

April 23, 2018

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

RE: Docket 4686 - Request for Approval of Storm Contingency Fund Replenishment Responses to PUC Data Requests – Set 4

Dear Ms. Massaro:

On behalf of National Grid,¹ I enclose ten (10) copies of the Company's responses to the fourth set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions concerning this transmittal, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4686 Service List
Jonathan Schrag, Division
John Bell, Division
Leo Wold, Esq.

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

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

April 23, 2018
Date

**Docket No. 4686 – National Grid’s Storm Contingency Fund Replenishment
Service List as of 1/26/17**

Name/Address	E-mail	Phone
Celia B. O’Brien, Esq. National Grid 280 Melrose St. Providence, RI 02907	Jennifer.hutchinson@nationalgrid.com ;	781-907-2153
	Celia.obrien@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	LWold@riag.ri.gov ;	401-274-4400
	Steve.scialabba@dpuc.ri.gov ;	
	John.bell@dpuc.ri.gov ;	
	Al.contente@dpuc.ri.gov ;	
	Dmacrae@riag.ri.gov ;	
David Efron Berkshire Consulting	Djeffron@aol.com ;	603-964-6526
File an original & 10 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2107
	Todd.bianco@puc.ri.gov ;	
	Alan.nault@puc.ri.gov ;	
	Cynthia.WilsonFrias@puc.ri.gov ;	
	Margaret.hogan@puc.ri.gov ;	

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-1

Request:

Referencing the Company's response to PUC-3-1, please point to the language in the Settlement that addresses the treatment of storms that occur between April 2016 and approval of the Settlement consistent with the response to PUC-3-1.

Response:

As stated in the last sentence of its response to PUC 3-1, the Company committed to apply Paragraphs (2) and (3) of the Joint Proposal and Settlement Agreement between the Company and the Division of Public Utilities and Carriers (the Settlement Agreement) filed with the Public Utilities and Carriers (PUC) on September 25, 2017 in this docket to qualifying major storm events that occur subsequent to April 2016 up to the effective date of new base distribution rates (*i.e.*, September 1, 2018).¹ Specifically, the last sentence of the Company's response to PUC 3-1 states as follows:

Upon PUC approval of the Settlement Agreement, costs for any of the Company's Storm Fund-eligible storms that occur subsequent to April 2016 up to the effective date of the new base distribution rates after the filing of the Company's upcoming base distribution rate case will be subjected to Paragraphs (2) and (3) of the Joint Settlement.

Although this statement in the Company's response to PUC 3-1 is not also contained in the Settlement Agreement, this statement specifically establishes that the Company has agreed to apply the terms of Paragraphs (2) and (3) of the Settlement Agreement retroactively to major storm events that occurred or may occur in the period between April 2016 and September 1, 2018 to provide additional benefits to customers upon PUC approval of the Settlement Agreement. If the PUC approves the Settlement Agreement prior to the September 1, 2018 effective date of new base distribution rates in Docket No. 4770, the Company will:

¹ Subsequent to the filing of the Settlement Agreement with the PUC in this docket, on November 27, 2017, the Company filed an application for a change in electric and gas base distribution rates with the PUC for new rates effective September 1, 2018, which is pending before the PUC in Docket No. 4770.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-1, page 2

1. Credit customers for 75% of the Net Revenue (as defined in the Settlement Agreement) received by Narragansett Electric or Narragansett Gas, as appropriate, for performing storm response services in other jurisdictions to the Storm Fund or through the Distribution Adjustment Charge, respectively, as further described in Paragraph (2) of the Settlement Agreement; and
2. Make an adjustment to charges to the Storm Fund to remove base labor and overheads of National Grid USA Service Company, Inc. (Service Company) employees to the extent those charges are already being recovered through Narragansett Electric's base distribution rates approved by the PUC in Docket No. 4323. The Company will determine the percentage of base labor of New England-based Service Company employees who charge Narragansett Electric over a representative 12-month period (for normal activities), as further described in Paragraph (3) of the Settlement Agreement.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-2

Request:

Referencing the response to PUC-3-2, please provide a schedule showing the application of “the computational methodology agreed on by the Division and the Company for future storms to the 18 storms that occurred in the past that are the subject of this proceeding, rounded up to \$2 million to provide an additional benefit to customers.”

Response:

Please see Attachment PUC 4-2 showing the results of the “computational methodology” agreed on by the Division and the Company, which is referenced in the response to PUC 3-2. As shown in Attachment PUC 4-2, the computational methodology yielded a result of approximately \$1,301,076. However, in consideration of the fact that the Division had agreed to resolve the broader set of issues that had arisen in relation to storm-cost recovery, the Company consented to round this amount up to \$2 million, which is over 50 percent more than the computational amount.

Narragansett Electric
Docket 4686--Storm Replenishment Factor Filing
Application of Settlement Principles to Filed and Unfiled Storm Costs

18 Storms in Storm Replenishment Factor Filing				
	Base Pay	Overheads	Interest	Total
1. Share 75% of net revenues received by Narragansett Gas for storm restoration services provided to Narragansett Electric Company storms:				
Narragansett Gas charges to Electric Storms	232,728	1,339,013	330,424	1,902,165
Percentage of Labor Charged to O&M in Docket 4323 (1)				54.21%
				1,031,164
Share 75% to compensate Narragansett Gas for incremental costs to complete scheduled work delayed due to time devoted to storm restoration activities				75.00%
Amount to be shared with Narragansett Gas customers				773,373
2. Remove portion of Service Co base pay and overheads charged to Narragansett Electric for storm restoration services based on the percentage of 2016 Service Co labor charges for New England based employees charged to O&M expense excluding base labor charged to Narragansett Energy Efficiency programs:				
	1,019,884	5,274,153	1,261,557	7,555,594
2016 Percentage of New England Service Co Employees' base labor charged to Narragansett Electric O&M excluding EE base labor				7.17%
Amount of costs that would normally be charged to Narragansett Electric				542,012
Less: Amount charged to IFA at IFA Labor Allocation Percentage of 2.64% in Docket 4323 (2)				(14,309)
Service Co base labor and overheads to be excluded from Storm Fund				527,703
Total Settlement Adjustments				1,301,076

(1) Docket No. 4323, Compliance Attachment 6, Schedule MDL-3-Gas, Page 23, Line 39, Column (k)

(2) 2.64% IFA Labor Allocation rate per Docket No. 4323, Compliance Attachment 1, Schedule MDL-3-ELEC, Page 23, Line 47

Personnel ID - Key	(Multiple Items)	Not equal to #	Receiving Segment - Key	CAPEX \$	COR \$	OPEX \$	Other Balance Sheet \$	Total \$	O&M %	Capital %	Total %
CA Region	(Multiple Items)	MA/NH/RI									
Income Statement G/L Account - Key (Not Compounded)	(Multiple Items)	C6001100/C6001150									
Receiving Cost Center - Key (Not Compounded)	(All)										
Receiving Company - Text											
Boston Gas Company			14,236,542	368,990	22,457,380	1,693,888	38,756,800	10.44%	7.58%	18.02%	
Brooklyn Union Gas-KEDNY			426,433	(2,717)	4,545,376	62,280	5,031,376	2.11%	0.23%	2.34%	
Colonial Gas Company			4,245,716	48,458	4,895,194	322,916	9,512,284	2.28%	2.15%	4.42%	
Granite St Elec-Post Sale					41,147	231	4,378	0.00%	0.00%	0.00%	
GridAmerica Holdings Inc.					2,359		2,359	0.00%	0.00%	0.00%	
KeySpan Corporation					35,275		35,275	0.02%	0.00%	0.02%	
KS Gas East Corp-KEDLI			381,870	(2,918)	3,346,263	37,815	3,763,029	1.56%	0.19%	1.75%	
Massachusetts Electric Co			440,399	2,235	26,787	19,196	268,334	0.01%	0.00%	0.01%	
Nantucket Electric Co			15,654,477	642,455	39,739,531	1,491,689	57,528,152	18.47%	8.27%	26.74%	
Narragansett Electric Co			245,975	580	446,716	14,348	707,614	0.21%	0.12%	0.33%	
Narragansett Electric Co			3,397,928	57,843	13,880,313	306,997	20,432,481	6.45%	3.05%	9.50%	
RIGASD			4,518,982	56,409	7,344,075	274,224	12,193,690	3.41%	2.25%	5.67%	
PARENT					16,718	(0)	1,520,240	0.71%	0.00%	0.71%	
NE Electric Trans Corp					90,907		16,718	0.01%	0.00%	0.01%	
NE Hydro-Trans Corp					1,278,900	(2)	90,905	0.04%	0.00%	0.04%	
NE Hydro-Trans Elec Co			500,554	52,392	5,203	(5)	1,831,841	0.59%	0.26%	0.85%	
New England Power Company			7,470		5,203		12,673	0.00%	0.00%	0.01%	
NG Development Holdings			13,464,029	703,479	13,813,059	588,198	28,568,766	6.42%	6.86%	13.28%	
NG Electric Services					2,850,917		2,850,917	1.33%	0.00%	1.33%	
NG Energy Management LLC					12,886	(403)	12,886	0.01%	0.00%	0.01%	
NG Energy Trading Svcs					1,955		1,955	0.00%	0.00%	0.00%	
NG Generation LLC			(4,783)		1,520,616	34	1,515,867	0.71%	0.00%	0.70%	
NG Glenwood Energy Center			0		52,105		52,105	0.02%	0.00%	0.02%	
NG LNG LP Regulated Entity			539,492		102,881		642,374	0.05%	0.25%	0.30%	
NG NE Holdings 2 LLC					23,742		23,742	0.01%	0.00%	0.01%	
NG PortJeff Energy Center			0		54,233		54,233	0.03%	0.00%	0.03%	
NG Services, Inc.					110,210		110,210	0.05%	0.00%	0.05%	
NGUSA Service Company			1,636,972	930	107		1,638,010	0.00%	0.76%	0.76%	
Niagara Mohawk Power Corp			22,361	17	9,991,482	77,293	22,379	0.00%	0.01%	0.01%	
PSEG Electric Serv TSA Co			1,877,274	203	1,854,369	18,292	11,946,252	4.64%	0.91%	5.55%	
Transgas Inc			107,355	7	3,820,135	68,254	1,980,023	0.86%	0.06%	0.92%	
Valley Appliance & Merch			1,047,596	(3,469)	231,060		4,932,915	1.78%	0.52%	2.29%	
Wayfinder Group, Inc.					28,205		231,060	0.11%	0.00%	0.11%	
Grand Total			68,896,795	2,090,913	138,922,281	5,212,095	215,122,084	64.58%	35.42%	100.00%	
Less Energy Efficiency:											
Personnel ID - Key	(Multiple Items)	Not equal to #									
CA Region	(Multiple Items)	MA/NH/RI									
Income Statement G/L Account - Key (Not Compounded)	(Multiple Items)	C6001100/C6001150									
Receiving Cost Center - Key (Not Compounded)	(Multiple Items)	Equal to 3361 (Energy Efficiency)									
Receiving Company - Text											
Boston Gas Company			1,709,971		1,709,971		1,709,971				
Brooklyn Union Gas-KEDNY			68,257		68,257		68,257				
Colonial Gas Company			413,089		413,089		413,089				
KS Gas East Corp-KEDLI			70,920		70,920		70,920				
Massachusetts Electric Co			5,401,871		5,401,871		5,401,871				
Nantucket Electric Co			100,484		100,484		100,484				
Narragansett Electric Co			2,394,077		2,394,077		2,394,077				
RIGASD			839,086		839,086		839,086				
Niagara Mohawk Power Corp			487,971		487,971		487,971				
Grand Total			11,588,163		11,588,163		11,588,163				
Total Labor Charged to Narragansett excluding Energy Efficiency:											
Receiving Company - Text											
Narragansett Electric Co			3,397,928	57,843	13,880,313	306,997	20,432,481	1.83%	1.75%	3.58%	
Grand Total			6,149,703	166,019	11,486,236	256,447	18,038,404	5.34%	3.05%	8.39%	

Division's Proposed Adjustments Per Attachment PUC 1-1:

Line #	Originating Company (a)	Base Pay (b)	Overheads (c)	Interest (d)	Total (e)
1	Narragansett Gas	\$ 247,038	\$ 1,401,308	\$ 347,044	\$ 1,995,390
2	National Grid USA Service Company	<u>1,052,616</u>	<u>5,450,912</u>	<u>1,310,246</u>	<u>7,813,774</u>
3	Total	<u>\$ 1,299,654</u>	<u>\$ 6,852,220</u>	<u>\$ 1,657,290</u>	<u>\$ 9,809,164</u>
4	Less: Amounts Charged to Capital:				
		Base Pay	Overheads	Interest	Total
5	Narragansett Gas	\$ 14,310	\$ 62,295	\$ 16,620	\$ 93,225
6	National Grid USA Service Company	<u>32,732</u>	<u>176,759</u>	<u>48,689</u>	<u>258,180</u>
7	Total	<u>\$ 47,042</u>	<u>\$ 239,054</u>	<u>\$ 65,309</u>	<u>\$ 351,405</u>
8	Division's Net Proposed Adjustments to the Storm Fund				
		Base Pay	Overheads	Interest	Total
9	Narragansett Gas	\$ 232,728	\$ 1,339,013	\$ 330,424	\$ 1,902,165
10	National Grid USA Service Company	<u>1,019,884</u>	<u>5,274,153</u>	<u>1,261,557</u>	<u>7,555,594</u>
11	Total	<u>\$ 1,252,612</u>	<u>\$ 6,613,166</u>	<u>\$ 1,591,981</u>	<u>\$ 9,457,759</u>

Line Notes:

- 1 (b) RIPUC Docket No. 4686, Attachment PUC 1-1, Page 1, Line 21 Column (a) (see page 7 of 8)
- 1 (c) RIPUC Docket No. 4686, Attachment PUC 1-1, Page 2, Line 21 Column (a) (see page 8 of 8)
- 2 (b) RIPUC Docket No. 4686, Attachment PUC 1-1, Page 1, Line 21 Columns (e), (f) (see page 7 of 8)
- 2 (c) RIPUC Docket No. 4686, Attachment PUC 1-1, Page 2, Line 21 Columns (e), (f) (see page 8 of 8)

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's First Set of Data Requests
Issued on May 16, 2017

PUC 1-1

Request:

Referencing National Grid's response to DIV-1-2, and DIV-1-5, specifically, the footnote in each that states, "the term 'affiliates' also pertains to employees of the Company's gas business," please identify the amount of electric storm related costs included in the storm fund that were charged to The Narragansett Electric Company's electric operations by the Rhode Island gas operations commencing with the March 2010 floods to present.

- a. How are the expenses paid to the gas operations from the electric operations accounted for by the gas operations?
- b. Do ratepayers of the gas operations receive any rate relief as a result of the transfer of personnel and overhead costs from the electric to gas operations?
- c. If so, how? If not, why not?

Response:

Please see Attachment PUC 1-1 for the requested information.

- a. The Narragansett Electric Company (the Company) is the legal entity that owns and operates National Grid's electric distribution operations (referred to herein as Narragansett Electric) and gas distribution operations (referred to herein as Narragansett Gas) in Rhode Island. Prior to the implementation of SAP, Narragansett Gas was reported as if it was a separate company in the Company's PeopleSoft General Ledger. Expenses paid to Narragansett Gas from Narragansett Electric were accounted for by Narragansett Gas as net settlements received against Intercompany Accounts Receivable/Payable in the intercompany money pool accounts. Since SAP was implemented, Narragansett Gas and Narragansett Electric are reported as one company in the Company's General Ledger so there is no longer an intercompany transaction.
- b. No. Customers of Narragansett Gas do not receive any rate relief as a result of the temporary transfer of personnel and overhead costs from the Company's gas to electric operations.
- c. When crews are transferred from Narragansett Gas to Narragansett Electric, the costs of those crews are charged to the affiliate receiving assistance (Receiving Affiliate), at cost, including appropriate labor-following overheads. The affiliate responding to provide assistance (Responding Affiliate) and providing the crews records the

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's First Set of Data Requests
Issued on May 16, 2017

PUC 1-1, page 2

charged cost as an Intercompany Accounts Receivable and payment is settled through the intercompany process. Conversely, the Receiving Affiliate records the charged cost as an Operation and Maintenance (O&M) expense and an offsetting Intercompany Accounts Payable, and it is similarly settled. Accordingly, on each end, the transaction is accounted for in a similar manner as would an invoice issued by an independent, externally procured company.

Through the ratemaking process, labor costs associated with crews that are dispatched to Narragansett Electric by Narragansett Gas are normalized in the cost of service of Narragansett Gas. Since Narragansett Gas costs were charged to Narragansett Electric during the 2011 test year used in the last Rhode Island gas and electric base rate cases, those labor costs needed to be added back to the cost of service for Narragansett Gas to reflect a normal year of labor expense. This is in compliance with the PUC's Rules of Practice and Procedure, Part Two, Section 2.6 (c) (1), "Adjustments to the Test Year—Normalization Adjustments" which states:

(c) (1) Normalization Adjustments. These adjustments shall be made to the test year to present a reasonable/normal amount for one full year of operations. The test year must be normalized to reflect expected results for a typical future year. All items of unusual magnitude which occurred during the test year, but which are not expected to recur to a significant degree beyond the test year, should be adjusted to reflect what is reasonably to be expected in the future. Correspondingly, adjustments should be made to reflect items that are fixed, determinable, and likely to occur in the future, but did not occur to a significant degree during the test year.

In Rhode Island, labor costs are incorporated into the revenue requirement using the test-year end employee headcount and the associated wages and salaries to develop "total labor cost." Actual labor cost in the test year is not used as the basis for setting rates. Once the total labor cost is calculated, the Company reduces the total by the O&M rate, so that only the expense portion of the total labor cost is included in the revenue requirement. The O&M rate is the Company's actual O&M rate in the test year, excluding any storm-related work performed for an affiliate. This means that the labor and labor-related expense locked into rates is based exclusively on the actual cost of labor devoted to the functions of the utility. The requirement to

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's First Set of Data Requests
Issued on May 16, 2017

PUC 1-1, page 3

normalize the test year in base rate cases is also the practice for other National Grid affiliates.

Conversely, when a utility uses crews from an affiliated company, it pays for those crews similar to how it would pay for an external crew. If an employee of an affiliate company performs storm-related work for the benefit of Narragansett Electric, the employee charges their time and expenses to the applicable work orders established for that weather event in the General Ledger of The Narragansett Electric Company. The costs charged to these work orders are not included in the affiliate's cost of service in a rate case as a normally recurring expense.

Please also see the Company's joint rebuttal testimony filed with the PUC on June 6, 2017.

The Narragansett Electric Company
d/b/a National Grid
Storm Costs (Base Payroll)
March 2010 - April 2016 Events

Capital and Incremental O&M Storm Costs

Base Payroll

Line No.	Storm Event	Narragansett Gas (a)	Narragansett Electric (b)	Massachusetts Electric (c)	Niagara Mohawk Power Corp. (d)	NG USA Service Company (e)	KeySpan Corporate Services (f)	Other Affiliates (g)	Total ¹ (h)
1	March 2010 Flood	\$ -	\$ -	\$ 20,979	\$ -	\$ 58,668	\$ -	\$ -	\$ 79,647
2	September 2010 Hurricane Earl	-	-	899	277	13,042	1,298	-	15,516
3	August 2011 Tropical Storm Irene	169,874	45,161	35,373	15,294	502,215	121,713	223	889,853
4	October 2011 Snow Storm	3,577	10,697	2,035	244	15,257	770	-	32,580
5	January 2012 Snow/Wind Storm	-	931	-	-	5,422	-	-	6,353
6	July 2012 Lightning Storm	213	10,171	4,429	11,381	13,736	-	-	39,930
7	October 2012 Hurricane Sandy	51,840	5,395	(26,187)	(3,420)	(505,260)	-	2,173	(475,459)
8	November 2012 Snowstorm	695	5,366	4,996	1,009	85,285	-	-	97,351
9	February 2013 Nor' easter (Nemo)	11,101	793	16,242	100,632	212,770	-	-	341,538
10	February 2013 Coastal Storm	-	26	-	-	3,160	-	-	3,186
11	March 2013 Snow Storm	9,738	1,883	2,974	-	68,730	-	-	83,325
12	Subtotal Filed Storms	\$ 247,038	\$ 80,423	\$ 61,740	\$ 125,417	\$ 473,025	\$ 123,781	\$ 2,396	\$ 1,113,820
13	November 2013 Windstorm	\$ -	\$ -	\$ 2,450	\$ -	\$ 17,677	\$ -	\$ -	\$ 20,127
14	January 2015 Blizzard (Juno)	-	-	6,982	-	141,688	-	92	148,762
15	February 2015 Snow Storm	-	-	2,016	-	3,975	-	-	5,991
16	August 2015 Lightning Storm	-	-	70,642	1,222	142,914	-	-	214,778
17	February 2016 Snow Storm	-	-	3,541	12,270	77,103	-	-	92,914
18	February 2016 Snow Storm	-	-	5,151	44,191	54,802	-	-	104,144
19	April 2016 Wind Storm	-	-	355	-	17,651	-	-	18,006
20	Subtotal Unfiled Storms	\$ -	\$ -	\$ 91,137	\$ 57,683	\$ 455,810	\$ -	\$ 92	\$ 604,722
21	Total All Storms	\$ 247,038	\$ 80,423	\$ 152,877	\$ 183,100	\$ 928,835	\$ 123,781	\$ 2,488	\$ 1,718,542

¹ Total includes amounts charged to Capital and COR/Other

The Narragansett Electric Company
d/b/a National Grid
Storm Costs (Payroll Overheads)
March 2010 - April 2016 Events

Capital and Incremental O&M Storm Costs

Payroll Overheads

Line No.	Storm Event	Narragansett Gas (a)	Narragansett Electric (b)	Massachusetts Electric (c)	Niagara Mohawk Power Corp. (d)	NG USA Service Company (e)	KeySpan Corporate Services (f)	Other Affiliates (g)	Total ¹ (h)
1	March 2010 Flood	\$ -	\$ -	\$ 77,628	\$ 6,344	\$ 119,649	\$ -	\$ -	\$ 203,621
2	September 2010 Hurricane Earl	-	576	2,692	1,682	39,971	1,476	-	46,397
3	August 2011 Tropical Storm Irene	246,890	180,688	251,912	54,126	1,489,619	221,820	8,339	2,453,394
4	October 2011 Snow Storm	49,674	38,681	15,066	778	48,476	6,387	-	159,062
5	January 2012 Snow/Wind Storm	-	2,799	1,385	-	12,180	-	-	16,364
6	July 2012 Lightning Storm	567	18,088	10,566	45,779	28,020	275	-	103,295
7	October 2012 Hurricane Sandy	737,101	267,294	218,535	(614)	560,203	-	39,362	1,821,881
8	November 2012 Snowstorm	119,147	72,453	19,823	2,511	229,211	-	-	443,145
9	February 2013 Nor' easter (Nemo)	274,292	31,524	15,655	324,236	1,630,676	-	16,503	2,292,886
10	February 2013 Coastal Storm	(6,707)	(125)	(1,452)	-	31,383	-	-	23,099
11	March 2013 Snow Storm	(19,656)	(3,118)	(6,474)	-	134,368	-	-	105,120
12	Subtotal Filed Storms	\$ 1,401,308	\$ 608,860	\$ 605,336	\$ 434,842	\$ 4,323,756	\$ 229,958	\$ 64,204	\$ 7,668,264
13	November 2013 Windstorm	-	-	2,067	-	16,915	-	-	18,982
14	January 2015 Blizzard (Juno)	-	-	14,527	1,184	202,348	-	277	218,336
15	February 2015 Snow Storm	-	-	4,513	-	32,711	-	-	37,224
16	August 2015 Lightning Storm	-	-	216,084	3,500	270,985	-	-	490,569
17	February 2016 Snow Storm	-	-	16,595	319,971	266,056	-	-	602,622
18	February 2016 Snow Storm	-	-	11,988	90,336	87,410	-	-	189,734
19	April 2016 Wind Storm	-	-	324	-	20,773	-	-	21,097
20	Subtotal Unfiled Storms	\$ -	\$ -	\$ 266,098	\$ 414,991	\$ 897,198	\$ -	\$ 277	\$ 1,578,564
21	Total All Storms	\$ 1,401,308	\$ 608,860	\$ 871,434	\$ 849,833	\$ 5,220,954	\$ 229,958	\$ 64,481	\$ 9,246,828

¹ Total includes amounts charged to Capital and COR/Other

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-3

Request:

Referencing the response to PUC-3-3, please provide evidence to support that work conducted by Rhode Island employees in other jurisdictions leads to overtime expense that is equal to 25% of the amount billed to the jurisdiction receiving aid. If none exists, please indicate why the 25% was agreed to as the appropriate number.

Response:

Please see Attachment PUC 4-3 for an analysis of overtime paid by month to the Company's electric and gas employees from April 2014 through March 2018. Column (d) reflects the date of certain of the larger Storm Fund qualifying storm events, in which a significant portion of the Company's workforce was dedicated to storm restoration work. As this analysis demonstrates, a higher level of overtime pay is evident in the immediate months following the occurrence of major storms, followed by a decrease in overtime pay usually between the second and fourth month after the storm. Smaller, shorter duration Storm Fund qualifying storms were not considered in this analysis because such storms would not be expected to drive the trends that are evident following larger qualifying storms.

The Narragansett Electric Company
d/b/a National Grid
Company Direct Overtime Payroll
Apr-2014 - Mar-2018

	<u>Calendar Month</u>	<u>Electric</u>	<u>Gas</u>	<u>Storm Event</u>
	(a)	(b)	(c)	(d)
1	Apr-2014	831,029	718,388.72	
2	May-2014	722,543	992,789.43	
3	Jun-2014	484,644	770,980.19	
4	Jul-2014	732,625	975,117.98	
5	Aug-2014	558,637	884,266.57	
6	Sep-2014	724,390	865,080.18	
7	Oct-2014	717,901	1,062,750.44	
8	Nov-2014	850,240	1,027,327.16	
9	Dec-2014	1,011,574	897,905.48	
10	Jan-2015	436,630	657,199.66	
11	Feb-2015	1,089,095	884,918.58	
12	Mar-2015	470,937	1,520,345.99	
13	Apr-2015	628,955	924,014.49	
14	May-2015	392,318	778,273.42	
15	Jun-2015	437,821	728,383.90	
16	Jul-2015	627,472	1,004,827.28	
17	Aug-2015	1,631,157	779,592.23	Storm Event 8/4/2015
18	Sep-2015	593,611	852,937.36	
19	Oct-2015	671,220	1,126,797.61	
20	Nov-2015	650,440	780,387.84	
21	Dec-2015	594,750	774,287.80	
22	Jan-2016	569,054	364,203.92	
23	Feb-2016	2,102,035	569,205.47	Storm Event 2/5/2016
24	Mar-2016	1,102,817	511,076.94	
25	Apr-2016	789,396	547,563.95	
26	May-2016	532,274	644,337.36	
27	Jun-2016	851,834	918,178.19	
28	Jul-2016	666,802	670,199.61	
29	Aug-2016	763,920	865,254.04	
30	Sep-2016	932,344	1,012,667.38	
31	Oct-2016	561,779	900,974.14	
32	Nov-2016	679,359	962,812.81	
33	Dec-2016	867,646	892,760.52	
34	Jan-2017	776,585	731,637.34	
35	Feb-2017	1,179,148	633,655.87	
36	Mar-2017	1,328,889	959,014.88	
37	Apr-2017	531,253	730,473.09	
38	May-2017	628,344	810,720.10	
39	Jun-2017	675,241	1,096,537.45	
40	Jul-2017	699,620	822,025.68	
41	Aug-2017	771,798	946,267.15	
42	Sep-2017	986,178	869,182.30	
43	Oct-2017	1,206,483	1,034,233.59	Storm Event 10/29/2017
44	Nov-2017	2,833,809	1,128,222.38	
45	Dec-2017	660,552	930,487.83	
46	Jan-2018	905,286	1,723,814.84	Storm Event 1/04/2018
47	Feb-2018	647,222	1,388,747.82	
48	Mar-2018	4,909,075	951,220.37	

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-4

Request:

At the evidentiary hearing in this matter and in the response to PUC-3-3, Mr. Richer represented that there are incremental costs to National Grid Gas in Rhode Island related to storms that impact the electric system because there is a delay in routine work. He was unable to quantify the amount at the hearing. Please provide a quantification of the deferred gas work in Rhode Island related to storms affecting electric where gas workers were used for Rhode Island Narragansett Electric storm restoration for the period covered by the Settlement. Please itemize the expense of the deferred gas work by storm.

Response:

Please see the Company's response to PUC 4-3. It is difficult to make a precise quantification of the impact on the Company's overtime costs because there are so many factors that influence actual workstreams and associated costs both in normal operations and during times when "make up" work is overlaid on normal operations. However, the trend is visible in the months following a major event.

For example, the increasing trend of overtime for Narragansett Gas employees following a major storm event is evident in the overtime figures for September and October 2015, which followed a major event that occurred in August 2015. The amount of overtime cost incurred in September and October 2015 was greater than what was incurred in the same two-month period in 2014 and 2016, and was exceeded in October 2017 only due to the fact that another major storm event occurred in October 2017. Although it is evident from the chart presented in Attachment PUC 4-3 that overtime fluctuates across months in the normal course of business, it remains clear that overtime is affected in the months immediately following a major event, all else equal. Moreover Narragansett Gas employees do not normally participate in post-event restoration and clean-up work once power is restored, so this up-tick in overtime cost for Narragansett Gas employees would relate to the "make up" of routine work rather than any work for Narragansett Electric.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-5

Request:

Referencing the response to PUC-3-4, base pay is \$200,000. Labor overheads are \$700,000. Please explain why the labor overhead amount is higher than base pay.

Response:

Net Revenue includes (1) base pay and (2) labor overheads on base pay and overtime pay. Labor overheads include the cost of employee benefits, such as employee healthcare costs, employee life insurance costs, workers' compensation, and other employee benefits. Employee benefit costs for the Company do not increase as a result of an employee providing storm restoration services to another company. Therefore, the recovery of labor overhead costs on both base labor and overtime labor from another company is at least partially incremental proceeds to the Company. This is the reason that the Company's illustration reflects a higher amount for labor overheads and a lower amount for base labor.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-6

Request:

Referencing the response to PUC-3-6, please explain how Calendar Year 2016 is a representative 12-month period. Has it been normalized? If so, how? If not, why not?

Response:

As of the date of the settlement, Calendar Year (CY) 2016 data was the most current CY information available for calculating the percentage of base labor of New England-based Service Company employees who charge Narragansett Electric. The CY 2016 percentage was 7.17 percent. The Company calculated the percentage of base labor of New England-based Service Company employees of 6.82 percent for the test year in Docket No. 4770, the twelve-month period ended June 30, 2017.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-7

Request:

Referencing PUC-3-6, why is the Company proposing to use the Test Year in Docket No. 4770 rather than the approved Rate Year as the representative twelve-month period?

Response:

The Rate Year expense levels in Docket No. 4770 are derived by adjusting costs to the non-capitalized level of historic test year Operation & Maintenance percentages and historic test year Service Company allocation percentages to the pre-capitalized level of costs. Therefore, the calculation the percentage of base labor of New England-based Service Company employees would result in the same percentage based on test-year costs or rate-year costs.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-8

Request:

Referencing PUC-3-11, please provide an illustration of the difference between the current recovery of storm costs and the proposed recovery using the hypothetical that there are three storms in one year that qualify for cost recovery. Each storm has storm related expenses of \$10 million.

Response:

Illustrative Example 1 on Attachment PUC 4-8 provides a side-by-side comparison of the recovery model that exists prior to the settlement and that is established within the Settlement Agreement. As shown in the attachment, the principal differences between the models are the following:

- The existing Storm Fund qualifying threshold is \$855,000 as compared to the new threshold of \$1,100,000, which is a difference of \$245,000.
- There is currently a deductible of \$375,000, which is eliminated in the new model.
- There is currently \$750,000 recovered through distribution base rates to count towards the recovery of costs incurred in relation to Storm Fund events (*i.e.*, the equivalent of the deductible for two storm events), which is eliminated in the new model.

As indicated by the illustrative example, total Storm Fund recoveries would differ by \$75,000, assuming the occurrence of three qualifying events causing incremental expenses of \$10 million per event.

It is important to note, however, that this illustration does not indicate that the Company would be better off by \$75,000 under the new model. In fact, the Company could be better *or worse* off depending on actual circumstances. This is due to the following:

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-8, page 2

1. For each event qualifying as a major storm event, the Company loses \$245,000 in Storm Fund recovery due to the increased threshold for qualification. Under the previous model, the Company would be eligible to recover storm costs through the fund once the threshold of \$855,000 was met. Now, that threshold will be \$1,100,000. For storm events that *do not qualify* as major storm events, the Company will be allowed to recover \$3,193,756² through base distribution rates, which represents the five-year average of non-deferrable storm expense. If the actual costs incurred by the Company for non-qualifying storm events are more than this amount in a given year, the Company loses the recovery until total non-deferrable storm expense exceeds \$5,193,756, or \$3,193,756 plus \$2,000,000. Customers are likewise protected if actual non-qualifying storm expense is less than \$1,193,756, or \$3,193,756 minus \$2,000,000.
2. Although there is no deductible in the new model, there is also no amount recovered in base distribution rates for the deductible. In the past, the Company would recover the \$750,000 regardless of whether two or fewer major events occurred. Conversely, the Company would lose the deductible amount if more than two major storm events occurred, although the Company has no control over the weather and cannot take any action to avoid the cost impact of restoring power following a major storm event.

Illustrative Example 2 on Attachment PUC 4-8 reflects the difference between the current recovery of storm costs and the proposed recovery using the same hypothetical posed in this request that there are three storms in one year with expenses of \$10 million each, but also one additional storm during that year with expenses of \$1 million. As indicated by the illustrative example, total Storm Fund recoveries would be lower by \$250,000 based on the proposed settlement since the \$1 million storm would no longer qualify for Storm Fund recovery. Until August 31, 2018, a storm with \$1 million of costs will exceed the \$855,000 threshold and is eligible for Storm Fund recovery. However, if this settlement is approved, after new distribution base rates are approved in Docket No. 4770, a storm with \$1 million of costs will be below the new proposed threshold of \$1,100,000 and no longer eligible for recovery through the Storm Fund.

² RIPUC Docket No. 4770, Schedule MAL-31, Page 7, Line 13.

Illustrative Example 1

Line #	(a)	<u>Storm Costs</u> (b)	<u>Current</u> (b)	<u>Proposed</u> (c)
1	Qualifying Storm Threshold		855,000	1,100,000
2				
3	Storm Events			
4	Storm 1	10,000,000	10,000,000	10,000,000
5	Storm 2	10,000,000	10,000,000	10,000,000
6	Storm 3	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
7	Total Storm Costs	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
8				
9	Number of Qualifying Events		3	3
10				
11	Deductible per Storm Event		375,000	-
12				
13	Total Deductible		1,125,000	-
14				
15	Total Deferred to Storm Fund		28,875,000	30,000,000
16				
17	Amounts Recovered in Base Rates		<u>750,000</u>	<u>-</u>
18				
19	Total Recovered from Customers		<u><u>29,625,000</u></u>	<u><u>30,000,000</u></u>

Illustrative Example 2

Line #	(a)	<u>Storm Costs</u> (b)	<u>Current</u> (b)	<u>Proposed</u> (c)
1	Qualifying Storm Threshold		855,000	1,100,000
2				
3	Storm Events			
4	Storm 1	10,000,000	10,000,000	10,000,000
5	Storm 2	10,000,000	10,000,000	10,000,000
6	Storm 3	10,000,000	10,000,000	10,000,000
7	Storm 4	1,000,000	1,000,000	-
8	Total Storm Costs	<u>31,000,000</u>	<u>31,000,000</u>	<u>30,000,000</u>
9				
10	Number of Qualifying Events		4	3
11				
12	Deductible per Storm Event		375,000	-
13				
14	Total Deductible		1,500,000	-
15				
16	Total Deferred to Storm Fund		29,500,000	30,000,000
17				
18	Amounts Recovered in Base Rates		<u>750,000</u>	<u>-</u>
19				
20	Total Recovered from Customers		<u><u>30,250,000</u></u>	<u><u>30,000,000</u></u>

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4686
In Re: National Grid's Request for Approval of
Storm Contingency Fund Replenishment
Responses to Commission's Fourth Set of Data Requests
Issued on March 30, 2018

PUC 4-9

Request:

Please explain which parts of the storm recovery methodology and settlement are subject to review in Docket No. 4770 and which are not. Referencing PUC-3-12, please explain why the derivation of the five-year non-deferrable storm expense level is reviewable and the bandwidth is not.

Response:

The Storm Fund construct is designed to create a balance between providing timely and reasonable recovery of storm costs to the Company (because it is in the interests of customers to have the Company positioned to restore power safely and expeditiously when there are customer outages), and the interests of customers in making sure that the Company is managing storm costs well and that costs are reasonably incurred. To balance these competing objectives, there are tradeoffs of risk inherent in the construct. Therefore, the Company and the Division negotiated and settled upon the structure of the Storm Fund to achieve the proper balance. Elements such as the bandwidth have an inherent impact in achieving the appropriate balance of customer and Company interests, and therefore are part of the settlement construct. Other elements such as the five-year average of non-deferrable storm expense are a revenue requirement issue appropriately addressed in the base rate proceeding.