

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a RHODE ISLAND ENERGY’S PENSION :
ADJUSTMENT FACTOR FILING FOR THE : **DOCKET NO. 24-16-EL**
NINE-MONTH PERIOD ENDING DECEMBER 31, 2023 :

ORDER

On May 1, 2024, The Narragansett Electric Company d/b/a Rhode Island Energy (RI Energy or Company) filed its proposed electric Pension Adjustment Factor (PAF) with the Public Utilities Commission (PUC).¹ In support of its filing, RI Energy submitted the joint direct testimony and schedules of Jeffrey D. Oliveira, Regulatory Programs Specialist and George R. Sunder, Manager of the Benefits Accounting Department, both employed by PPL Service Corporation (the witnesses). The Company proposed a credit factor of \$0.00274/kWh for effect on July 1, 2024.²

In their joint testimony, the witnesses explained that the PAF is typically based on the difference between the Company’s actual pension and post-retirement benefits other than pension (PBOP) expenses for the prior twelve-month period and the allowance included in base distribution rates.³ The Company is required to contribute to the pension and PBOP plans at a Minimum Funding Obligation level, which equals the amount billed to customers plus the amounts of

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-24-16-EL>. Pursuant to the Commission’s decision in Docket No. 4323, Order No. 21011 (Apr. 11, 2013), RI Energy is authorized to reconcile its actual pension and post-retirement benefits other than pensions expenses annually for the twelve-month period ending March 31. The difference between the Company’s actual expense and the allowance included in base distribution rates is either charged or credited to electric retail delivery customers on a uniform per kWh basis. The PUC approved the continuation of RIPUC No. 2119 as part of its decision in Docket No. 4770, In re: The Narragansett Electric Company d/b/a National Grid Electric and Gas Distribution Rate Filing, but with an adjusted rate allowance. See PUC Order No. 23823; [http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823\(5-5-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823(5-5-20).pdf). In Docket No. 23-27-EL, the Commission approved a request by the Company to realign the pension filing to the RI Energy fiscal year which ends on December 31st. Jt. Test. at 8, citing PUC Order No. 24820.

² Jt. Test. at 10; Sched. JDO/GRS-2.

³ Jt. Test. at 6.

capitalized pension and benefits costs.⁴ On an annual basis, the Company reconciles its actual pension and PBOP expenses against the associated allowance in base distribution rates as determined in the most recent distribution rate case. Any difference between the pension and PBOP expenses and the associated allowance, either positive or negative, is reflected in rates assessed to the Company's electric customers through the PAF.⁵ In order to align the PAF filing with the Company's new fiscal year ending December 31st, this filing is designed to reconcile the pension and PBOP expense to revenues for the nine-month period April 1, 2023 through December 31, 2023 in accordance with PUC Order No. 24820, addressing the 2023 Pension Adjustment Mechanism.⁶

The Company's rate allowance for the nine months ending December 31, 2023, for pension and PBOP costs total \$6,429,171, with pension costs accounting for \$2,817,222 of that amount and PBOP costs accounting for the remaining \$3,611,949.⁷ The Company's reconciliation showed an over-recovery of pension expense in the amount of \$11,972,256 for the nine months ending December 31, 2023.⁸ The Company over-recovered PBOP expense in the amount of \$6,694,873 during that time period.⁹ In addition, the Minimum Funding Obligation was under-funded on a cumulative basis resulting in \$520,265 in carrying charges to be credited to customers.¹⁰

The Company then adjusted the current year over-recovery by accounting for a remaining total credit balance of a \$228,353 from prior year deferrals due to be returned to customers.¹¹ The resulting total over-recovery from the current and prior years totals \$20,166,477, including

⁴ *Id.* at 7. The Company also incurs a carrying charge at the weighted average cost of capital if it fails to meet the Minimum Funding Obligation level.

⁵ *Id.* at 6.

⁶ Jt. Test at 8, citing PUC Order No. 24820 (Oct. 6, 2023).

⁷ Sch. JDO/GRS-1 at 1.

⁸ Sch. JDO/GRS-2 at 1.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

interest. This figure is then divided by the 7,342,483,665 forecasted kWhs for the period July 1, 2024 through June 30, 2025, to arrive at the \$0.00274/kWh proposed credit factor.¹²

On June 14, 2024, the Division of Public Utilities and Carriers (Division) filed a memorandum from John Bell, Chief Accountant, indicating that after a review of the filing and responses to data requests, the Division found that the factor was calculated correctly.¹³

At an Open Meeting held on June 26, 2024, the Commission reviewed the filings and found the proposed credit factor to be calculated consistent with the governing tariff. The next Pension Adjustment Factor filing to be made on May 1, 2025 will return to a reconciliation of a twelve-month period, in that case, January 1, 2024 through December 31, 2024.

¹² *Id.*

¹³ Bell Mem. (June 14, 2024).

Accordingly, it is hereby:

(25090) ORDERED:

1. The Narragansett Electric Company d/b/a Rhode Island Energy's proposed 2024 Pension Adjustment Credit Factor of \$0.00274/kWh for effect on July 1, 2024, is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JULY 1, 2024 PURSUANT TO AN OPEN MEETING DECISION ON JUNE 26, 2024. WRITTEN ORDER ISSUED JUNE 27, 2024.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



John C. Revens, Jr., Commissioner

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven (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.