

September 25, 2017

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 Joint Proposal and Settlement Agreement

Dear Ms. Massaro:

I am pleased to report a settlement between National Grid¹ and the Division of Public Utilities and Carriers (Division) in the above-referenced docket. On behalf of National Grid and the Division, I enclose the parties' Joint Proposal and Settlement Agreement (Settlement Agreement) for filing with the Public Utilities Commission (PUC) in this docket.

As provided in the enclosed Settlement Agreement, the Company and the Division have resolved the outstanding issue in the above-referenced docket raised in the pre-filed direct testimony of David J. Effron on behalf of the Division, to which the Company responded in its rebuttal testimony and as further addressed at the hearing. Upon PUC approval of the Settlement Agreement, the Company will record a \$2 million reduction to the Storm Contingency Fund balance. On a going forward basis, new protocols will be implemented to credit customers with a portion of the revenues received due to the deployment of Company crews for mutual-aid assistance in other jurisdictions. The Settlement Agreement allows the Company to also retain a portion of these revenues to cover incremental costs the Company incurs when providing mutual aid to other utilities. Also, National Grid will adjust charges to the Storm Contingency Fund to exclude base labor and overheads of National Grid USA Service Company, Inc. employees to the extent those charges are already recovered through the Company's electric base distribution rates.

In addition, the Company and the Division have also agreed to modify certain aspects of the current structure of the Storm Contingency Fund to simplify the methodology for establishing an allowance for non-deferrable storm expense in each base distribution rate case. Lastly, the Company and the Division have agreed to establish new time frames for final storm cost accountings for major weather events to facilitate more timely submittal and review of those filings.

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

Luly E. Massaro, Commission Clerk
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Joint Proposal and Settlement Agreement
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Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosure

cc: Docket 4686 Service List
Macky McCleary, Division
Jonathan Schrag, Division
Steve Soialabba, Division
John Bell, Division
David Effron, Division
Leo Wold, Esq.

PUBLIC UTILITIES	
COMMISSION	
DOCKET NO.	<u>4686</u>
SPONSOR	<u>Joint</u>
EXHIBIT NO.	<u>1</u>
IDENT. (DATE)	<u>4/27/18</u>
FULL (DATE)	<u>4/27/18</u>
RECEIVED BY	<u>cgw</u>

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 ~~25~~, 2017
Date

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

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	Margaret.hogan@puc.ri.gov ;	

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

The Narragansett Electric Company)
d/b/a National Grid)
Request for Storm Contingency Fund Replenishment) RIPUC Docket No. 4686

**JOINT PROPOSAL AND SETTLEMENT
SUBMITTED BY
THE NARRAGANSETT ELECTRIC COMPANY D/B/A NATIONAL GRID
AND THE DIVISION OF PUBLIC UTILITIES AND CARRIERS**

The Division of Public Utilities and Carriers (the Division) and The Narragansett Electric Company d/b/a National Grid (National Grid or the Company) submit this Joint Proposal and Settlement (Settlement Agreement) regarding National Grid’s request for approval to collect funds to replenish the Company’s Storm Contingency Fund (Storm Fund) in the above-captioned docket.¹

Background

On December 29, 2016, the Company filed a petition requesting approval by the Public Utilities Commission (PUC) to allow the Company to implement a Storm Fund Replenishment Factor (SFRF) to collect approximately \$84.3 million over a four-year period to replenish the Storm Fund and return it to a positive balance. The Company further requested that the PUC authorize the extension of the annual \$3.0 million of supplemental base distribution rate contributions to the Storm Fund originally authorized in Docket No. 4323 to address the impacts of Hurricane Sandy, for an additional 26-month period beyond its current expiration in January 2019. The PUC assigned the Company’s filing as Docket No. 4686.

On June 21, 2017, the PUC conducted a hearing in Docket 4686. At the conclusion of the hearing, the PUC approved the proposed SFRF for effect on July 1, 2017 and extended the \$3.0 million supplemental base distribution-rate contributions through March 31, 2021. However, an outstanding issue remained regarding the appropriate charging of base pay and related overheads by the Company’s affiliates for storm response services performed during major weather events. The Company and the Division (collectively, the Parties, and individually, a Party) have engaged in settlement discussions to resolve the issue of storm-related base pay and overheads and to evaluate the overall structure of the Storm Fund. After substantial discussion and review, the Company and the Division have developed a revised approach to storm funding that addresses outstanding issues in this docket.

¹ The electric and gas distribution operations of The Narragansett Electric Company together represent the entirety of the regulated operations conducted in Rhode Island by the Company. In this Settlement Agreement, the regulated entity is referred to as National Grid or the Company. Where there is a need to refer to the “stand-alone” or individual electric or gas operations of The Narragansett Electric Company, the terms “Narragansett Electric” or “Narragansett Gas,” respectively, are used, as appropriate.

Settlement

Pursuant to the Joint Proposal and Settlement, the Company and the Division have agreed to reduce the outstanding Storm Fund deficit balance by \$2 million. Additionally, new protocols will be implemented to provide customers with a portion of the revenues realized through the deployment of Company crews for mutual aid assistance. The Company shall also retain a portion of these revenues to cover incremental costs the Company incurs when providing mutual aid to other utilities. Third, the Company and the Division have agreed to modify certain aspects of the current structure of the Storm Fund to simplify the methodology for establishing an allowance for non-deferrable storm expense in each base distribution rate case. Finally, the Company and the Division have agreed to establish new time frames for final storm cost accountings for major weather events to facilitate more timely submittal and review of those filings.

Upon the PUC's approval of the Settlement Agreement, the following shall occur:

- (1) National Grid will record a \$2 million reduction to the Storm Fund balance.
- (2) For major storm events occurring subsequent to the PUC's approval of this Settlement Agreement, National Grid will credit its customers for 75% of the Net Revenue (as hereinafter defined) received by Narragansett Electric or Narragansett Gas, as appropriate, for performing storm response services in other jurisdictions. The term "Net Revenue" is defined as the proceeds received or cost reductions achieved for base labor and non-incremental labor overhead costs² on all labor (i.e. not just base labor) charged for storm restoration services provided to other utilities, whether affiliated or non-affiliated, less an amount equal to the labor capitalization rate set in the Company's most recent base-rate case. The Company will credit the Net Revenue received for Narragansett Electric storm response services performed in other jurisdictions, including those outside of National Grid's service territories, to the Storm Fund. The Company will credit the Net Revenue received for Narragansett Gas storm response services performed in other jurisdictions, including those outside of National Grid's service territories, back to customers through the Distribution Adjustment Charge, applicable.
- (3) National Grid will 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. For major storms that occur prior to the effective date of the Company's next base rate change, 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). For major storms that occur after the effective date of the Company's next base rate change, this percentage will be based on the percentage of base labor of New England-based Service Company employees who charge Narragansett Electric during the test year in the most recent

² Overhead charges for payroll taxes and the employer 401(k) matching contributions on non-base labor are incremental overhead charges.

completed base rate case. This would be the percentage of New England Service Company costs that are effectively recovered in base rates. For major storms, that percentage of Service Company base labor and overheads would be excluded from the Storm Fund.

- (4) For non-Service Company affiliate direct employees, labor and overheads would be charged to the Storm Fund as those costs are charged today.
- (5) The Company will notify the Division and the PUC of any proposed change to the methodology of charging affiliates' base pay and overheads to the Storm Fund.
- (6) No further adjustments to the Company's filed Final Accountings for major storm events that occurred through March 2013 shall be made.
- (7) Effective with new base distribution rates, the Storm Fund threshold amount will be increased to \$1,100,000. Consistent with the existing Storm Fund, the threshold amount will continue to escalate effective each January 1; however, the escalation index used to calculate the annual threshold amount shall be the same index used to calculate inflation in the Company's last base distribution rate case. The first escalation of this threshold amount will occur on January 1, 2020.
- (8) The Storm Fund will no longer be subject to a deductible, and no provision for deductibles will be included in base distribution rates. This shall be effective with the implementation of new base distribution rates.
- (9) An allowance for non-deferrable storm expense shall be established in each base distribution rate case. Costs in excess of \$2,000,000 above the non-deferrable storm expense allowance in any calendar year shall be charged to the Storm Fund. The amount in excess of \$2,000,000 below the non-deferrable storm expense allowance in any calendar year shall be credited to the Storm Fund.
- (10) National Grid will use its best efforts to file the final accounting for each major storm event occurring after PUC approval of this Settlement Agreement within two years following the end of the calendar year in which the storm event occurred. The Company will make an annual calendar year storm cost final accounting filing of all known storm costs for any storm in which at least 75% of estimated total costs for the storm have been determined. The Company will have a one-time opportunity to true-up the costs for each such storm in ^{the} subsequent year filing. For catastrophic storms, the Company may need additional time in which to file its final storm cost accounting and, in such event, will consult with the Division to reach a mutually agreeable time frame in which the Company will file its final accounting for such storm event. For each final accounting and true-up filing, the Division will review the Company's filings to determine if the costs are reasonable and prudently incurred and make a recommendation to the PUC within nine months of the date that each accounting is filed with the PUC.
- (11) Unless expressly stated herein, the making of this Settlement Agreement establishes no principles or precedents, and may not be construed or cited as precedent in any future

proceeding. The covenants contained in this Settlement Agreement are limited to the above-captioned docket only and shall not be deemed to foreclose any Party from taking any position or making any contention in any other docket, proceeding, or investigation.

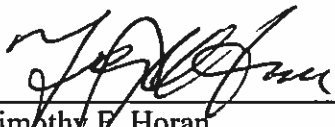
- (12) The Company and the Division agree that, unless expressly modified by this Settlement Agreement, all other aspects of the current structure of the Storm Fund shall remain unchanged, including without limitation the following:
- (a) The interest rate on the Storm Fund balance is set at the customer deposit rate and shall be adjusted on March 1 annually (approved by the PUC in Docket No. 2509);
 - (b) Within 90 days of the calendar-year end, the Company will file with the PUC a report showing the beginning balance, the monthly activity, and the ending balance of the fund and also the calculation of the current year's threshold and support for the current year's interest rate (approved by the PUC in Docket No. 2509);
 - (c) Within 90 days after the occurrence of a storm, the Company will file with the PUC a report which provides a description of the storm along with a summary of the extent of the damage to the Company's system, including the number of outages and length of outages (approved by the PUC in Docket No. 2509); and
 - (d) 50 percent of all revenue received from attachment and other telecommunication company fees for use of distribution plant in excess of \$850,000 annually is to be credited to the Company's Storm Fund on an annual basis (approved by the PUC in Docket No. 3617).
- (13) This Settlement Agreement is the result of settlement negotiations. The content of those negotiations is privileged and all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the Parties to this Settlement Agreement or otherwise. The agreement by a Party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.
- (14) This Settlement Agreement is submitted on the condition that it will be approved in full by the PUC. In the event that the PUC does not approve the Settlement Agreement in its entirety as filed or accepts this Settlement Agreement subject to conditions unacceptable to any Party hereto, then this Settlement Agreement shall be deemed withdrawn, shall not constitute a part of the record in any proceeding or be used for any purpose, and shall be null and void in all respects (except this Paragraph 14), unless all Parties agree to the PUC's modifications.

- (15) Any number of counterparts of this Settlement Agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the Parties to all the counterparts had signed the same instrument.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy, and have caused this Settlement Agreement to be executed by their respective representatives, each being fully authorized to do so, as of this 25th day of September, 2017.


RESPECTFULLY SUBMITTED,

THE NARRAGANSETT ELECTRIC
COMPANY D/B/A NATIONAL GRID

By: 

Timothy F. Horan
President
The Narragansett Electric Company
280 Melrose Street
Providence, RI 02907

DIVISION OF PUBLIC UTILITIES AND
CARRIERS

By: 

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