Stevens discussed the Company's choice of design day.[52]

The Company also presented a panel of witnesses to testify regarding the proposed DAC factors. Mr. Blazunas explained the calculation of the DAC factors and noted that residential customers would experience an annual decrease of approximately 3.5%.[53] When questioned about the Service Quality Report, Mr. LaFond discussed the struggles the Company is experiencing obtaining meter inventory for regular business which he noted was caused by supply chain issues dating back to the COVID pandemic.[54] Mr. Blazunas explained the meaning of revenue-per-customer, how it is determined, and how it is reconciled if there is an under- or over-collection due

[47] Hr'g Tr. at 33-36 (Oct. 17, 2023).
[48] *Id.* at 38.
[49] *Id.* at 39-41.
[50] *Id.* at 42-43.
[51] *Id.* at 44-46.
[52] *Id.* at 47-50.
[53] *Id.* at 25
[54] *Id.* at 56-59.

to growth assumptions.[55] Mr. Kocon and Mr. Lafond responded to questions about the ISR Reconciliation and how it currently works.[56]

The Chairman distributed and explained a chart he created depicting alternatives to the current ISR budgeting process. He noted the importance of distinguishing between cost disallowance and regulatory lag/timing of recovery.[57]

Finally, the Division presented Mr. Mierzwa, Mr. Morgan, and Mr. Mancini who all testified that the rates and factors proposed by the Company are fair, reasonable and in the best interest of all ratepayers. They all recommended approval of the factors set forth on page 3 of Schedule PRB/TGS-1-S revised which is attached hereto as Appendix A.[58]

DECISION

Every year, the DAC and the GCR are filed in the fall to address a subset of costs incurred by the Company that are necessary for the provision of safe and reliable gas service and supply. The annual filings typically result in a change of rates effective November 1 for the coming winter period. In recent years, the costs of providing safe and reliable gas distribution service and natural gas supply have risen significantly, largely due to growing constraints on the various gas pipeline systems that transport natural gas to the delivery points in Rhode Island. When the utility makes a filing of this type, the Commission (and the Division, acting as the ratepayer advocate) review the reasonableness of the costs and, unless there is an evidentiary basis for a finding that the costs were not necessary or the Company acted imprudently, the costs are allowed to flow through rates.

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[55] *Id.* at 72-74.
[56] *Id.* at 77-83.
[57] *Id.* at 83-112.
[58] *Id.* at 116-117.

In this filing, the Company experienced a net decrease in costs over the applicable rate period and, as a result, is proposing a net decrease in rates. The Commission considered the request by RIE, including a review of the underlying gas-related costs addressed in the DAC and the GCR. In both matters, the Commission and the Division conducted extensive discovery issuing numerous data requests which the Company witnesses adopted under oath at the hearing.

The DAC Factors

Regarding the Company's proposed DAC factors, the Commission found the Company's proposed rates in Schedule PRB-1-S Revised were designed to recover costs that were reasonably incurred under the prevailing conditions. In addition, the Commission relied on the comprehensive review performed by the Division in evaluating the reasonableness of the costs.

The Commission, however, is concerned that the ISR Program is not operating in the manner intended when it was introduced and that it may not be operating in a way that is consistent with the Act on Climate. In particular, the Commission is concerned with the trajectory of capital investments that the Company is forecasting for the next three to five years through the ISR which could result in significant rate increases. Therefore, the Commission will open a docket to examine the way in which it is operating, how its budgets are established and executed, and to consider alternatives to the current budgeting procedures.

The Commission is satisfied that the proposed modifications to the Pension Adjustment Factor Section of the tariff will align future pension and PBOP expense reconciliations with the Company's fiscal year and pension and PBOP plan valuations.

Based on its review of the various filings and the Division's recommendation that the proposed rates are properly calculated, the Commission approved the DAC factors, the proposed recovery of the deferred customer charge, and the proposed tariff modification.[59]

Approval of GCR Rates, Incentives, and BTU Factor

At its Open Meeting, the Commission unanimously approved the Company's proposed factors and rates, including (i) the High Load Factor of $0.6054 per therm (ii) the Low Load Factor of $0.6523 per therm, (iii) the FT-2 Firm Transportation Marketer Gas Charge of $10.9149 per Dth/Mth, and (iv) the Storage and Peaking Charge for FT-1 firm transportation customers eligible for TSS of $0.8757 per Dth, were calculated. The Commission also approved the GPIP incentive of $56,907, the NGPMP incentive of $1,419,324.32, and the BTU Factor of 1.026. The Commission is satisfied based on its review and recommendation of the Division that the factors and incentives were properly calculated.

Other Miscellaneous Directives

In Docket No. 22-13-NG, the Commission implemented a customer charge deferral for the Company's Rate 11 and Rate 13 classes. The Company was ordered to reduce the $14.00 customer charge for those classes to zero for the months of January, February, and March. The Commission noted that the amount deferred could be recovered by the Company in future gas rates. The Commission is satisfied that the Company's proposal to recover the amount deferred plus interest during the months of April through October 2024 is the amount of $4.75 per month from the Rate 11 and Rate 13 classes is fair and reasonable and during a time when gas bills are lower than during the winter months.

[59] The approved rates are attached hereto as Appendix A.

The Company also was ordered to continue to track variable costs incurred in meeting peak hour requirements, to report those costs in the 2024 DAC and, if significant, to allocate them from the GCR to the DAC, and in future GCR filings to provide the Division with the information in GSP-1 in Excel format with formulas intact.

Accordingly, it is hereby

(24922) ORDERED:

1. The factors reflected in the Revised Testimony and Schedules of Peter Blazunas and Tyler Shields, PRB/TGS 1-S Revised – Summary of DAC and GCR Factors, are approved effective for usage on and after November 1, 2023.
2. The proposal to recover the deferred customer charge ordered in Docket No. 22-13 from the Rate 11 and Rate 13 Classes beginning in April 2024 through October 2024 as set forth in Schedule PRB/TGS-15 Page 2 of 2 is approved.
3. The calculations of ratepayer savings and corresponding incentive reflected in the Gas Procurement Incentive Annual Report provided in Attachment EPM-2 of the Testimony of the in the Gas Portfolio Management Panel relating to the period April 1, 2022-March 31, 2023 are approved.
4. The calculations or ratepayer savings and corresponding incentive reflected in the Natural Gas Portfolio Management Plan provided in Attachment EPM-4 of the Testimony of the Gas Portfolio Management Panel relating to the period from April 1, 2022 through March 31, 2023 are approved.
5. The BTU factor of 1.026 per ccf is approved.

6. The Narragansett Electric Company d/b/a Rhode Island Energy shall continue to track variable costs incurred in meeting peak hour requirements and report those costs in the 2024 DAC and, if significant, reallocate them from the GCR reconciliation process and include them in the DAC reconciliation process.
7. The proposed amendment to the RIPUC NG-GAS No. 101, Schedule A, Section 3.4 - Pension Adjustment Factor is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON NOVEMBER 1, 2023 PURSUANT TO AN OPEN MEETING DECISION ON OCTOBER 25, 2023. WRITTEN ORDER ISSUED FEBRUARY 15, 2024.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski, Chairman

Abigail Anthony, Commissioner

John C. Revens, Jr., Commissioner

NOTICE OF RIGHT TO APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.

Appendix A

The Narragansett Electric Company
d/b/a Rhode Island Energy
Summary of DAC & GCR Factors, As Filed
Effective November 1, 2023

	Distribution Adjustment Charge (DAC) Factors *(not including Uncollectible %)*		Rate	Type of Charge	Source (Docket No. 23-23-NG)
(1)	System Pressure Factor	$	0.0652	per therm	Sch. PRB/TGS-2S, Pg.1, Line (18)
(2)	Environmental Response Cost Factor	$	0.0012	per therm	Sch. PRB/TGS-3, Pg. 1, Line (16)
(3)	Pension Adjustment Factor	$	(0.0180)	per therm	Sch. PRB/TGS-4S, Pg. 1, Line (14)
(4)	Arrearage Management Adjustment Factor	$	0.0010	per therm	Sch. PRB/TGS-5, Pg. 1, Line (4)
(5)	Service Quality Factor	$	(0.0003)	per therm	Sch. PRB/TGS-6, Pg. 1, Line (8)
(6)	*DAC Reconciliation Factors:*				
(a)	Reconciliation Factor (All Rate Classes)	$	0.0320	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (16)
(b)	Reconciliation Factor (Large and Extra-Large C&I Only)	$	(0.0126)	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (28)
(c)	RDA Reconciliation Factor (Residential, Small & Medium C&I Only)	$	0.0057	per therm	Sch. PRB/TGS-9S, Pg. 1, Line (22)
(7)	Earnings Sharing Mechanism	$	-	per therm	Sch. PRB/TGS-11, Pg. 1, Line (4)
(8)	Low Income Discount Recovery Factor	$	0.0230	per therm	Sch. PRB/TGS-12S Revised, Pg. 1, Line (4)
(9)	Storm Net Revenue Factor	$	-	per therm	Sch. PRB/TGS-13S, Pg. 1, Line (6)
(10)	*ISR Reconciliation Factors:*				
(a)	Residential	$	0.0250	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (3)
(b)	Small	$	0.0217	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (4)
(c)	Medium	$	0.0197	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (5)
(d)	Large LL	$	0.0109	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (6)
(e)	Large HL	$	0.0053	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (7)
(f)	XL-LL	$	(0.0036)	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (8)
(g)	XL-HL	$	0.0004	per therm	Sch. PRB/TGS-7S, Pg. 1, Line (9)

	Gas Cost Recovery (GCR) Factors		Rate	Type of Charge	Source (Docket No. 23-23-NG)
(11)	High Load Factor	$	0.6054	per therm	Attachment GPP-1 Revised, Pg. 1, Line (6)(d)
(12)	Low Load Factor	$	0.6523	per therm	Attachment GPP-1 Revised, Pg. 1, Line (6)(e)
(13)	*Gas Marketer Transportation Factors:*				
(14)	FT-2 Demand Rate	$	10.9149	per dekatherm	Attachment GPP-5 Revised, Pg. 2, Line (23)
(15)	Storage and Peaking Charge	$	0.8757	per dekatherm	Attachment GPP-5 Revised, Pg. 3, Line (5)