STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID PROPOSED FY 2013 ELECTRIC INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN PURSUANT TO R.I.G.L. §39-1-27.7.1	:	DOCKET NO. 4307

REPORT AND ORDER

I. Background & National Grid's Filing

On May 20, 2010, the Rhode Island General Assembly enacted R.I. Gen. Laws § 39-1-27.7.1[1] which states, in relevant part that The Narragansett Electric Company d/b/a NGrid shall file proposals with the Public Utilities Commission ("Commission") that contain:

> An annual infrastructure, safety and reliability spending plan for each fiscal year and an annual rate reconciliation mechanism that includes a reconcilable allowance for the anticipated capital investments and other spending pursuant to the annual pre-approved budget as developed in accordance with subsection (d) herein.
> (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 its infrastructure, safety, and reliability spending plan for the following fiscal year, addressing the following categories:
> (1) Capital spending on utility infrastructure;
> (2) For electric distribution companies, operation and maintenance expenses on vegetation management;
> (3) For electric distribution companies, operation and maintenance expenses on system inspection, including expenses from expected resulting repairs; and
> (4) Any other costs relating to maintaining safety and reliability that are mutually agreed upon by the division and the company.
> The distribution company shall submit a plan to the division and the division shall cooperate in good faith to reach an agreement on a proposed plan for these categories of costs for the prospective fiscal year within sixty (60) days. To the extent that the company and the division mutually agree on a plan, such plan shall be filed with the commission for review and approval within ninety (90) days. If 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 the investments and spending are found to be reasonably needed to maintain safe and reliable distribution service over the short and long-term, approve the plan within ninety (90) days.[2]

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[1] P.L. 2010, ch. 15, § 1 and P.L. 2010, ch. 17, § 1 (enacted May 20, 2010).
[2] R.I. Gen. Laws § 39-1-27.7.1(c)(2)-(d).

On December 29, 2011, NGrid filed with the Commission its proposed Electric Infrastructure, Safety, and Reliability Plan ("Electric ISR Plan") for FY 2013. NGrid indicated that the Division of Public Utilities and Carriers ("Division") had reviewed the proposed Electric ISR Plan and had agreed to the spending portion of the plan but was continuing its review of particular plan provisions during the Commission's review.[3] In support of the Plan, NGrid submitted the Pre-Filed Direct Testimony of Jennifer L. Grimsley, Director, Network Strategy, New England Electric, and Craig M. Allen, Manager, Vegetation Strategy with National Grid USA Service Company, Inc. ("The Plan Witnesses"). In support of the development of the Revenue Requirement and to discuss the reconciliation process, NGrid submitted the Pre-Filed Direct Testimony of William R. Richer, Director of Revenue Requirements – Rhode Island and New Hampshire for National Grid USA Service Company, Inc. In support of the new tariffs and to explain the calculation of the factors and to provide customer bill impacts, NGrid submitted the Pre-Filed Direct Testimony of Jeanne A. Lloyd, Manager of Electric Pricing, New England.

On January 30, 2012, National Grid filed a Settlement Agreement between the Company and the Division regarding the calculation of property taxes expense in the proposed FY 2013 Electric ISR Plan. The Settlement Agreement noted that the parties differed on the appropriate approach to the calculation of the property tax expense recoverable through the Electric ISR Plan for Fiscal Year 2013.[4] The Settlement set forth the nature of the disagreement and stated that negotiations ultimately resulted in an

[3] Filing Letter dated 12/29/2011 at 1.
[4] Joint Exhibit 1, p. 1.

agreement to reduce the revenue requirement applicable to the FY 2013 Electric ISR Plan on FY 2012 Net Investment by $440,000.[5]

A. ISR PLAN

The Plan Witnesses indicated that the proposed Electric ISR Plan covers three budget categories for the fiscal year ending March 31, 2013. According to The Plan Witnesses, the Division had agreed that the expenses in the areas of capital spending on electric infrastructure projects, operation and maintenance expenses ("O&M") for vegetation management and O&M expenses for an Inspection and Maintenance ("I&M") program were necessary for the Company to provide safe and reliable service to its Rhode Island customers.[6] They explained that the Electric ISR Plan included a spending plan and proposed an annual reconciliation mechanism to "provide for recovery related to capital investments and other spending undertaken pursuant to the annual pre-approved budget for the Electric ISR Plan."[7]

The proposed capital spending plan for FY 2013 is $56.5 million. According to The Plan Witnesses, the Electric ISR Plan addresses the capital investment needed for five purposes: (1) to meet state and federal regulatory requirements applicable to the electric system (Statutory/Regulatory); (2) to repair failed or damaged equipment (Damage Failure); (3) to address load growth/migration (System Capacity and Performance); (4) to maintain reliable service (Asset Condition); and (5) to sustain asset viability through targeted investments driven primarily by condition (Non-Infrastructure).[8] Of these, the Company considers Statutory/Regulatory and Damage Failure to be non-discretionary "in terms of

[5] Joint Exhibit 1, pp. 1-2.
[6] NGrid Exhibit 1 (Pre-Filed Testimony of Jennifer Grimsley & Craig Allen) at 3-4.
[7] *Id.* at 4.
[8] *Id.* at 6-7.

scope and timing" and "are subject to necessary and unavoidable deviations."[9] These items, totaling $30,428,000, account for fifty-four percent (54%) of the proposed capital outlays in FY 2013.[10]

The remaining, System Capacity, Asset Condition, and Non-Infrastructure projects are meant to reduce the degradation of the service life of equipment, to allow for more flexibility in the system for purposes of meeting various contingencies such as load growth and migration, and to address poor condition of aged assets.[11] These items comprise the other forty-six percent (46%) of the FY 2013 budget and of this, the System Capacity costs of $13,913,000 make up twenty-five percent (25%) with Asset Condition of $11,863,000, making up twenty-one percent (21%) of the FY 2013 budget. Non-Infrastructure spending of $336,000 makes up the remaining one percent (1%).[12]

The Electric ISR Plan also includes the proposed FY 2013 spending levels for the Company's Vegetation Management Program of approximately $8.3 million. Finally, the I&M spending includes capital amounts already accounted for above plus $2,270,900 for O&M costs related to the I&M program. The Company agreed to provide the Commission with quarterly reports on the progress of executing the ISR Plan and an annual report at the time the Company files its annual reconciliation. Additionally, the Company and Division had agreed that if circumstances require, NGrid will be allowed reasonable deviations from the plan with explanation of significant deviations in its quarterly and year-end reports.[13]

[9] *Id.* at 8.
[10] *Id.* at 7.
[11] *Id.* at 9.
[12] *Id.* at 7.
[13] *Id.* at 11.

B. SUMMARY OF THE PROPOSED FY 2013 ELECTRIC ISR PLAN

The Capital Plan budget is proposed at $56,540,000 of which, $4,515,000 is related to Inspection and Maintenance ("I&M") activities. A brief summary of the categories follows:

> Statutory/Regulatory ($20,006,000) – These are considered "non-discretionary" in that the spending is required to meet regulatory obligations or to comply with various statutes, regulatory requirements or mandates. The scope and timing is primarily defined by those external to the Company. Almost half of the budget is expected to be used to establish electric delivery service to customers. The remainder is work on the Shun Pike Substation Project, Rhode Island Department of Transportation ("RIDOT") I-195 work, constructing and/or relocating assets to accommodate RIDOT, municipalities, or customers.[14]
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> Damage/Failure ($10,422,000) – These are considered "non-discretionary costs to replace equipment that unexpectedly fails or becomes damaged." The proposed budget is comparable to the average level of spending during the period FY 2009-FY 2011. This line item includes small failures, specific failures in excess of $100,000 based on recent trends, and major storms. The latter two categories allow the Company to continue with its planned work in the capital program while addressing the unexpected failures.[15]
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> Asset Condition ($11,863,000) – This category includes capital expenses in the I&M program. This category focuses on the replacement of assets to maintain reliability performance. The plan includes completion of a new substation in Woonsocket, replacement of primary underground cable with poor performance, replacement of substation batteries over 20 years old, replacement of metalclad switchgear that has operating issues or is of the same type as others with operating issues, replacement of obsolete circuit breakers and reclosers, replacement of obsolete transformers with operational issues as part of a six-year plan, work on Eldred Substation (Jamestown) to address asset condition concerns, and construction of a new manhole/duct system in Providence.[16]
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> Flood Mitigation ($1.2 million included in the Asset Condition budget line item) – This is approximately the same amount as FY 2012 which funded Flood Damage Avoidance Studies. The Company represented that it performed the study and identified action plan alternatives. According to the Company, plans have been finalized for Westerly and Warwick Mall while alternatives for the remaining substations are in various stages of development. The Company states that the $1.2 million included in FY 2012 contained assumed permitting

[14] NGrid Exhibit 1, Section 2: Electric Capital Investment Plan FY 2013, at 12-13.
[15] *Id.* at 13-15.
[16] *Id.* at 15-20.

and licensing dates which have been delayed by the local municipalities regarding the Westerly substation.[17]

Non-Infrastructure ($336,000) – These are capital expenditures that do not fit into one of the other categories, such as general and telecommunications equipment, but which are necessary to run the electric system.[18]

System Capacity & Performance ($13,913,000) – Planning Criteria (Load Relief) is 58% of this line item while Substations account for approximately 40% of the proposed budget. This line item includes the capital investment portion of the Feeder Hardening Strategy. This budget item also includes Distribution Line Recloser Installation, the capital investment portion of the Potted Porcelain Cutout Replacement, a Distribution Reliability Blanket for work under $100,000, an Emergent Reliability Project Reserve to address Pockets of Poor Performance, and Substation EMS/RTU SCADA Additions Program with the goal of reducing customer outage duration.[19]

Vegetation Management ($8,256,000):
Cycle Pruning ($5,150,000) – This consists of the scheduling of every distribution circuit for pruning based on a dimension specification on a fixed timeframe or rotation, in this case, a four year cycle. The costs in this line item are to cover the continuation of four year cycle. The Company also an Enhanced Hazard Tree Mitigation ("EHTM") program ($750,000) to identify and remove dying or structurally weakened trees along the three phase sections of distribution circuits.[20]

Post Irene EHTM ($367,000) – for FY 2013 only – An "additional one-time investment into the EHTM program in order to mitigate the hurricane tree damage within the hardest hit areas of the storm" based on "a reasonable assumption that a significant number of the remaining trees within striking distance of the line also have sustained damage."[21]

Sub-T (off & on road) ($290,000); Police/Flagger ($488,000); All Other Activities, includes Interim/Spot Trim, Customer Requests, Emergency Response and Worst Feeders ($1,211,000).[22]

I&M Plan ($2,270,900 – Non-Capital):
This includes O&M expenses for feeder hardening, the overhead I&M program and replacement of potted porcelain cutouts. The $4.5 million of capital

[17] *Id.* at 20-23; Commission Exhibit 2 (NGrid's Response to COM 1-13).
[18] *Id.* at 8.
[19] *Id.* at 23-32.
[20] NGrid Exhibit 1, Section 3: Vegetation Management Program, at 3-7.
[21] *Id.* at 7-8.
[22] *Id.* at 10-11.

expenses related to I&M is included in the reliability and asset condition portions of the Capital Plan budget, above.[23]

Feeder Hardening – ($530,000) - Intent was to complete the feeder hardening program in FY 2012, but will have four feeders remaining for FY 2013. These funds are for the operating expenses related to the capital expenditures.[24]

Overhead I&M ($1,564,400) – Inspections only in FY 2012 – for FY 2013 - plan to continue proactive inspections on a six-year cycle to identify visibly damaged or deteriorated assets prior to the next inspection cycle. The costs included in I&M are related to operating expenses related to the capital expenditures, repair related costs, and inspections related costs. Also commence construction in FY 2013 on approximately 10-15 feeders included in the FY 2012 inspections. These costs included in the Capital related I&M costs.[25]

Potted Porcelain Cutouts ($176,500) – The operating Expenses related to replacement expenditures.[26]

C. REVENUE REQUIREMENT

Mr. Richer explained that the revenue requirement of the FY 2013 Electric ISR Plan includes (1) an O&M expense related to vegetation management, system inspection, feeder hardening, and potted porcelain cutouts, as included in the Company's I&M Program and (2) the Company's capital investment in electric utility infrastructure.[27] The forecasted FY 2013 revenue requirement of $13,989,525 represents an incremental $4,059,500 from the FY 2012 Electric ISR Plan revenue requirement of $9,930,025.[28] The amount related to O&M expenses was $10,526,900, and an incremental increase of $1,319,055 from the FY 2012 Electric ISR Plan O&M expense level of $9,207,845. The forecasted FY 2013 revenue requirement related to the Company's cumulative forecasted capital investment is made up of a $1,127,207 revenue requirement on FY 2013 proposed ISR capital investment

[23] NGrid Exhibit 1, Section 4: Inspection and Maintenance Program, at 5.
[24] *Id.* at 5.
[25] *Id.* at 1-4.
[26] *Id.* at 5.
[27] NGrid Exhibit 1 (Pre-Filed Testimony of William R. Richer), p. 3.
[28] NGrid Exhibit 2 (Revised Revenue Requirement Schedules), Section 5: Attachment 1 (Revised), p. 1.

plus a $2,775,419 FY 2013 revenue requirement on the FY 2012 ISR capital investment approved in the FY 2012 ISR Plan.[29]

D. DEVELOPMENT OF ISR FACTOR

Ms. Lloyd explained that the ISR Factor contains two mechanisms: (1) an Infrastructure Investment Mechanism to recover costs associated with incremental capital investment ("CapEx") and (2) an Operation and Maintenance Mechanism to recover O&M expenses related to I&M and vegetation management activities. To design the CapEx factors, following Commission review of a cumulative revenue requirement, a rate base allocator will be applied based on the most recently approved cost of service study. Similarly, the design of the Operation and Maintenance Mechanism is to allocate the I&M and vegetation management expenses to the rate classes based on the percentage of total distribution O&M expense allocated to each rate class per the most recent cost of service study. Within each rate class, a per unit charge is calculated based on kWh usage for non-demand classes and on a kW basis for demand classes.[30] Each year, by August 1, the Company will propose CapEx Reconciling Factors and an O&M Reconciling Factor to become effective on October 1 for the following twelve-month period. The reconciliation will compare the actual cumulative revenue requirement to actual billed revenue generated from the CapEx Factors and any over- or under-recovery will be refunded or collected from customers through the CapEx Reconciling Factors. The O&M reconciling factor will compare the actual I&M and vegetation management O&M expense to actual billed revenue

[29] NGrid Exhibit 1 (Pre-Filed Testimony of William R. Richer), at 3-4; NGrid Exhibit 2 (Revised Revenue Requirement Schedules), Section 5: Attachment 1 (Revised), p. 1.

[30] NGrid Exhibit 1 (Pre-Filed Testimony of Jeanne A. Lloyd), pp. 2-6. G-02 and G-32/B-32 customers whose charges include both demand and usage, the CapEx Factors will be charged as demand charges and the O&M Factors will be charged as usage so as "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." NGrid Exhibit 1 (Pre-Filed Testimony of Jeanne A. Lloyd), p. 6.

generated from the O&M factors and any over- or under-collection of actual expense will be refunded to or collected from customers through a uniform per kWh charge applicable to all rate classes.[31]

Ms. Lloyd explained that the CapEx Factors are designed to collect the cumulative revenue requirement of $3,462,625 related to incremental capital investments through the end of FY 2013.[32] The O&M Factors are designed to collect the $10,526,900 in forecasted FY 2013 I&M and Vegetation Management O&M related activities. The monthly rate increase on the bill of a typical residential customer using 500 kWh per month would be $0.33 per month.[33]

II. Division's Filing

On March 12, 2012, the Division submitted a Memorandum of Gregory L. Booth, P.E., its consultant in which he described the process by which the FY 2013 ISR Plan was developed and provided some additional recommendations to the Commission. The Division supports the FY 2013 Electric ISR Plan as filed with the reduced revenue requirement as set forth in the Settlement Agreement. Mr. Booth indicated in his Memorandum that the filed plan represents a $2,650,000 reduction from that which was originally presented to the Division in the Fall of 2011. Mr. Booth stated that the FY 2013 Electric ISR Plan balances the need for safety and reliability with the efficient benefit/cost considerations.[34] He did have some recommendations for the Commission to require in future filings.

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[31] *Id.* at 4-5, 7.

[32] *Id.* at 7; NGrid Exhibit 2 (Revised Revenue Requirement Schedules), Section 5: Attachment 1 (Revised), p. 1.

[33] *Id.* at 8; NGrid Exhibit 2 (Revised Revenue Requirement Schedules), Section 5: Attachment 1 (Revised), p. 1; NGrid Exhibit 2 (Revised Revenue Requirement Schedules), Section 7: Bill Impacts (Revised), p. 1.

[34] Division Exhibit 1 (Memorandum of Gregory L. Booth, PE), pp. 1-12.

With regard to Flood Mitigation, he supported the $1.2 million for engineering to complete the study analysis and planning for mitigation but according to Mr. Booth, the final plan and capital expenditures should receive a separate and comprehensive evaluation before all capital requirements are agreed upon. Therefore, he recommended that the Commission require the Company to file a "Final Flood Mitigation Plan" with the Division at least 6 months prior to the filing of the FY 2014 ISR Plan. According to Mr. Booth, the Study should include a detailed mitigation process and plan with the cost for all options identified and the cost benefit of each option. He believed that it should include the Company's recommended capital plan that is proposed for inclusion in each of the coming ISR Plan years. According to Mr. Booth, the Division and Commission should carefully undertake a detailed cost benefit analysis before committing to supporting significant capital expenditures in future years beginning with FY 2014.[35]

With regard to Vegetation Management, Mr. Booth noted that the Company adopted a lower vegetation management budget based on his recommendation. Mr. Booth explained that his concern was that the Company's estimated reliability improvement was based on data from a small portion of the system. He recommended a lower vegetation management program expenditure and slower transition until such time as more data is available to support the Company's estimates. He further recommended that the Company utilize its Outage Management System and other systems to track its outages and reliability performance associated with Vegetation Management and EHTM in order to accurately determine the cost benefit analysis related to the program. He suggested that National Grid track outages by circuit which have been addressed by the Vegetation Management and EHTM and compare both the outage rates and cost of Damage/Failure versus the circuits

[35] *Id.* at 6.

that have not been a part of the cycle program. According to Mr. Booth, National Grid should begin tracking vegetation related outages caused by hazard trees to supplement its current statistics. National Grid should also begin tracking the associated expenses and capital costs incurred to restore the electric system after a vegetation related outage event.[36] In support of these recommendations, Mr. Booth stated, "[c]urrently, it is not fully clear what portions of this budget category are driving the overall upward trend in costs [related to the Damage/Failure budget category because]...the Company has implemented no mechanism to track the cost benefit analysis of any preventative maintenance program...for which it contends there is a distinct cost benefit."[37] He qualified his recommendations by noting that the Company may suggest more efficient method of data collection that would be as effective. He recommended tracking the program benefits for the VM program over four years with an inflation adjusted evaluation to eliminate aberrations based on price changes.[38]

III. Hearing

On March 18, 2011, the Commission conducted a Hearing at its Offices at 89 Jefferson Boulevard, Warwick, Rhode Island for the purpose of discussing and considering the Revised Electric ISR Plan for FY 2012. The following appearances were entered:

FOR NATIONAL GRID:	Thomas Teehan, Esq.
FOR DIVISION:	Leo Wold, Esq. Assistant Attorney General
FOR COMMISSION:	Cynthia G. Wilson-Frias, Esq. Senior Legal Counsel

[36] *Id.* at 8-9.
[37] *Id.* at 9.
[38] *Id.* at 10.

National Grid presented Jennifer Grimsley, Craig Allen, Manager of Vegetation Strategy, William Richer, and Jeanne Lloyd in support of the FY 2013 Electric ISR Plan. The Company also made available for questions Michael Hrycin, Director of Overhead Lines, Glen Diconza, Principal Planner for Electric, Daniel Glenning, Director of Project Management, and Michael Laflamme, Vice President, Regulation and Pricing, New England. The witnesses had prepared a power point presentation to guide their testimony.

With regard to reimbursements from third parties for capital projects included in the ISR budget, Ms. Grimsley explained that often the reimbursements occur outside of the year in which the project is done. Therefore, "if we collect funds on a reimbursement for a project previously done, that would credit that category of work, so the customers would see that credit when it comes in, so it is reconciled on the actuals."[39] She stated that the Company does not recover based on the budget but rather, on actual spending. Mr. Laflamme explained that while the Company may budget for $56 million in spending in a fiscal year, National Grid only expects to close to plant $51 million based on timing. So, when the Company receives funds from a third party, those funds get closed to plant as a credit to plant thereby reducing the amount that gets closed to plant. The effect is a reduction on the return earned by the Company.[40] Ms. Grimsley clarified that land acquisitions only flow through the ISR Plan if it is related to capital infrastructure.[41]

Discussing customer interruptions and related causes, Ms. Grimsley explained that the System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") targets were last determined with the Division in

[39] Tr. 3/23/12 at 10.
[40] *Id.* at 11-13.
[41] *Id.* at 25.

2007.[42] She stated that the Company allows overloading on its distribution line transformers of 160% in the summer and 200% in the winter consistent with manufacturer guides, engineering judgment and IEEE standards.[43] With regard to weather related events, Ms. Grimsley explained that the Company looks at statistics and guidance from the Institute of Electrical and Electronics Engineers ("IEEE") to determine when the weather event ceases and outages are assigned to other causes.[44] With regard to the classification of tree-related events, Mr. Allen explained that "many utilities classify tree interruptions as preventable versus nonpreventable" where a tree-trimming program is unlikely to affect the unpreventable tree related interruptions.[45] He indicated that it would be possible to develop such data for Rhode Island by making adjustments to the management system and recordkeeping.[46]

With regard to Mr. Booth's recommendation to measure the benefit cost analysis of the tree trimming program, Mr. Allen stated that the Company already reviews the program costs against the reliability value and it is calculated each year. The Company also has a damage appraisal for all damage but not specifically tree damage. However, in January 2012, Mr. Allen explained that National Grid began a different way of characterizing the avoided cost of hazard tree failures. He stated that "[t]hrough some analysis of time and cost and material cost, we think we can come up with a much better calculation of avoided cost or the value of the hazard tree removal [that] was the avoided cost of the damage restoration side."[47]

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[42] *Id.* at 30.
[43] *Id.* at 28, 57-58.
[44] *Id.* at 32-34.
[45] *Id.* at 36.
[46] *Id.* at 36, 69
[47] *Id.* at 75.

With regard to the benefits of the I&M program, Ms. Grimsley explained that the Company could apply a similar methodology to tracking the benefits of the program as it did for the feeder hardening program over time. She stated that the I&M program will contribute to safety issues that may be difficult to quantify but that the reliability benefits will be measurable.[48]

Turning to the revenue requirement, Mr. Richer explained that it "is based on annual plant additions rather than annual spend." The revenue requirement, according to Mr. Richer, "is designed to recover the revenue requirement on the cumulative incremental investment, that being a return on investment, the recovery of depreciation, as well as property taxes, plus the recovery of the O&M associated with the vegetation management program, and the inspection and maintenance costs."[49]

The Division presented Mr. Booth who clarified that he was seeking submission of a final flood mitigation study in June 2012 to which the Company agreed.[50] Additionally, with regard to the tracking of benefits related to the vegetation management program, Mr. Booth stated that he would like "to get some more quantitative analysis." He stated that he liked the tracking of preventable versus nonpreventable trees. His main question is whether we are really getting the cost/benefit of a four-year pruning cycle versus some other time frame.[51] He stated that the Company's evaluation of the specific circuits, the related danger and the actual cost associated with the damage was a positive step. He stated that on an annual basis, he "would like to see the Company develop not just here is what our tree reliability looks like, but try to get it in more of a cost benefit so that we can put some

[48] *Id.* at 45.
[49] *Id.* at 76.
[50] *Id.* at 81.
[51] *Id.* at 82.

dollars to the benefit along with the reliability issues."[52] Mr. Allen testified that this is something the Company could start to include in its annual ISR filings.[53]

With regard to the I&M program, Mr. Booth stated that he agreed that the Company should track it and that it could be done in a manner similar to that which the Company used for the feeder hardening program. He stated that most utilities in the United States are under an I&M program and that some have cost benefit tracking and some do not. He stated that the program is fairly effective at focusing the dollars to the right place and that it should have a cost benefit tracker over a four to six year term to give a clear picture.[54]

IV. Commission Findings

On March 29, 2012, at an Open Meeting, the Commission approved the FY 2013 Electric ISR Plan with the Settlement Agreement related to property taxes, finding them to comply with the statutory mandates. The Commission approved the proposed revenue requirement of $13,989,525 which results in an incremental fiscal year rate adjustment of $4,059,500 and the proposed rates for each rate class. The impact on a standard residential customer using 500 kWh per month is an increase of $0.33 per month.

During the proceeding, the Division raised the issue of tracking the benefits related to the costs of the Vegetation Management and the Commission raised the issue of the tracking of I&M benefits. While the Company agreed in concept to tracking Vegetation Management and I&M benefits and reporting them as part of the annual ISR Plan filing, the methodology was not fully vetted. The Commission notes that the Company raised the possibility of tracking preventable versus non-preventable trees which was favorably received by Mr. Booth and Commissioners.

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[52] *Id.* at 84.
[53] *Id.* at 85.
[54] *Id.* at 87.

In order to facilitate future Electric ISR filings, National Grid and the Division shall collaborate to develop the methodology by which the benefits and costs of the Vegetation and Management Program and Inspection and Maintenance Program will be tracked and reported by National Grid in future Electric ISR Filings. Such methodology shall be submitted to the Commission within ninety (90) days of the Open Meeting in this docket, or by June 29, 2012. Also, Mr. Booth recommended National Grid report on a Final Flood Mitigation Plan six months before filing the FY 2014 Proposed ISR Plan (by the end of June 2012) for review by the Division and Commission prior to their respective reviews of the FY 2014 ISR Plan. National Grid agreed to Mr. Booth's recommended timeframe. Therefore, National Grid shall file with the Public Utilities Commission and Division of Public Utilities and Carriers a Final Flood Mitigation Plan no later than June 29, 2012.

Accordingly, it is hereby

(20724) ORDERED:

1. Narragansett Electric Company d/b/a National Grid's Revised Electric ISR Plan filed on December 29, 2011 and Settlement Agreement filed on January 30, 2012 is hereby approved.
2. Narragansett Electric Company d/b/a National Grid's Compliance Tariffs filed on April 4, 2012 are hereby approved for usage on and after April 1, 2012.
3. Narragansett Electric Company d/b/a National Grid and the Division of Public Utilities and Carriers shall collaborate to develop the methodology by which the benefits and costs of the Vegetation and Management Program and Inspection and Maintenance Program will be tracked and reported on by National Grid in future Electric ISR Filings. Such methodology shall be submitted to the

Commission within ninety (90) days of the Open Meeting in this docket, or by June 29, 2012.

4. Narragansett Electric Company d/b/a National Grid shall file with the Public Utilities Commission and Division of Public Utilities and Carriers a Final Flood Mitigation Plan no later than June 29, 2012.

5. Narragansett Electric Company d/b/a National Grid shall comply with all other instructions contained in this Order.

EFFECTIVE AT WARWICK, RHODE ISLAND ON APRIL 1, 2012 PURSUANT TO AN OPEN MEETING DECISION ON MARCH 29, 2012. WRITTEN ORDER ISSUED MAY 3, 2012.

PUBLIC UTILITIES COMMISSION

Elia Germani, Chairman

Mary E. Bray, Commissioner

Paul J. Roberti, Commissioner