

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY d/b/a NATIONAL GRID :
ELECTRIC PENSION ADJUSTMENT FACTOR : **DOCKET NO. 4958**
FOR THE TWELVE-MONTH PERIOD :
ENDING MARCH 31, 2019 :

ORDER

On August 1, 2019, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed its proposed electric Pension Adjustment Factor (Factor) with the Public Utilities Commission (PUC).¹ In support of its filing, National Grid submitted the joint direct testimony and schedules of its employees Jeffrey D. Oliveira and James H. Allen (the witnesses).² The witnesses proposed a credit factor of \$0.00005/kWh for effect on October 1, 2019.³

The witnesses explained that the Factor is 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.⁴ In addition, 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 capitalized pension and benefits costs. The Company incurs a carrying charge at the weighted average cost of capital if it fails to meet the Minimum Funding Obligation level.⁵

¹ Pursuant to the Commission's decision in Docket No. 4323, Order No. 21011 (Apr. 11, 2013), and RIPUC No. 2119, National Grid 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.

² Jeffrey D. Oliveira & James H. Allen Jt. Test. (Aug. 1, 2019); [http://www.ripuc.org/eventsactions/docket/4958-NGrid-Electric-PAF2019%20\(8-1-19\).PDF](http://www.ripuc.org/eventsactions/docket/4958-NGrid-Electric-PAF2019%20(8-1-19).PDF).

³ Jt. Test. at 6, Sch. JDO-2.

⁴ Jt. Test. at 5.

⁵ Jt. Test. at 6.

The Company's rate allowance for pension costs totals \$6,718,659.⁶ The Company's reconciliation showed an under-recovery of pension expense in the amount of \$2,794,009.⁷ The Company over-recovered PBOP expense in the amount of \$3,127,081.⁸ The pension under-recovery combined with the over-recovery for PBOP resulted in a net current year over-recovery of \$333,072.⁹ There were no carrying charges assessed during the funding period.¹⁰

The witnesses explained that the under- and over-collections resulted from an accounting change the Company adopted in response to Financial Accounting Standards Board Accounting Standards Update Number 2017-07 issued in March 2017, which relates to the accounting for Net Periodic Benefit Costs. This accounting change impacts the amount of pension and PBOP costs expensed and reflected in the income statement, resulting in a higher level of expense. Absent the change, the under-recovery would have been higher and the over-recovery lower.¹¹

The Company then adjusted the current year deferral by accounting for a remaining total deferral balance of \$20,129 from 2017. The resulting net over-recovery from the current and prior years totals \$363,633, including interest. This figure is then divided by the forecasted usage for the period October 1, 2019 through September 30, 2020, to derive the proposed credit factor.^{12,13}

⁶ Sch. JDO/JHA-1 at 1. The rate allowance reflected in this filing includes a partial year's allowance set in Docket No. 4323 and Docket No. 4770.

⁷ Sch. JDO/JHA-1 at 3.

⁸ Oliveira Test. at 5; Sch. JDO-2 at 1.

⁹ Sch. JDO/JHA-2 at 1.

¹⁰ Sch. JDO/JHA-1 at 1-2.

¹¹ National Grid Response to PUC 1-1, PUC 1-2.

¹² Sch. JDO/JHA-2 at 1.

¹³ The Company's filing also included an update of pension and PBOP costs incurred during the period ending March 31, 2018 which the Company is crediting through the current pension adjustment factor, through September 2019. The Company will continue to credit customers through September 30, 2019, and any balance, positive or negative, will be reflected in next year's pension adjustment factor filing. Jt. Test. at 9.

On September 10, 2019, the Division of Public Utilities and Carriers filed a memorandum recommending approval of National Grid's proposed \$0.00005/kWh Credit Factor for effect October 1, 2019.¹⁴

At an Open Meeting held on September 26, 2019, based on the recommendation of the Division, the PUC approved National Grid's proposed 2019 Pension Adjustment Credit Factor for effect on October 1, 2019.

Accordingly, it is hereby

(23758) ORDERED:

The Narragansett Electric Company d/b/a National Grid's proposed 2019 Pension Adjustment Credit Factor of \$0.00005/kWh for effect on October 1, 2019, is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON OCTOBER 1, 2019 PURSUANT TO AN OPEN MEETING DECISION HELD ON SEPTEMBER 26, 2019. WRITTEN ORDER ISSUED FEBRUARY 6, 2020.

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 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.

¹⁴ Division Mem. (Sept. 10, 2019); <http://www.ripuc.org/eventsactions/docket/4958-DIV-PositionMemo%209-10-19.pdf>.