

March 4, 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)
Supplemental Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed ten (10) copies of the Company's supplemental responses to PUC 1-2 through PUC 1-9 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.

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

March 4, 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

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File an original & ten copies w/: Luly E. Massaro, Commission Clerk John Harrington, Commission Counsel Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ; John.harrington@puc.ri.gov ; Cynthia.WilsonFrias@puc.ri.gov ; Alan.nault@puc.ri.gov ;	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

PUC 1-2 (Supplemental)

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.

Supplemental Response:

The baseline was to be set based on the approved Infrastructure, Safety, and Reliability (ISR) Plan budget, which is reviewed by the Division of Public Utilities and Carriers and approved by the Public Utilities Commission. The Company believes the current review and approval process is robust enough to objectively set the ISR Plan budget, which will be used as the baseline.

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PUC 1-3 (Supplemental)

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.

Supplemental Response:

The baseline was to be set based on the approved Infrastructure, Safety, and Reliability Plan budget, which is reviewed by the Division of Public Utilities and Carriers (Division) and approved by the Public Utilities Commission (PUC); therefore, the Company believed that the baseline could be measurable. The Company did believe that there should be a process for changes to the baseline. The Company anticipated that the baseline change process would include the following steps:

- Baseline adjustment request and justification would be submitted to the Division for review; and
- If the adjustment was supported by the Division, it would be submitted to the PUC for approval; disputed adjustments would be settled by the PUC.

The Company continues to believe that a baseline change process should be implemented in any future Capital Efficiency Mechanism.

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PUC 1-4 (Supplemental)

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.

Supplemental Response:

The Company anticipated that major deferral of projects or project scope changes would require a baseline change.

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PUC 1-5 (Supplemental)

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.

Supplemental Response:

The Company anticipated that major fluctuations in mandatory and/or discretionary spending would require a baseline change. Because the Capital Efficiency Mechanism proposed in the Settlement Agreement filed with the Public Utilities Commission (PUC) on June 6, 2018, in Docket Nos. 4770 and 4780 (the Settlement Agreement) was a portfolio measure (i.e., measured the delivery of the full portfolio of projects, rather than measured the delivery on a project by project basis), however, the Company would have been responsible to deliver the portfolio (including mandatory or discretionary spending minor fluctuations) below the baseline to earn an incentive. The Company believes that a portfolio approach is superior to a project by project incentive because it allows for more opportunity for innovation and efficiency across the portfolio, rather than limiting it to individual projects. A portfolio approach can be used on the entire Infrastructure, Safety, and Reliability (ISR) Plan set of projects as proposed in the Settlement Agreement or a subset of projects in the ISR Plan.

The Company would like to note that the terms "major" and "minor" were not defined in the Settlement Agreement. The Company anticipated that any changes to the baseline would go through the process described in its response to PUC 1-3 and be approved or denied on a case by case basis.

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PUC 1-6 (Supplemental)

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.

Supplemental Response:

Please see the Company's response to PUC 1-5 for the requested information.

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PUC 1-7 (Supplemental)

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.

Supplemental Response:

Please see the Company's response to PUC 1-4 for the requested information.

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PUC 1-8 (Supplemental)

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.

Supplemental Response:

As stated in the Company's response to PUC 1-5, the Company anticipated that major fluctuations in spending (mandatory and/or discretionary) would be submitted as an adjustment to the baseline. The Company anticipated minor adjustments in spending would be included in the comparison of the actual spending to the baseline.

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PUC 1-9 (Supplemental)

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.

Supplemental Response:

Please see the Company's response to PUC 1-8 for the requested information.