

September 6, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4600-A – Notice to Accept Comments on Rhode Island Public Utilities Commission’s Draft Guidance Document on Goals, Principles and Values for Matters Involving The Narragansett Electric Company d/b/a National Grid National Grid’s Comments

Dear Ms. Massaro:

I am writing to submit National Grid’s¹ comments to the Public Utilities Commission (PUC) regarding the PUC’s draft Guidance Document on Goals, Principles and Values for Matters Involving The Narragansett Electric Company d/b/a National Grid issued on August 3, 2017 in response to the PUC’s Notice to Accept Comments also issued on August 3, 2017.

As noted in the PUC’s Order in Docket No. 4600, the PUC initiated Docket No. 4600 to “guide the PUC’s review of National Grid’s rate structure in future proceedings” and “develop an improved understanding, and consistent accounting of, the costs and benefits caused by various activities on the system”.² The Company welcomed the opportunity to engage in the stakeholder process to collaborate with interested parties and build consensus on the answers to the questions posed by the PUC at the outset of the docket, which culminated in the Stakeholder Report (the Report) that the PUC ultimately accepted at its May 4, 2017 Open Meeting. The Company offers the following specific comments on the draft Guidance Document to refine how the Report’s rate design principles, Benefit-Cost Framework, and goals of a future electric distribution system sections will be applied to future proposals filed by the Company with the PUC.

Rate Design Principles

As stated in the PUC’s Order in Docket No. 4600, the PUC adopted the rate design principles set forth in Section 3.1 of the Report to assess the reasonableness of *proposed* rate designs and directed the Company and other parties to dockets that *propose changes to the current rate design* to consider these principles.³ The Company requests that the language of the

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

² Report and Order No. 22851 (July 31, 2017) in Docket No. 4600, at 5.

³ *Id.* at 23.

draft Guidance Document be clarified to specify that the proponent of a *new* rate or rate design proposal should consider these rate design principles *when proposing significant changes to the structure of current rates*.

Benefit-Cost Framework

The Benefit-Cost Framework was developed for use as “a tool for measuring the benefits and costs that can be evaluated across: (1) programs (current and proposed); (2) technologies (current and proposed); (3) *future* utility investment; and (4) *future* rate design proposals”.⁴ The Company requests that the draft Guidance Document be clarified to specify that the Benefit-Cost Framework serve as a starting point in making a business case for *new* proposals to be implemented in the future and not be required for continuation of existing programs with respect to which no significant changes are proposed. In addition, the PUC’s Order in Docket No. 4600 states that the PUC “envisions that the Framework could serve as a single set of measurements by which all future programs funded through rates can be examined for reasonableness”.⁵ The Company’s understanding is that the Benefit-Cost Framework would not be applied to each element of the Company’s revenue requirement but rather only to any new programs or proposals that are not typically included in the Company’s cost of service. The Company specifically requests that the PUC clarify whether a suite of new proposals, such as a number of Power Sector Transformation-related proposals that the Company is currently considering for inclusion in its upcoming rate case or a future grid modernization proceeding before the PUC, are to be evaluated as a whole or on an individual basis using the Benefit-Cost Framework. Finally, the Company believes the appropriate way in which to evaluate rate design proposals is through the application of the rate design principles outlined in the draft Guidance Document, not through the application of the Benefit-Cost Framework.

Goals of a Future Electric System

Finally, the PUC adopted a list of goals that a new electric system should be able to accomplish, which are set forth in Section 1.3 of the Report, that will be “important for analysis of *new* program proposals, *new* rate proposals, and *new* [utility business] models addressing the appropriate role of National Grid in a future electric distribution system.”⁶ The Company requests that the draft Guidance Document be clarified to specify that the PUC will consider these goals during its review of *new* program proposals, *new* rate proposals, and *new* utility business models and approval of related cost recovery and require that all parties to a National Grid rate matter include a discussion in any testimony regarding the manner in which a *new* proposal advances, detracts from, or is neutral to each of the state goals of the electric system. In particular, the Company requests that footnotes 5, 6, and 8 be revised to indicate that the design of the annual Infrastructure, Safety, and Reliability recovery factors would only be subject to the goals, principles, and Framework if the Company proposed significant changes to the current rate design based on previously approved methodology.

⁴ Id. at 8 (emphasis added).

⁵ Id. at 27.

⁶ Id. at 24 (emphasis added).

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In light of the above comments, the Company respectfully requests that the Delayed Applicability section of the draft Guidance Document be revised to exempt the Company’s filings from the effects of the Guidance Document to the extent such filings represent a continuation of current practice without significant change to the specific program or cost recovery mechanism that has previously been reviewed and approved by the PUC.

The Company acknowledges that the application of the goals, principles, and Framework to future proposals is an iterative process that will continue to be developed and refined over time. The Company appreciates the opportunity to provide these comments to the PUC on the draft Guidance Document.

Respectfully submitted,



Celia B. O’Brien

cc: Docket 4600 Service List
Jon Hagopian, Esq.
Steve Scialabba
Leo Wold, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

September 6, 2017
Date

**Docket No. 4600 - Investigation Into the Changing Distribution System
Service List updated 9/6/17**

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