

State of Rhode Island and Providence Plantations

Public Utilities Commission

Minutes of Open Meeting Held February 9, 2010

Attendees: Chairman Elia Germani, Commissioner Mary Bray, Commissioner Paul Roberti, Patricia Lucarelli, Alan Nault and Nick Ucci. Staff Cindy Wilson-Frias, Sharon Colby Camara and Luly Massaro were not present.

Chairman Germani called the open meeting to order at 9:30 A.M. in the first-floor hearing room of the Public Utilities Commission. A quorum was present.

4065 – National Grid – This docket relates to National Grid’s June 1, 2009 application to change its distribution base rates to collect additional distribution revenues. The Commission reviewed and discussed the record and voted on the following outstanding issues:

OPERATING EXPENSES

- Incentive Compensation - Commissioner Roberti moved to reduce the NGrid’s incentive compensation from a \$2,409,195 adjustment to \$1,204,000. Commissioner Bray seconded the motion. Chairman German opposed. **Vote 2-1.**
- Union Labor Contract – Commissioner Roberti moved to adopt the Division’s position to eliminate pro forma adjustment of \$1,363,000 in union labor cost. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Merger Savings – Commissioner Bray moved to support the Division’s recommendation and to reduce merger related costs to achieve by \$1,176,000. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.** Commissioner Bray moved to establish a regulatory asset for the amount of the CTA allowed in rates. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Storm Fund Contributions – Chairman Germani moved to deny NGrid’s request to maintain \$1,041,000 of annual funding in the Storm Fund and to suspend funding until such time that the balance of the account falls below a threshold of \$20 million at which time funding will be reinstated. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Storm Damage Expense - Commissioner Bray moved to NGrid’s request to include the test year amount of Storm Damage Expense in the revenue requirement and NGrid shall normalize Storm Damage Expense by using a five year average from 2004 through 2008. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Injury & Damage Expense - Commissioner Roberti moved to adopt the Division’s position to reduce its injury and damage expense by \$2.5 million. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**

- Rate Case Expense Amortization – Commissioner Bray moved to approve total rate case expense and that it be amortized over a five year period. Chairman Germani seconded the motion. Commissioner Roberti opposed. **Vote 2-1.**
- Outside Legal Fees – Commissioner Bray moved to eliminate the cost of outside legal counsel associated with the Constellation litigation matter. Commissioner Robert seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Vegetation Management – Commissioner Roberti moved to approve that NGrid use a five year historical average of vegetation management expense to determine the amount of vegetation management expense to be included in its revenue requirement. Commissioner Bray seconded the motion. Chairman German opposed. **Vote 2-1.**
- I&M Strategy – Commissioner Roberti moved that NGrid use a four year average of inspection and maintenance expense to determine the amount of inspection and maintenance expense to be included in its revenue requirement. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.** Commissioner Bray moved to deny NGrid’s request for a reconciling mechanism for inspection and maintenance expense. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Transformation Expenses – Commissioner Bray moved to allow NGrid to collect \$800,000 in transformation expense. Commissioner Roberti seconded the motion. Commissioner Germani opposed. **Vote 2-1.**
- GIS Survey Costs – Commissioner Bray moved to deny NGrid’s request to collect \$2.3 million of GIS costs allocated from the Service Company. Chairman Germani seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Customer Contact Activities – Commissioner Bray moved to deny NGrid’s request for a pro forma adjustment of \$376,000 for increased collection activities. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Customer Advocacy Positions - Commissioner Bray moved to deny NGrid’s request for a pro forma adjustment of \$182,000 to fund two new customer advocacy positions. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Economic Development Program – Chairman Germani moved to deny NGrid’s request for \$1 million to fund an economic development program. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**

RATE BASE ITEMS

- Forecasted Capital Additions – Commissioner Roberti moved to adopt the Division’s position on capital additions and to reduce projected plant in service by \$31,877,000; Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Accumulated Depreciation – Chairman Germani moved to adopt the Division’s position regarding the method for calculating accumulated depreciation. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

- ADIT - Chairman Germani moved to follow the Division's recommendation on this matter. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Cash Working Capital – Commissioner Roberti moved to eliminate the \$371,000 of contract termination charge from cash working capital and to reduce cash working capital associated with municipal taxes by \$9,893,000 and the payment lag for municipal taxes shall be based on the calendar period. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

PENSION/OPEB RECONCILIATION

- Pension/OPEB Cost Recovery – Commissioner Roberti moved to deny NGrid's pension reconciliation mechanism. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**

UNCOLLECTIBLE EXPENSE RECONCILIATION

- Uncollectible Expense for Distribution– Chairman Germani moved to approve a bad debt ratio of 0.94% to calculate the amount of delivery-related bad debt in base rates and to deny NGrid's request for a reconciling mechanism to allow for future adjustment to delivery-related bad debt. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Uncollectible Expense for Commodity - Chairman Germani moved to approve that the standard offer related uncollectible expense be recovered through commodity rates using the mechanism approved by the Commission in Docket No. 3943 and using 0.94% for the bad debt ratio. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Uncollectible Expense for Transmission - Chairman Germani moved to approve that the transmission-related uncollectible expense be recovered through transmission retail rates. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

REVENUE DECOUPLING MECHANISM (RDM)

- Revenue Decoupling – Commissioner Bray moved to deny revenue decoupling. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Back-Up Rate - The Commission denied TEC-RI's request to eliminate the back-up rate. **Vote 3-0.**

INFLATION ADJUSTMENT TO ANNUAL TARGET REVENUE (ATR)

- Annual Net Inflation Adjustment - Commissioner Bray moved to deny the Company's proposal for an inflation adjustment to ATR. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**

CAPITAL RECOVERY ADJUSTMENTS TO ATR

- Capital Additions in Past Year and Capital Additions in Current Year - Commissioner Bray moved to deny the Company's proposal for capital recovery adjustments to ATR. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**

COST ALLOCATION

- Cost Allocation – Chairman Roberti moved that Minimum System Study not be required from NGrid in the next base rate case. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Transformer Cost Allocation – Commissioner Roberti adopted the Division's position regarding the allocation of transformer costs. Chairman Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Delivery-Related Uncollectible Expense Allocation – Commissioner Bray moved to adopt the Division's position that delivery-related uncollectible expense be allocated to all classes but that it be based on the rate year revenue. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Commodity-Related Uncollectible Expense Allocation – Commissioner Roberti moved to adopt the Division's recommendation. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Commodity-Related Administrative Cost Allocation – Commissioner Bray moved to adopt the Division's position that the SOS administrative costs be allocated on the basis of SOS delivered energy. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Service & Information Expense Allocation – Commissioner Roberti moved to adopt the Division's position that customer service and information expenses should be allocated based on energy use at the meter. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Economic Development Expense Allocation – This item is moot in light of the Commission's denial of the Economic Development proposal.
- Limits on Cost Allocations Among Rate Classes – Commissioner Roberti moved National Grid cap the increase to the Lighting class at two times the total company percentage increase, move the Propulsion class to halfway to its actual cost of service, and any remaining shortfall be allocated to all customer classes. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Allocation of Low-Income Subsidy – Commissioner Bray moved to allocate the low income subsidy to all customer rate classes. Commissioner Roberti seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Reallocation of Transmission Costs based on Coincident Peak – Commissioner Roberti moved to adopt the Division's approach to allocate transmission costs based on the coincident peak and mitigate the impact of the redesign of transmission rates by fifty percent. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**

RATE DESIGN

- Back-Up Rate – Commissioner Bray noted that there is not enough information to support the elimination of the existing back-up rate and moved to open a docket to further examine the propriety of such elimination.. Chairman Germani seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Appropriate Rate Design for Rate G-62 and B-62 – Commissioner Roberti moved to deny National Grid’s request to eliminate the demand Rate G-62 and Rate B-62 and transfer the customers in those classes to Rate G-32 and Rate B-32. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Monthly Customer Charge – Commissioner Roberti moved to support the Division’s position to limit the increase on customer charge to the Rate A-16 and the Rate C-06. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Low Income Proposal – Commissioner Roberti moved to approve a low-income credit of \$0.9 million to be recovered from all rate classes and incorporated into rates. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**

ROE AND CAPITAL STRUCTURE

- Return on Equity - Commissioner Bray moved to approve a Return on Equity of 9.8%. Commissioner Roberti seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Common Equity - Commissioner Roberti moved to set the Common Equity level at 42.75%. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Preferred Stock – Commissioner Roberti moved to adopt a Preferred Stock of 0.19% be set at 4.5% cost rate. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Short-Term Debt – Commissioner Roberti moved to accept a Short-Term Debt of 4.98% be set at 1.6% cost rate. Commissioner Bray seconded the motion. Chairman Germani opposed. **Vote 2-1.**
- Long-Term Debt – Commissioner Roberti moved to accept the Long-Term Debt as stipulated by National Grid and the Division. Commissioner Bray seconded the motion and the motion was unanimously passed. **Vote 3-0.**
- Earning Sharing Mechanism (ESM) - The Commission requested that parties to respond whether the ESM from Docket 3617 is in effect.

A transcript of the Commission’s February 9, 2010 open meeting discussion relating National Grid’s Docket No. 4065 is available at the office of the Commission Clerk.

The open meeting adjourned at 4:55 P.M.