

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

**IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a RHODE ISLAND ENERGY’S ELECTRIC : DOCKET NO. 23-48-EL
INFRASTRUCTURE, SAFETY, AND RELIABILITY :
PLAN RECONCILIATION FILING FY 2025 PROPOSAL :**

REPORT AND ORDER

Introduction

On August 1, 2025, The Narragansett Electric Company d/b/a Rhode Island Energy (the Company) made a filing with the Commission requesting adjustments to a component of its electric distribution rates that relates to the Company’s annual capital planning, consistent with certain statutory provisions which the Commission refers to as the Infrastructure, Safety, and Reliability law (ISR).¹ The ISR permits the Company to recover annual costs associated with certain capital investments in the distribution system, along with other costs relating to vegetation management on the system, subject to approval of the Commission. Rates are put into effect based on a forecast of cost incurrence and then, after the end of the planning year, are reconciled against amounts collected in rates for the same period. This results in rate adjustments that either increase the factor or refund any overcollections to customers. The filing in this case relates to the annual reconciliation for the ISR planning year for Fiscal Year 2025 (FY 2025).

For the reasons stated in this Order, the Commission approves the rate changes, as adjusted during the proceedings, and issues other directives as stipulated in herein.

The ISR for Fiscal Year 2025

¹ R.I. Gen. Laws § 39-1-27.1.

On March 26, 2024, the Commission approved the Company's electric ISR plan for FY 2025 (2025 Electric ISR Plan).² The PUC also approved rates for recovery of expenses related to the approved plan which are referred to as "rate factors" that become embedded in distribution rates.³ The FY 2025 Electric ISR Plan included a spending plan and reconciliation mechanism to allow for recovery related to capital investments and other spending undertaken pursuant to the approved budget, subject to certain limitations and a soft budget cap.⁴

Typically, under the ISR process, by August 1 of each year, the Company proposes Capital Expenditure (CapEx) Reconciling Factors and an Operation and Maintenance (O&M) Reconciling Factor to become effective on October 1 for the subsequent twelve-month period. The CapEx reconciliation compares the actual cumulative revenue requirement to actual billed revenue generated from the CapEx Factors. Any over- or under-recovery is refunded to or collected from customers through the CapEx Reconciling Factors. The O&M Reconciling Factor compares the actual Infrastructure and Maintenance (I&M) and Vegetation Management O&M expense to actual billed revenue generated from the O&M factors. Any over- or under-collection of actual expense is refunded to or collected from customers through a uniform per kWh charge applicable to all rate classes.⁵

On August 1, 2025, the Company filed its Annual Report and Reconciliation (2025 Reconciliation Filing). The incremental revenue requirement was calculated at \$4,202,244.⁶

Content of the Company's Filing

Testimony of Eric J. Wiesner

² Order No. 25178 (Oct. 25, 2024).

³ *Id.*

⁴ Wiesner Test. at 3, 6.

⁵ Shields Test. at 201-202.

⁶ Attachment JDO-1, Line 26(c).

In support of its filing, the Company submitted testimony and schedules of four witnesses. First, the Company submitted the testimony of Eric J. Wiesner, Director of Asset Management and Engineering, to provide an overview of the filing and to provide detail on the status of projects and spending.⁷ In particular, Mr. Wiesner indicated that The Company's plant-in-service was more than forecasted, resulting in net 2025 ISR Plant in Service increase of \$115.1 million, approximately \$15.0 million over the Company's planned amount of \$100.1 million.⁸ Additionally, cost of removal spending was \$3.3 million higher than expected.⁹ The combined plant in service and cost of removal originally totaled \$137.8 million, which was \$18.3 million over the forecast.¹⁰

Total Capital Spending, excluding Advanced Metering Functionality, was \$9.4 million above budget. Customer Request/Public Requirement was \$11.8 million over budget, primarily driven by spending associated with the purchase of transformers, voltage regulators, and capacitors.¹¹ Damage failure was \$7.5 million over budget. The variance was driven by overhead line and substation damage projects and capital spending related to the Nasonville Substation failure. Asset Condition was \$9.3 million under budget, primarily driven by reduced spending on Providence area study projects resulting from a shift in equipment delivery and work while capital spending on inspection and maintenance work was \$2.5 million under budget. Non-infrastructure was \$0.3 million under budget due to the deferral of the Copper to Fiber Conversion project. The remaining underspend was in the System Capacity & Performance budget item, primarily driven

⁷ Wiesner Test. at 1-3.

⁸ *Id.* at 4-5; Attachment EJW-1 at Bates 14. The net 2025 ISR investment was later corrected to \$112.5 million. The correction was due to an identified error in the reported transformer overspend, and the error was corrected from \$17.5 million to \$14.9 million. Accordingly, The Company removed \$2.6 million from the transformer overspend. Please see *infra* in this Order for further discussion.

⁹ *Id.*; Attachment EJW-1, Table 1 at Bates 14.

¹⁰ *Id.* at 5; Attachment EJW-1, Table 1 at Bates 14

¹¹ Attachment EJW-1 at Bates 19.

by capital spending for the East Providence substation distribution line.¹² In total, capital spending of \$127.5 million was \$8.8 million above a \$118.6 million soft budget cap that had been established by the Commission for FY 2025.¹³

Mr. Wiesner explained that Vegetation Management-related O&M spending was \$13.3 million, approximately \$0.2 million over-budget. Other O&M spending related to the I&M program and Volt/VAR Optimization and Conservations Voltage Reduction programs was \$0.4 under budget.¹⁴ No Distributed Generation (DG) projects were included in the Reconciliation for rate recovery.¹⁵

Testimony of Jeffrey D. Oliveira

Jeffrey D. Oliveira, the Company's Lead Rates and Regulatory Specialist, submitted pre-filed testimony to present an updated FY 2025 Electric ISR revenue requirement associated with the actual FY 2025 O&M programs, the actual FY 2025 capital investment levels for each of FY 2018 through FY 2025 incremental to the level of investment assumed in Docket No. 4770, the actual tax deductibility percentages, tax gains and losses on retirements and net operating loss utilization for FY 2024 and 2023, a hold harmless adjustment, and a reduction for the adjustment related to the FY 2025 capital consolidated soft budget cap overspend.¹⁶

The FY 2025 Electric ISR Plan that had been approved in March of 2024 included a soft budget cap of \$118.6 million. The requirement for a soft budget cap was established by the Commission in previous ISR dockets. During its review of the FY 2024 and FY 2023 ISR filings, the Commission expressed concern with the level of expected growth in the ISR budgets and

¹² *Id.* at Bates 21-27.

¹³ *Id.* at Table 4, Bates 18.

¹⁴ Wiesner Test. at 10; Attachment EJW-1, Tables 12 and 13, Bates 30-31..

¹⁵ *Id.* At 11.

¹⁶ Oliveira Test. at 110.

related growth in the revenue requirement that then translated to increased ratepayer expense.¹⁷ The Commission therefore adopted a new budget framework for the FY 2025 Electric ISR Plan in an attempt to hold spending close to approved budgets. Additionally, where there was significant overspend, the share of the risk would be better balanced between the Company and the ratepayers.¹⁸

As such, the Commission revised and adopted a new budget framework to be implemented in the FY 2025 Electric ISR Plan. Among other adoptions, the Commission set a consolidated budget for Customer Requests/Public requirements; Damage/Failure; Asset Condition; Non-Infrastructure; and System Capacity & Performance. The combination of these categories represented a soft budget cap with a 2.5 percent buffer. Overspending beyond a 2.5 percent buffer will result in a one-year revenue requirement adjustment applicable to the entire amount exceeding the soft budget cap. Specifically, if the Company's spending exceeds the consolidated budget cap by more than 2.5 percent, the entire amount of overspend that exceeds the original soft budget cap is used to calculate a downward rate adjustment to the post-year rate reconciliation equal to a one-year revenue requirement lag.¹⁹ For the FY 2025 Electric ISR Plan, the soft budget cap was set at \$118.6 million.²⁰

As stated above, the Company exceeded the soft budget cap by \$8.8 million.²¹ This accounted for a 7 percent variance, above the 2.5 percent buffer allowed pursuant to the Commission's Order No. 25178.²² Mr. Oliveira testified that, in accordance with the Commission's Order, the Company must reduce its revenue requirement in the reconciliation filing

¹⁷ Order No. 25178 (Oct. 25, 2024), at 6.

¹⁸ *Id.* at 6.

¹⁹ *Id.* at 8.

²⁰ *See id.* at 7-8, 24; *see also* Attachment EJW-1 at Bates 18.

²¹ Oliveira Test. at 121.

²² Booth Mem. at 2; *see also* Order No. 25178, at 8.

by an amount equal to the calculated full year revenue requirement, ignoring the half-year convention, associated with the overspend.²³ Mr. Oliveira testified that the reduction of the revenue requirement from the overspend was \$937,813, and the reduction is reflected in the Company's Actual FY 2025 Electric Revenue Requirement.²⁴

As for the Actual FY 2025 Revenue Requirement, Mr. Oliveira testified that the overall Actual FY 2025 Revenue Requirement increase was approximately \$4.2 million. Mr. Oliveira explained that the increase was mainly due to (1) a \$1.0 million increase in the FY 2025 revenue requirement on vintage FY 2025 ISR capital additions; (2) a \$5.5 million increase in the FY 2025 property tax recovery adjustment; and (3) a net \$0.1 million increase in the FY 2025 revenue requirement on vintage FY 2024 Electric ISR capital additions and the reflection of the DG project removal.²⁵

Mr. Oliveira also submitted that the FY 2025 Actual Revenue Requirement reflected the removal of DG projects, as ordered in the FY 2024 reconciliation. Specifically, the actual FY 2024 revenue requirement reflected the removal of DG projects in vintage years FY 2018 through FY 2024. However, the FY 2025 revenue requirement was already approved. Therefore, the actual 2025 revenue requirement reflected the removal of those DG projects for vintage years 2018 through 2024.²⁶

Testimony of Natalie Hawk

Natalie Hawk, Director of Tax Accounting and Reporting, submitted testimony to describe tax updates to calculate accumulated deferred income taxes in rate base for the revenue requirement in the FY 2025 Electric ISR filing. Additionally, Ms. Hawk discussed the tax updates

²³ Oliveira Test. at 121-22.

²⁴ *Id.* at 122; Attachment JDO-1 at Bates 126, Line 25(c).

²⁵ *Id.* at 114-15.

²⁶ *Id.* at 121.

in FY 2024 and FY 2023. These tax updates resulted in “true-ups” to the actual FY 2025 Revenue Requirement.²⁷

Ms. Hawk also testified regarding a rate adjustment referred to as the Hold Harmless Adjustment. By way of brief background, on May 4, 2021, PPL Corporation and PPL Rhode Island Holdings, LLC (PPL Rhode Island) petitioned the Division of Public Utilities and Carries (Division) to approve the transfer of ownership from National Grid USA and Narragansett Electric Company to PPL Rhode Island Holdings, LLC (PPL Rhode Island).²⁸ The acquisition was approved by the Division on or around February 23, 2022.²⁹ As a part of the approval, PPL Rhode Island committed to hold Rhode Island customers harmless from any changes to Accumulated Deferred Income Taxes as a result of the transaction.³⁰ Because the acquisition was treated as an asset acquisition under Revenue Code § 338(h)(10), PPL Rhode Island generated cash tax benefits.³¹ Ms. Hawk testified that the Company planned to share the cash tax benefits as revenue credits with the customers.³² In total, the Company proposed an increase to the FY 2025 revenue requirement by the calculated hold harmless amounts, totaling approximately \$1.9 million.³³

Testimony of Tyler G. Shields

The Company also provided pre-filing testimony from Tyler G. Shields, Rates and Regulatory Specialist. He presented the proposed CapEx and O&M Reconciling Factors. The FY 2025 ISR factors resulted in an under-collection of \$5,702,715.³⁴

Corrections to the Filing and Responses to Certain Data Requests

²⁷ Hawk Test. at 176-180.

²⁸ Report and Order No. D-21-09 at 257, commitment No. 16 (Feb. 23, 2022).

²⁹ *Id.* at 333-34.

³⁰ *Id.* at 257, Commitment No. 16.

³¹ Hawk Test. at 181.

³² *Id.*

³³ *Id.*; Attachment JDO-1, at Bates 126, Line 24(b).

³⁴ Shields Test.; Attachment TGS-1, page 1 at Bates 210.

On September 11, 2025, the Company submitted a Corrected Revenue Requirement, ISR Factors, and Bill Impacts.³⁵ In its response to the Division’s Data Request 1-12, the Company discovered an error in its transformer calculation overspend. After accounting for the updated plant in service additions, the FY 2025 overspend adjustment was reduced to \$662,013.³⁶ The resulting Actual FY 2025 Revenue Requirement was \$59,044,643. This represented an updated increase of \$4,182,761 million to the actual FY 2025 Revenue Requirement.³⁷ The corrected revenue requirement decreased the amount included in the Company’s original filing by \$19,483.³⁸ After addressing and correcting the error, the Company identified four root causes for the transformer overspend in its response.

First, the Company submitted that, when it ended the Transition Services Agreement it had in place with National Grid in August of 2024, there was a change in inventory management philosophy to start tracking all materials located at Rhode Island Energy Service Centers, and the change caused materials that were currently on hand at the Service Centers to be added to inventory in the Company’s system. The change created an additional \$2.6 million in charges that had already been received into service. Therefore, the Company removed \$2.6 million from the overspend.³⁹

Other root causes for the overspend were because of orders that arrived in FY 2025 that were expected in another fiscal year. Additionally, the Company determined that the stores clearing rate being used from April through November was too low—16 percent—and increased the rate to 30 percent. The increase stores clearing rate led to an increase of \$1.6 million in

³⁵ See generally FY 2025 Electric Infrastructure Safety and Reliability (ISR) Plan Annual Reconciliation - Corrected Revenue Requirement, ISR Factors and Bill Impacts.

³⁶ FY 2025 Electric Infrastructure, Safety and Reliability Plan Reconciliation Filing Responses to the Division’s First Set of Data Requests (Responses to the Division’s First Set of Data Requests), 1-12, p. 18.

³⁷ *Id.* at 1-2.

³⁸ See *id.* at 2; Compare Attachment JDO-1, p. 1 with Attachment JDO-1-Corrected, p. 1.

³⁹ Responses to the Division’s First Set of Data Requests, 1-12, p. 18.

spending on the transformer blanket. Lastly, the Company identified a final root cause attributable to the terms of the Transition Services Agreement (Agreement). Under the Agreement, National Grid USA Services Company, Inc. was required to provide the Company with a fair share of material to not disrupt normal operations. The conditions stated that whatever percentage of materials was used by the Company over the past ten years, National Grid had to honor. The Company posited that the high number of historical years could have caused excess inventory to be purchased.⁴⁰

Recommendations from the Division of Public Utilities and Carriers

On September 17, 2025, the Division filed a memorandum,⁴¹ authored by John Bell, Chief Accountant, resulting from his review of the reconciliation of the revenue requirements with Mr. David Effron, Division Accounting and Rate Consultant.⁴² In conjunction, the Division filed a memorandum from Mr. Gregory Booth, PE, Division Engineering Consultant.⁴³ Mr. Bell noted that, as explained in further detail above, the Company corrected its Revenue Requirement to reflect to removal of \$2.6 million from the transformer spend.⁴⁴ Mr. Bell also determined that the Company's correction resulted in a \$19,483 decrease in revenue requirements and a proposed CapEx Reconciling Factor of \$0.00094 per kWh, a \$0.00001 per kWh decrease from the originally filed factor.⁴⁵ He stated that the Division reviewed all testimonies and accompanying schedules and calculations, and noted no errors or exceptions.⁴⁶ In conclusion, Mr. Bell explained that, based

⁴⁰ Responses to Division's First Set of Data Requests, Set 1, 1-12, p. 18-19.

⁴¹ In every case that comes before the Commission, the Division is a party representing the interests of the wide body of ratepayers.

⁴² Bell Mem. (Sept. 17, 2025).

⁴³ Booth Mem. (Sept. 17, 2025).

⁴⁴ Bell Mem. at 1.

⁴⁵ *Id.*

⁴⁶ *Id.* at 2.

on his review, the Division was recommending to approve the proposed reconciliation factors for effect on October 1, 2025, subject to future adjustment if necessary.⁴⁷

In his memorandum, Mr. Booth noted that the Company exceeded the soft budget cap for capital spending by \$8.8 million, or a 7 percent variance.⁴⁸ He also noted that the Company was \$19.3 million over budget for non-discretionary spending. Mr. Booth did explain that there were also categories that were significantly under budget, including Public Requirements due to fewer Department of Transportation projects and increased credits from joint ownership pole billing. Mr. Booth also identified that four commercial projects contributed heavily to the \$6 million overspend under the New Business category.⁴⁹

Mr. Booth also highlighted the \$9.5 million spend over budget in the Transformer and Related Equipment category. He raised concerns regarding the potential inventory anomalies and the integrity of inventory amounts that have been transferred between National Grid and the Company since the acquisition. He opined that “[T]he Company must explain exactly how the transfers from National Grid occurred and reconcile that material to FY 2025 ISR Plan spend and ultimately plant in service.” He concluded that the Company’s analysis of their transformer overspend does not clearly explain why the Company was \$6.9 million over budget in FY 2025. Therefore, Mr. Booth recommended an audit of its transformer and related equipment inventory and associated costs. Furthermore, Mr. Booth recommended that the Company include IEEE statistics and identify its position on such statistics in further ISR Reconciliation Filings. He lastly recommended that each major project with a construction grade estimate be tracked in the annual

⁴⁷ *Id.* at 2.

⁴⁸ Booth Mem. at 2.

⁴⁹ *Id.* at 3-4.

reconciliation to include the schedule, total budget, actual total spending, and forecasted variance. This was due to the Nasonville substation project variances in overspending.⁵⁰

Company's Reply to the Division

On September 22, 2025, the Company submitted a reply to the Division's memoranda.⁵¹ The Company advised that, at the time of the FY 2025 ISR filing, it recognized that the transformer amounts required additional review and the process was ongoing. It submitted its filing based on the numbers it had at the time. The Company ultimately agreed with Mr. Booth's recommendations. The Company also agreed with Mr. Bell's recommendation that the corrected Revenue Requirement, ISR Factor, and Bill Impacts Schedules be approved for effect on October 1, 2025, subject to future adjustment if necessary.⁵²

Decision

The Commission approves the rates subject to further adjustment, consistent with the Division's recommendation. This is the first time the Company has been subject to a budget cap, and during the planning period, the Company overspent, resulting in a one-year financial penalty which was correctly calculated.

In addition, the Commission adopts two of the three recommendations made by the Division. First, the Commission directs the Company to conduct an audit of transformer and related equipment expenditures to evaluate procurement processes, inventory practices, and installation procedures. The results shall be filed with the Commission and Division by December 24, 2025, 90 days from the Commission's decision. Second, in each annual reconciliation, commencing with the FY 2026 filing, the Company shall track each major project that has a

⁵⁰ *Id.* at 9.

⁵¹ *See generally* Reply to Div. Mem.

⁵² *Id.* at 2.

construction grade estimate to include the schedule, total budget, actual total spending, and forecasted variance to provide ongoing transparency of how each project is trending toward over or under budget performance. Finally, the Commission declines to act on the Division's recommendation that the Company be required to file IEEE statistical data and the utility's specific position within those statistics. While this information could be useful, such data could be voluntarily submitted by the utility or requested by the Division through discovery, as appropriate. The Commission is not rejecting the proposal but does not believe a formal directive is necessary.

Accordingly, it is hereby,

(25551) ORDERED:

1. The corrected factors submitted by The Narragansett Electric Company d/b/a Rhode Island Energy on September 11, 2025, are approved, subject to future adjustments if necessary for effect October 1, 2025.
2. The Narragansett Electric Company d/b/a Rhode Island Energy shall perform an audit of the Transformer and Related Equipment category from the date of the PPL acquisition through FY 2025 and report the results to the Public Utilities Commission and Division of Public Utilities and Carriers within ninety (90) days.
3. The Narragansett Electric Company d/b/a Rhode Island Energy shall track each major project that has a construction grade within the annual reconciliations to include the schedule, total budget, actual total spending, and forecasted variance.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2025, PURSUANT TO OPEN MEETING DECISIONS ON SEPTEMBER 25, 2025, WRITTEN ORDER ISSUED NOVEMBER 6, 2025.

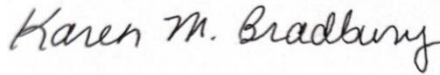
PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony, Commissioner



Karen M. Bradbury, 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.