nationalgrid

Robert J. Humm
Senior Counsel

September 26, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4708 - 2017 Distribution Adjustment Charge
<u>Responses to Commission Data Requests – Set 1</u>

Dear Ms. Massaro:

Enclosed please find 10 copies of National Grid's[1] responses to the first set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at 401-784-7415.

Very truly yours,

Robert J. Humm

Enclosures

cc: Docket 4708 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Bruce Oliver, Division

[1] The Narragansett Electric Company d/b/a National Grid.

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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.

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Joanne M. Scanlon

September **26**, 2017
Date

Docket No. 4708 – National Grid –2017 Annual Distribution Adjustment Charge Filing (DAC) - Service List as of 8/2/17

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Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Sharon.ColbyCamara@puc.ri.gov; Todd.bianco@puc.ri.gov; Margaret.hogan@puc.ri.gov;	

COMM 1-1

Request:

Please identify what, if any, steps National Grid has taken to simplify the application process for the AGT Program and state the reasons why the Company believes the process is complex.

Response:

The Company has taken the following steps to simplify the application process for the Advanced Gas Technology (AGT) program. First, the Company recently hired a full-time project manager who will be responsible to manage the AGT program. The project manager will serve as a customer's primary point of contact by communicating with the customer regarding status updates and payment requests, among other responsibilities. Next, the Company is utilizing existing energy efficiency technical assessment studies to provide engineering support to potential applicants. In addition, the new, simplified process will include skilled professional engineering firms listed under a bidding process to aid customers in studying energy efficiency measures appropriate for the AGT program. If the study identifies a potential customer for the AGT, the professional engineers will provide the customer with more information about therm usage as it relates to the AGT rebate to help complete the customer's application process. The Company can use this energy efficiency report for the customer's AGT study, which should ultimately save the customer money. In contrast, under the existing, more complex application process, a customer needs to find and hire its own independent professional engineering firm and submit its own report.

The amount of work required for a customer to submit its own engineering report tends to discourage customers from participating in the program. The existing AGT application process is also complex and overly restrictive in that customers who are required to pay a contribution in aid of construction (CIAC) cannot apply for an AGT incentive.

Prepared by or under the supervision of: David M. Moreira

COMM 1-2

Request:

Please describe how the Company intends to simplify the application process for the AGT Program.

Response:

While still keeping with the core initiative of the AGT program to provide incentives to customers that have a high-load factor (higher summer usage), the Company proposes to make the following changes to simplify the AGT program:

- Remove the requirement for full technical assistance studies on smaller projects.
- Remove external approval of an AGT rebate. Currently, rebates of $50,000 and greater require approval by the Division of Public Utilities and Carriers and The Energy Council of Rhode Island (TEC-RI).
- Set an incentive based on an amount per therm (e.g., $1.00 per therm).
- Remove the limitation that customers who are required to pay a CIAC cannot apply for an AGT incentive.

Prepared by or under the supervision of: David Moreira

COMM 1-3

Request:

Please identify whether the Company intends its anticipated changes to the application process to encourage a more diverse group of applicants and projects or whether it intends to narrow types of projects that will be eligible for participation.

Response:

The Company anticipates that as a result of the changes identified in its responses to data requests COMM 1-1 and COMM 1-2, and particularly changing how the rebate is determined (from a financial test to an "amount per therm" standard incentive), the pool of potential applicants will become more diverse.

Prepared by or under the supervision of: David M. Moreira

COMM 1-4

Request:

Once the application process is simplified, how long does the Company anticipate until it pays its first rebate?

Response:

After the Company's implementation of the proposed changes, and upon the first participant's installation of equipment that is the subject of an AGT incentive as identified in its application, the Company will review the customer's off-peak usage (gas usage between May and October) to verify that the equipment has been commissioned correctly. After verification, the Company would need approximately 6-8 weeks to process the rebate.

Prepared by or under the supervision of: David M. Moreira

COMM 1-5

Request:

Please describe what is involved in the lengthy and burdensome process to derive the On-System Margin Credit factor and how these costs outweigh the benefits of keeping the factor.

Response:

The purpose of the On-System Margin factor is to reconcile each year's actual distribution revenue billed to Non-Firm customers with the rate year amount imputed in the Company's last general rate case, Docket No. 4323. Over the past three years, the surcharge/credit resulting from this reconciling mechanism has been minimal, ranging from a credit of $0.0001 per therm (Docket No. 4634) to a surcharge of $0.0003 per therm (Docket Nos. 4573 and 4514). Although the adjustment is small, the time required to prepare and review the analysis that forms the basis for the adjustment is lengthy and administratively burdensome as it requires the Company to schedule out in detail each Non-Firm customer's monthly bill. In past filings, this detail was presented in Schedule 6, beginning on page 4 through the end of the schedule.

To prepare this schedule, the Company must first print copies of each customer's monthly bill. The Company then manually inputs detailed information from the bill into an Excel spreadsheet. This detailed information includes the amounts billed for customer charges, commodity charges, distribution charges, sales tax, Gross Earnings Tax, energy efficiency program charges, curtailment penalties, paperless bill credits, and other miscellaneous billing adjustments.

Generally, three to five days are required for Company personnel to prepare and review this schedule. In addition, the Division of Public Utilities and Carriers (Division) has indicated to the Company that it also expends time and resources to review all the detailed information provided in this schedule. Therefore, since the amount of Non-Firm revenue has approximated the amount reflected in the Company's distribution rates approved in Docket No. 4323, the Company is proposing, and the Division supports, the elimination of the On-System Margin factor from the Distribution Adjustment Charge.

Prepared by or under the supervision of: Ann E. Leary

COMM 1-6

Request:

Please explain why the Company believes it will earn taxable income in FY2017 and is not anticipating an NOL as has occurred in prior years.

Response:

Based on its March 31, 2017 income tax provision, the Company believes that it will realize federal taxable income in FY 2017. Based upon a comparison of the FY 2017 income tax provision with the Company's FY 2016 federal tax return, the Company is anticipating a significant reduction in the repairs deduction and the deduction for tax bonus depreciation. The repairs deduction is dependent upon plant additions for the year, and FY 2017 fixed asset additions are significantly lower than in FY 2016. Therefore, there would be a significant reduction in the related repairs deduction and a corresponding increase in taxable income.

Taxable income can also be generated by a decrease in a regulatory asset or an increase in a regulatory liability. When a regulatory asset is set up, it generally represents expenses that have been deferred on the balance sheet for future recovery from customers. For income tax purposes, those expenses are deductible, so an increase in a regulatory asset represents an income tax deduction. When the deferral amounts are recovered from customers, there is a revenue increase with an offsetting expense reducing the deferral amount as the regulatory deferral amortizes. Since the expenses have already been deducted for income tax purposes, the deferral account amortization is not a good deduction for income tax purposes and results in an increase to taxable income. Similarly, when a regulatory liability is established, it generally represents an over-recovery of some expense that must be returned to customers. Since the revenue collected from customers is taxable income in the time period received, the deferral expense is not a valid deduction for income tax purposes. An increase to the regulatory liability is an increase to taxable income. As the regulatory liability reverses and the revenue is reduced, the amortization of the regulatory liability is not recognized for income tax purposes and a decrease in taxable income occurs.

Comparing the ending balances in Regulatory Asset – OPEB and Regulatory Asset – Pension at March 31, 2017 to March 31, 2016, for example, the balances have decreased, generating FY 2017 taxable income.

Prepared by or under the supervision of: Melissa A. Little