

October 12, 2018

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4846 - 2018 Distribution Adjustment Charge  
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed please find 10 copies of National Grid's<sup>1</sup> responses to the First Set of Data Requests issued by the 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 4846 Service List  
Leo Wold, Esq.  
Al Mancini, Division  
John Bell, Division  
Bruce Oliver, Division

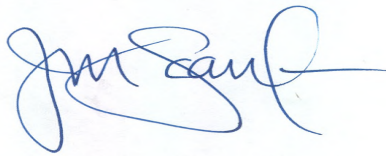
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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid.

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

October 12, 2018

Date

**Docket No. 4846 – National Grid –2018 Annual Distribution Adjustment  
Charge Filing (DAC) - Service List as of 10/3/18**

<b>Name/Address</b>	<b>E-mail</b>	<b>Phone</b>
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Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:LWold@riag.ri.gov">LWold@riag.ri.gov</a> ;	401-274-4400 Ext. 2218
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COMM 1-1

Request:

Please explain how the Company used its best efforts to minimize environmental response costs, particularly with regard to consultant costs.

Response:

The Company staffs its Site Investigation and Remediation (SIR) program with experienced project managers with expertise in the investigation and remediation of former manufactured gas plants (MGPs) and other utility-related environmental liabilities. The project managers have the responsibility to ensure cost-effective and prudent environmental response costs.

The Company has established the following cost control procedures for contracting with environmental consultants and contractors, and verification of expense payments related to environmental response costs.

***Environmental Consulting Services:***

The Company uses specialized environmental consultants to perform investigation, engineering design, permitting, remedial evaluation and construction, construction oversight, operations and maintenance activities, and regulatory reporting in accordance with the Company's policies and accepted industry practices.

In 2009, the Company conducted a comprehensive multi-step competitive request for proposal (RFP) process to select firms to provide high-quality, cost-effective environmental consulting services. The result of the RFP process was the extensive negotiation and award of Master Service Agreements (MSAs) with a select number of firms to provide these services. Periodic reviews that evaluated vendor performance and price were conducted of each MSA through July 2018. The reviews resulted in MSA amendments based on reasonable and cost competitive market adjustments, when warranted.

In early 2017, the Company's Environmental and Procurement departments initiated a comprehensive competitive RFP process to negotiate new MSAs for both SIR Consulting and SIR Construction Management services. The result of the RFP process was the extensive negotiation and award of new six-year MSAs effective August 1, 2018. The competitively negotiated rates and volume discounts will be held for at least two years, when they will be reevaluated based on market conditions.

COMM 1-1, page 2

Work Authorization:

MSA consultants perform work under approved proposals. Management approval of the work is performed within the Company's accounting system, which automatically routes to the levels of management needed for approval, depending on the anticipated value of the work being approved. When additional effort is required to continue or complete the authorized work, the MSA consultants submit change notice requests detailing the reasons the change is justified. Change notices route through the Company's accounting system in the same way as the initial proposal.

The MSA consultants are required to include the following information in their proposals and change notice requests:

- Project organization;
- Detailed description of services to be provided, by task;
- Number of hours and rates for each person or labor classification for each task and the estimated expenses and subcontractor costs for each task;
- Schedule for completion of the tasks;
- Assumptions;
- List of Deliverables; and
- Subcontractors, including
  - Unit costs or rates, and
  - Justification for retaining the subcontractor.

Invoicing:

Consultants must prepare invoices that include the following information:

- Project and/or task description;
- Budget for each task, amount invoiced for each task on the current invoice and to date, and the amount remaining in the work authorization for the completion of the task; and
- Detailed breakdown of costs for each task, including labor charges by employee name, labor category, billable rate, current and cumulative hours worked on the task, current and cumulative amount invoiced, and a breakdown of other direct charges.

COMM 1-1, page 3

***Environmental Contractors:***

The Company's Environmental and Procurement departments conduct a competitive bid selection process for SIR remedial construction projects. During the competitive bid process, a site-specific RFP is issued to four or more qualified contractors. Contractor selection is based on specific selection criteria, such as cost (including cost-competitive alternatives), technical merit, personnel qualifications, and approach to safety. Select contractors are interviewed, followed by renegotiated pricing and the request for best and final offers. The contract is awarded to the bidder with the lowest qualified bid.

Exceptions to the contractor RFP process occur in situations such as implementing immediate or short term response actions where there is insufficient time for a competitive bid process, as well as for smaller value projects (typically less than \$100,000). For this type of work, the Company has negotiated labor and equipment pricing in blanket contracts with select contractors that possess the expertise, experience, and qualifications to conduct work on short notice at contaminated sites.

Contractor invoices are reviewed by comparing the summary and detail invoices to the original bid spreadsheet to determine if the level of effort expended by the vendor corresponds to their bid estimate. Special attention is directed to those tasks where the level of effort exceeds the estimate. The vendor is asked to provide a written justification for deviations from the original scope of work. The justifications are examined and questioned by the construction manager and/or design engineer, as appropriate, as well as the Company project manager, prior to acceptance by the Company. In all cases, documentation is retained in the project files with the invoices explaining these deviations from the work scope and project budget. Where expanded scopes of work or costs are justified, contract change notices are prepared.

COMM 1-2

Request:

Provide the amount of low income discounts provided to eligible low-income customers in last year's DAC period.

Response:

Please see Attachment COMM 1-2. The Company provided \$937,021 of low income discounts to eligible low income customers during the period November 2017 through September 2018.<sup>1</sup> In addition to these discounts, the Company also provided \$1,621,108 in matching LIHEAP grants and \$4,582,000 in LIHEAP Enhancement credits to low income customers during the period November 2017 through September 2018. In total, the Company provided \$7,140,128 in assistance to low income customers during the period November 2017 through September 2018.

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<sup>1</sup> October 2018 information is not yet available.



The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4846  
2018 Distribution Adjustment Charge Filing  
Responses to Commission's First Set of Data Requests  
Issued September 28, 2018

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COMM 1-3

Request:

What were the total therms used by Rate 11 and Rate 13 classes for the last 3 years?

Response:

Please see Attachment COMM 1-3 for the total therms used by Rate 11 and Rate 13 classes for the last three full years data is available, and for 2017-18 through September 2018.



**Total Throughput (therms) - Rate 11 & 13 Customers**

Line No.	<u>Nov-14</u>	<u>Dec-14</u>	<u>Jan-15</u>	<u>Feb-15</u>	<u>Mar-15</u>	<u>Apr-15</u>	<u>May-15</u>	<u>Jun-15</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Oct-15</u>	<u>Total</u>
(1) Rate 11	27,530	29,762	40,062	49,000	43,533	43,290	20,148	10,514	7,871	7,280	5,930	8,284	293,204
(2) Rate 13	1,007,916	2,138,847	2,827,449	3,527,171	3,182,588	2,474,693	1,096,203	616,302	499,067	407,589	401,595	506,421	18,685,841
(3)	<u>Nov-15</u>	<u>Dec-15</u>	<u>Jan-16</u>	<u>Feb-16</u>	<u>Mar-16</u>	<u>Apr-16</u>	<u>May-16</u>	<u>Jun-16</u>	<u>Jul-16</u>	<u>Aug-16</u>	<u>Sep-16</u>	<u>Oct-16</u>	<u>Total</u>
(4) Rate 11	13,158	24,336	31,595	35,477	25,370	29,409	19,564	10,230	3,274	2,588	2,767	3,915	201,683
(5) Rate 13	935,028	1,771,826	2,279,883	2,711,016	1,736,676	1,524,495	1,005,655	557,101	400,214	333,048	340,782	461,789	14,057,513
(6)	<u>Nov-16</u>	<u>Dec-16</u>	<u>Jan-17</u>	<u>Feb-17</u>	<u>Mar-17</u>	<u>Apr-17</u>	<u>May-17</u>	<u>Jun-17</u>	<u>Jul-17</u>	<u>Aug-17</u>	<u>Sep-17</u>	<u>Oct-17</u>	<u>Total</u>
(7) Rate 11	7,076	12,201	16,971	16,460	14,063	14,287	10,049	6,830	4,863	4,379	14,242	(6,240)*	121,421
(8) Rate 13	997,115	1,780,437	2,507,814	2,381,783	2,137,100	1,940,206	1,001,265	671,199	438,242	387,810	401,979	374,428	15,019,378
(9)	<u>Nov-17</u>	<u>Dec-17</u>	<u>Jan-18</u>	<u>Feb-18</u>	<u>Mar-18</u>	<u>Apr-18</u>	<u>May-18</u>	<u>Jun-18</u>	<u>Jul-18</u>	<u>Aug-18</u>	<u>Sep-18</u>	<u>Oct-18</u>	<u>Total</u>
(10) Rate 11	5,058	9,077	14,785	11,917	11,391	11,759	9,920	5,502	4,581	3,582	4,057	N/A	91,629
(11) Rate 13	851,263	1,740,144	2,950,952	2,378,166	1,925,520	1,915,454	1,174,031	504,134	401,822	332,997	387,998	N/A	14,562,481

\* As indicated in the prefilled testimony of Ann E. Leary in Docket 4872, the negative sales were due to the cancellation of customer bills on the Firm Sales Residential Non-Heating Low Income rate class and rebilling on a different rate classification.

COMM 1-4

Request:

What changes have been made to the AGT program to improve the application process and include a broader range of applicants?

Response:

Over the last year, the Company has reviewed its Advanced Gas Technology (AGT) program to see how it could simplify the application process for a customer to receive an incentive under the AGT program. By speaking with project developers and participating customers, the Company learned that one of the major barriers was the complex calculations needed to determine the value of an incentive. Project developers have informed the Company that they need an estimated value of the incentive up-front so that they can develop pro-forma project proposals to provide to their customers earlier in the project development stage. This is not presently possible because two of the current tests require the development of the natural gas distribution margin for each job, along with the calculations of any associated contribution in aid of construction (CIAC) for any gas services associated with the project.

Based on this feedback, the Company proposes the following. The Company would replace the current three calculation methods with a single, simplified pre-approved prescriptive value. This value would then be multiplied by the incremental annual therms added to the Company's distribution system. Please see Attachment COMM 1-4 for a table the Company has developed to help customers calculate their incentive earlier in the process when considering the AGT program. Attachment COMM 1-4 includes an "Example Applicant" to demonstrate how the table works. The amount per therm would vary with the equipment's load factor and size, so the AGT program could attract technologies with low peak usages.

Another practice the Company has experienced success with this year is the use of energy efficiency technical assessment studies to identify potential AGT measures. Using the data from these studies has saved, and should continue to save, the customer time and money because customers no longer need to complete their own study, while also expediting the application process.

Rate	Percent Consumed in May-Oct Months									
	31%	35%	40%	45%	50%	55%	60%	65%	70%+	
SMALL - RATE 21	\$ 1.25	\$ 1.38	\$ 1.50	\$ 1.63	\$ 1.75	\$ 1.88	\$ 2.00	\$ 2.13	\$ 2.25	
MEDIUM - RATE 22	\$ 1.00	\$ 1.13	\$ 1.25	\$ 1.38	\$ 1.50	\$ 1.63	\$ 1.75	\$ 1.88	\$ 2.00	
LARGE LOW LOAD FACTOR - RATE 33	\$ 0.25	\$ 0.38	\$ 0.50	\$ 0.63	\$ 0.75	\$ 0.88	\$ 1.00	\$ 1.13	\$ 1.25	
LARGE HIGH LOAD FACTOR - RATE 23	\$ 0.25	\$ 0.38	\$ 0.50	\$ 0.63	\$ 0.75	\$ 0.88	\$ 1.00	\$ 1.13	\$ 1.25	
EXTRA LARGE LOW LOAD FACTOR - RATE 34	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.38	\$ 0.50	\$ 0.63	\$ 0.75	\$ 0.88	\$ 1.00	
EXTRA LARGE HIGH LOAD FACTOR - RATE 24	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.38	\$ 0.50	\$ 0.63	\$ 0.75	\$ 0.88	\$ 1.00	

Incremental Therms  
estimated during May-Oct  
months times \$/therms

	therms non heat	total therms Increase	% consumed	\$ Proposed Table	CHP size
Example Applicant	157,500	450,000	35%	\$ 39,375	1,000kW

<u>TECHNOLOGY</u>	<u>APPLICATION</u>
Air Compressor	Product cooling or movement
Compressed Natural Gas	Personal or fleet cars and trucks
Engine-Driven Pump	Municipal water pumping
Convection Oven & Burner	Curing, drying and forming
Absorption/Engine Driven Chiller	Office air conditioning or process cooling
Desiccant Dehumidifier	Office or process dehumidification
Engine-Driven Generator	Cogeneration
Catalytic Infra-Red Heater	Curing, drying and forming
Incinerator	Solid waste or air pollutant destruction
Boiler & Burner	Process heating (i.e., steam, hot water, etc.)

COMM 1-5

Request:

Has NGrid provided the DPUC with clarification on the costs incurred to maintain system pressure for other parts of the RI distribution system? Please explain.

Response:

Yes. As indicated on page 9 of Ms. Leary's Supplemental Distribution Adjustment Charge (DAC) testimony filed on August 31, 2018, the Company further clarified to the Division of Public Utilities and Carriers (Division) on July 30, 2018 that the Company requires 17,120 dekatherms from its liquefied natural gas facility in Exeter to maintain system pressure in a normal winter, at an estimated cost of approximately \$100,000. As indicated in both Ms. Leary's supplemental testimony and Bruce Oliver's Memorandum filed on October 5, 2018 regarding his review of the Company's 2018 DAC filing, the Company and the Division agreed that these System Pressure costs are too small to justify a System Pressure factor in this year's DAC, and instead should be recovered through the Gas Cost Recovery factors proposed in Docket No. 4872.

COMM 1-6

Request:

Please describe how the Company develops its projections of throughput. Also provide detail behind the revisions to the original forecasts.

Response:

As documented in Section III of its Long-Range Resource and Requirements Plan for the Forecast Period 2017/18 to 2026/27 in Docket No. 4816, annually, the Company develops a 10-year forecast of retail (burner tip) gas demand and equivalent wholesale (citygate) customer requirements under normal and design weather conditions using the following process:

1. Forecast Retail Demand Requirements

Retail demand requirements are based on customer billing data, which is available by rate class and by month. The Company uses a series of econometric models to develop a forecast of retail demand requirements for traditional markets (i.e., Residential Heating, Residential Non-Heating, and Commercial and Industrial customers). The forecast of retail demand requirements for traditional markets is summed to determine the total retail demand requirements over the forecast period.

2. Develop Reference Year Sendout Using Regression Equations

The daily values of the Company's wholesale sendout in the reference year (the most recent April through March period) serves as the basis of allocating the monthly retail demand forecast to the daily level. Because actual sendout data for the reference year is a function of the weather conditions experienced in that year, the Company develops this allocator for sendout using regression equations to normalize the sendout in the reference year based on normalized weather data.

3. Normalize Forecast of Customer Requirements

The Company's monthly retail demand forecast is allocated to the daily level based on the use of its daily wholesale sendout regression equation and its normal daily heating degree day data. This step sets the Company's total normalized forecast of customer requirements over the 10-year forecast period.

COMM 1-6, page 2

4. Determine Design Weather Planning Standards

The Company performs an analysis to determine the appropriate design day and design year planning standards for the development of a least-cost reliable supply portfolio over the forecast period.

5. Determine Customer Requirements Under Design Weather Conditions

Using the applicable design day and design year weather planning standards, the Company determines the design year sendout requirements and the design day sendout requirements. These design sendout requirements establish the Company's resource requirements over the forecast period.

In the Company's Distribution Adjustment Charge (DAC) filing submitted on August 1, 2018, the Company inadvertently excluded the incremental forecast associated with the Southern Rhode Island expansion project. The Company updated the forecast in its August 28, 2018 Supplemental DAC filing to include these incremental volumes. As a result, the projected annual firm throughput for the period November 2018 through October 2019 increased by 18,426 dekatherms, or 0.05 percent, from the forecast included in the August 1 DAC filing.

COMM 1-7

Request:

Why are carrying charges incurred when the Company has over-recovered Pension expenses?

Response:

The carrying charge on Schedule JDO-1, Page 1, Line 12 is unrelated to the over-recovery of Pension expense on Line 11 of Schedule JDO-1, Page 1.

The carrying charges are associated with the Company's funding obligations under its pension plan. The Company's Pension reconciliation mechanism requires the Company to make funding contributions to the pension plan equal to the net amount of Pension costs recovered from customers during the fiscal year, plus the amount of Pension costs capitalized. This is referred to as the Minimum Funding Obligation (MFO). If the Company does not fund the pension plan at the MFO, the Company will pay carrying charges to customers at the weighted average cost of capital. For the fiscal year ended March 31, 2018 (FY 2018), the Company incurred a small carrying charge to be credited to customers of \$10,931, which it calculated on Page 3 of Schedule JDO-1 of its August 1, 2018 Distribution Adjustment Charge filing.

The Company recovers Pension expense consisting of an annual allowance in base distribution rates (Schedule JDO-1, Page 1, Line 10) plus or minus the amount of Pension expense that were reconciled and deferred in the prior year that are either being recovered from or credited to customers in the current year (Schedule JDO-1, Page 1, Line 11).

The Company over-recovered Pension expense during FY 2018 in the amount of \$2,811,656, as calculated on Schedule JDO-1, Page 1. The over-recovered amount is a component of the total recoveries for the year, which is a component of the current year MFO, as described above. The Company will return the over-recovered amount to customers over the 12 month period commencing November 1, 2018.

Consequently, the amount credited to customers will reduce the MFO in the fiscal year in which the over-recovery is credited to customers and will be reflected in the calculation of subsequent carrying charges. The negative "PAF Surcharge Recovery" amount shown on Schedule JDO-1, Page 3, Line 4 reflects the return to customers during FY 2018 of Pension expenses over-recovered in prior fiscal years. In simple terms, the receipt of cash from customers for pensions creates a funding obligation in the period it is received, and the return of any cash for any over-recovered amounts creates a reduction to the funding obligation in the period that it is credited to customers.