

February 25, 2019

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4857 - Adoption of Performance Incentives Pursuant to  
R.I. Gen. Laws § 39-1-27.7.1(e)(3)  
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid,<sup>1</sup> I have enclosed ten (10) copies of the Company's 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 transmittal. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4857 Service List  
Leo Wold, Esq.  
Christy Hetherington, Esq.

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<sup>1</sup> 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

February 25, 2019  
Date

**Docket No. 4915 - National Grid's Electric ISR Plan FY 2020**  
**Docket No. 4857 - Performance Incentives Pursuant to R.I.G.L. §39-1**  
**27.7.1(e)(3)**

**Service List as of 1/4/2019**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
Jennifer Hutchinson, Esq. <b>National Grid</b> 280 Melrose St. Providence, RI 02907	<a href="mailto:jennifer.hutchinson@nationalgrid.com">jennifer.hutchinson@nationalgrid.com</a> ; <a href="mailto:celia.obrien@nationalgrid.com">celia.obrien@nationalgrid.com</a> ; <a href="mailto:Joanne.scanlon@nationalgrid.com">Joanne.scanlon@nationalgrid.com</a> ;	401-784-7288
National Grid Melissa Little John Nestor Ryan Moe Adam Crary William Richer Kathy Castro	<a href="mailto:Melissa.Little@nationalgrid.com">Melissa.Little@nationalgrid.com</a> ; <a href="mailto:Ryan.Moe@nationalgrid.com">Ryan.Moe@nationalgrid.com</a> ; <a href="mailto:John.Nestor@nationalgrid.com">John.Nestor@nationalgrid.com</a> ; <a href="mailto:Adam.Crary@nationalgrid.com">Adam.Crary@nationalgrid.com</a> ; <a href="mailto:William.Richer@nationalgrid.com">William.Richer@nationalgrid.com</a> ; <a href="mailto:Kathy.Caston@nationalgrid.com">Kathy.Caston@nationalgrid.com</a> ;	
<b>Division of Public Utilities (Division)</b> Christy Hetherington, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Chetherington@riag.ri.gov">Chetherington@riag.ri.gov</a> ; <a href="mailto:Dmacrae@riag.ri.gov">Dmacrae@riag.ri.gov</a> ; <a href="mailto:John.bell@dpuc.ri.gov">John.bell@dpuc.ri.gov</a> ; <a href="mailto:Macky.McCleary@dpuc.ri.gov">Macky.McCleary@dpuc.ri.gov</a> ; <a href="mailto:Jonathan.Schrag@dpuc.ri.gov">Jonathan.Schrag@dpuc.ri.gov</a> ; <a href="mailto:Kevin.Lynch@dpuc.ri.gov">Kevin.Lynch@dpuc.ri.gov</a> ; <a href="mailto:Joseph.shilling@dpuc.ri.gov">Joseph.shilling@dpuc.ri.gov</a> ;	
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<b>File an original &amp; ten copies w/:</b> Luly E. Massaro, Commission Clerk John Harrington, Commission Counsel Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ; <a href="mailto:John.harrington@puc.ri.gov">John.harrington@puc.ri.gov</a> ; <a href="mailto:Cynthia.WilsonFrias@puc.ri.gov">Cynthia.WilsonFrias@puc.ri.gov</a> ; <a href="mailto:Alan.nault@puc.ri.gov">Alan.nault@puc.ri.gov</a> ;	401-780-2107

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4857  
In Re: Adoption of Performance Incentives  
Pursuant to R.I. Gen. Laws § 39-1-27.7.1(e)(3)  
To Apply to the Electric Infrastructure, Safety, and Reliability Plan  
Responses to the Commission's First Set of Data Requests  
Issued on February 4, 2019

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PUC 1-1

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement was set.

Response:

The Settlement Agreement filed with the Public Utilities Commission (PUC) on June 6, 2018 in Docket Nos. 4770 and 4780 (the Settlement Agreement) established a formula for determining the baseline in the Capital Efficiency Mechanism. The Settlement Agreement defines the term “Capital Spending Target” as “the three-year aggregate Capital spending targets for electric distribution established in Section 18 for ISR-eligible Capital Spending for Fiscal Year 2020 and in the aggregate Fiscal Years 2021 and 2022.”<sup>1</sup> The Settlement Agreement also defines the term “ISR-eligible Capital Spending” as “capital spending for electric distribution that is eligible for approval by the PUC under the statutory provisions of the ISR.”<sup>2</sup> The Settlement Agreement then states, “A three-year capital spending target for ISR-eligible Capital Spending will be established in the aggregate for the three fiscal years 2020, 2021, and 2022 subject to the provisions of this section. The target for FY2020 will be established as part of the FY2020 ISR plan. The targets for FY2021 and FY2022 will be established as part of the FY2021 ISR plan.”<sup>3</sup>

At the time of the Settlement Agreement, the Company contemplated that it would work closely with the Division of Public Utilities and Carriers through the annual Infrastructure, Safety, and Reliability Plan to determine the appropriate baselines needed for a capital efficiency incentive. In light of the PUC's decision regarding the Capital Efficiency Mechanism in Docket No. 4770 and the opening of Docket No. 4857, the Company is in the process of reevaluating the mechanics of the incentive and addressing the concerns the PUC expressed in its decision, including, without limitation, the baseline and how it is set, how it impacts deferral of projects and spending, mandatory vs. discretionary spending, and spending variances.

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<sup>1</sup> Settlement Agreement, Article II, Section B, at 12 (Bates Page 32, Book 1 of 7).

<sup>2</sup> *Id.*, at 12-13 (Bates Pages 32-33, Book 1 of 7).

<sup>3</sup> *Id.*, Article II, Section C.18.a., at 64 (Bates Page 84, Book 1 of 7).

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PUC 1-2

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is objective and not easily influenced by the Company's own inputs.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
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PUC 1-3

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is measurable where there are opportunities to change the baseline during the period over which the Capital Efficiency Mechanism operates.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
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PUC 1-4

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement accounts for deferral of projects/spending.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
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PUC 1-5

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is impacted by mandatory spending fluctuations.

Response:

Please see the Company's response to PUC 1-1.



The Narragansett Electric Company  
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PUC 1-6

Request:

Please explain how the baseline set in the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is impacted by discretionary spending fluctuations.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4857  
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PUC 1-7

Request:

Please explain how the comparison of actual spending to the baseline set under the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is impacted by deferrals of projects/spending.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4857  
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PUC 1-8

Request:

Please explain how the comparison of actual spending to the baseline set under the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is impacted by mandatory spending fluctuations.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4857  
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PUC 1-9

Request:

Please explain how the comparison of actual spending to the baseline set under the Capital Efficiency Mechanism proposed in the Docket No. 4770 Settlement Agreement is impacted by discretionary spending fluctuations.

Response:

Please see the Company's response to PUC 1-1.

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4857  
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PUC 1-10

Request:

Please provide a detailed explanation of how the proposed incentives or penalties will be treated for purposes of the Company's electric earnings reports.

Response:

Incentives earned or penalties incurred under a Capital Efficiency Mechanism will be excluded from the Company's calculation of electric Base Earnings from which electric distribution earnings sharing is determined. The term "Base Earnings" is defined in the Amended Settlement Agreement approved by the Public Utilities Commission (PUC) on August 24, 2018, in Docket No. 4770 (Amended Settlement Agreement) as earnings excluding all Performance Incentives earned for an applicable calendar year and excluding any financial penalties incurred by Narragansett Electric in the calendar year as assessed by the PUC or the Division of Public Utilities and Carriers.<sup>1</sup> As noted in the Amended Settlement Agreement, amounts defined as Performance Incentives would include "any other performance incentive that has been or may be approved by the PUC in a future proceeding".<sup>2</sup> Incentives or penalties incurred under a Capital Efficiency Mechanism would operate similarly to energy efficiency incentives or service quality penalties, which are also excluded from the Company's calculation of electric Base Earnings.<sup>3</sup> Excluded amounts and a description of each will be clearly disclosed in the electric earnings report.<sup>4</sup>

The Company's electric earnings report would also provide a calculation of Actual Earnings, which includes all Performance Incentives.<sup>5</sup> The Company proposes to treat incentives earned under a Capital Efficiency Mechanism as the Performance Incentives are, thereby including such incentives in the calculation of Actual Earnings. The Company would retain 100 percent of any excess earnings of the Actual Earnings attributable to the Capital Efficiency Mechanism, as it would for the Performance Incentives.<sup>6</sup>

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<sup>1</sup> See Amended Settlement Agreement, Article II, Section C.6.b.ii. (Bates Page 30, Book 1 of 7).

<sup>2</sup> *Id.*, Article II, Section C.6.b.iv. (Bates Page 31, Book 1 of 7).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*, Article II, Section C.6.b.ii. (Bates Page 30, Book 1 of 7).

<sup>5</sup> *Id.*, Article II, Section C.6.b.i. (Bates Page 30, Book 1 of 7).

<sup>6</sup> *Id.*, Article II, Section C.6.d. (Bates Page 32, Book 1 of 7).