

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :  
d/b/a NATIONAL GRID FISCAL YEAR 2017 ELECTRIC :  
INFRASTRUCTURE, SAFETY, AND RELIABILITY : DOCKET NO. 4592  
PLAN ANNUAL REPORT AND RECONCILIATION :

REPORT AND ORDER

Pursuant to R.I. Gen. Laws § 39-1-27.1, on March 31, 2015, the Public Utilities Commission (PUC) approved The Narragansett Electric Company d/b/a National Grid's (National Grid or Company) Fiscal Year (FY) 2017 Electric Infrastructure, Safety, and Reliability Plan (2017 Electric ISR Plan) and associated rate factor.<sup>1</sup> The 2017 Electric ISR Plan included a spending plan and proposed an annual reconciliation mechanism to allow for recovery related to capital investments and other spending undertaken pursuant to the approved budget. Discretionary capital investment must be reconciled to the lesser of the actual capital investment placed in service and the level of approved spending on a cumulative basis. Non discretionary capital investment must be reconciled to the actual capital investment placed in service.<sup>2</sup>

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

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<sup>1</sup> Order No. 22471 (issued July 11, 2016); [http://www.ripuc.org/eventsactions/docket/4592-NGrid-Ord22471\\_7-11-16.pdf](http://www.ripuc.org/eventsactions/docket/4592-NGrid-Ord22471_7-11-16.pdf).

<sup>2</sup> Anand Test. at 3, n.1; [http://www.ripuc.org/eventsactions/docket/4592-NGrid-Electric-ISR-FY2017-Reconciliation\\_8-1-17.pdf](http://www.ripuc.org/eventsactions/docket/4592-NGrid-Electric-ISR-FY2017-Reconciliation_8-1-17.pdf). (Page references are to the pagination on the lower right corner of the filing.)

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.<sup>3</sup>

On August 1, 2017, National Grid filed its Annual Report and Reconciliation (2017 Reconciliation Filing). National Grid submitted the testimony of Prabhjot S. Anand, Director, Strategy and Performance – Electric, New England, to provide an overview of the filing and to provide detail on the status of projects and spending.<sup>4</sup> In particular, Mr. Anand indicated that National Grid had placed approximately \$3 million less than forecasted in plant-in-service, resulting primarily from lower than expected Customer Request/Public Requirement spending. As a result, National Grid placed \$75.5 million of plant-in-service in FY 2017 compared to the forecast of \$78.5 million.<sup>5</sup>

Capital Spending was \$672,600 above budget, resulting from approximately \$4.9 million spending above budgeted amounts in non-discretionary spending, with the majority of it attributable to over-spending in the Damage/Failure category.<sup>6</sup> The under-budget variance of \$2 million in the System Capacity and Performance category resulted from delays in several projects.<sup>7</sup> The over-spending in the Damage/Failure category was offset by under-spending in the Asset Condition and System Capacity and Performance categories.<sup>8</sup> Again, the under-spending was the result of delays in projects or deferrals in the construction years.<sup>9</sup>

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<sup>3</sup> Order No. 22174 at 13-14.

<sup>4</sup> Anand Test. at Attach. PSA-1.

<sup>5</sup> Anand Test. at 3-4; Attach. PSA-1 at 10.

<sup>6</sup> Anand Test. at 4.

<sup>7</sup> Anand Test. at 5; Attach. PSA-1 at 12.

<sup>8</sup> Anand Test. at 5; Attach. PSA-1 at 16-18.

<sup>9</sup> Anand Test. at 5; Attach. PSA-1 at 18. Three projects somewhat offset the under-spend with higher than expected costs due to advancing work in FY 2017, completing deferred work from FY 2016, or in the case of the Volt/Var pilot, increased communications costs. Attachment PSA-1 at 19.

Mr. Anand explained that Vegetation Management spending was on budget with the Company completing its annual distribution mileage cycle pruning goal.<sup>10</sup> Inspection and Maintenance spending was under budget by 29%, although the Company completed 100% of its goal.<sup>11</sup> Finally, Mr. Anand stated that the Company met both reliability performance metrics in Calendar Year 2016 which had four major event days related to four storm events.<sup>12</sup> He indicated that the Company's performance has shown an overall improving trend over the past several years.<sup>13</sup>

Aidimarys Martinez, Lead Analyst of New England Revenue Requirements, submitted testimony and schedules indicating the actual FY 2017 revenue requirement related to O&M expenses was \$9,466,647.<sup>14</sup> This included roughly \$8.7 million for Vegetation Management activities as well as \$0.9 million for Inspection and Maintenance expenses. These were offset by lower than expected contact voltage testing costs.<sup>15</sup> Ms. Martinez also indicated that the revenue requirement associated with National Grid's FY 2017 capital investment was \$10,303,388.<sup>16</sup> The total FY 2017 revenue requirement for both O&M expenses and capital investment was \$19,770,035, or approximately \$7.9 million lower than the projected revenue requirement of \$27,703,824.<sup>17</sup> Approximately 72%, or \$5.7 million, of this decrease is related to decreased property tax recovery.<sup>18</sup> As shown in the testimony and schedules of Adam Crary, Senior Analyst

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<sup>10</sup> Anand Test. at 5-6; Attach. PSA-1 at 23.

<sup>11</sup> Anand Test. at 6; Attach. PSA-1 at 24.

<sup>12</sup> *Id.* at 27-28.

<sup>13</sup> *Id.* at 27.

<sup>14</sup> Martinez Test. at 40, Attach. AM-1 at 1.

<sup>15</sup> Attach. AM-1 at 1.

<sup>16</sup> *Id.*

<sup>17</sup> Martinez Test. at 34, Attach. AST-1 at 1.

<sup>18</sup> Martinez Test. at 34. The Company explained that electric transmission property tax expense has been increasing because of significant capital investment placed into service in recent years. The increased allocation to the transmission business is resulting in a decrease in the allocation to the distribution business. National Grid's Resp. to Division 1-1.

for Electric Pricing, the result was a rate decrease for all classes of customers, returning \$7,314,383 of over-recovery from the rates set by the PUC in March 2016.<sup>19</sup> The impact of the proposed CapEx Reconciling Factor and the proposed O&M Reconciling Factor on a residential customer consuming 500 kWhs per month was a decrease of \$0.58, or approximately 0.7%, from \$89.06 to \$88.48.<sup>20</sup>

On September 14, 2017, the Division of Public Utilities and Carriers (Division) filed a memorandum from its consultant, David Effron, indicating that he had reviewed the testimony and calculations, determined that “the filing accurately portrays the actual ISR revenue requirement associated with the FY 2017 electric ISR programs,” and recommended approval.<sup>21</sup>

At an Open Meeting held on September 22, 2017, the PUC considered the filings made by National Grid and the Division and approved the FY 2017 Electric ISR CapEx and O&M Reconciliation factors as filed.

Accordingly, it is hereby

(22929) ORDERED:

1. The CapEx and O&M Reconciliation Factors proposed by the Narragansett Electric Company d/b/a National Grid for the FY 2017 Electric Infrastructure, Safety, and Reliability Plan Reconciliation are approved for effect on October 1, 2017 through September 30, 2018.

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<sup>19</sup> Crary Test. at 70-71.

<sup>20</sup> Crary Test. at 77, Attach. ASC-4.

<sup>21</sup> Mem. of David Effron (Sept. 14, 2017); [http://www.ripuc.org/eventsactions/docket/4592-DPU/Memo\\_9\\_14\\_17.pdf](http://www.ripuc.org/eventsactions/docket/4592-DPU/Memo_9_14_17.pdf).

2. The Cap Ex Reconciliation Factors are approved as follows for effect on October 1, 2017 through September 30, 2018:

A-16/A-60.....	(\$0.00135)
C-06.....	(\$0.00119)
G-02.....	(\$0.00098)
B-32/G-32.....	(\$0.00050)
B-62/G-62.....	(\$0.00038)
S-10/S-14.....	(\$0.00151)
X-01.....	(\$0.00103)

3. The uniform per kilowatt-hour O&M Reconciliation credit factor of (\$0.00001) is approved for effect on October 1, 2017 through September 30, 2018.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2017 PURSUANT TO AN OPEN MEETING DECISION ON SEPTEMBER 22, 2017. WRITTEN ORDER ISSUED OCTOBER 24, 2017.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

Marion S. Gold, Commissioner

Abigail Anthony, 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 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.