

March 4, 2022

**VIA ELECTRONIC MAIL**

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

**RE: Docket 5209 - Proposed FY 2023 Electric Infrastructure, Safety, and Reliability Plan  
Supplemental Response to PUC 2-7**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed please find the electronic version of the Company’s supplemental response to PUC 2-7 in the above-reference matter.<sup>1</sup>

Thank you for your attention to this transmittal. If you have any questions, please contact me at 401-784-7263.

Sincerely,



Andrew S. Marcaccio

Enclosure

cc: Docket 5209 Service List  
Jon Hagopian, Esq.  
John Bell, Division  
Greg Booth, Division  
Linda Kushner, Division

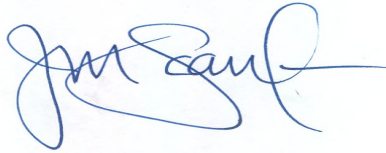
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<sup>1</sup> Per a communication from Commission counsel on October 4, 2021, the Company is submitting an electronic version of this filing followed by six (6) hard copies filed with the Clerk within 24 hours of the electronic filing.

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, 2022

Date

**Docket No. 5209 - National Grid's Electric ISR Plan FY 2023  
Service List as of 01/10/2022**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
Andrew.Marcaccio, Esq. <b>National Grid</b> 280 Melrose St. Providence, RI 02907	<a href="mailto:Andrew.Marcaccio@nationalgrid.com">Andrew.Marcaccio@nationalgrid.com;</a>	401-784-7288
	<a href="mailto:celia.obrien@nationalgrid.com">celia.obrien@nationalgrid.com;</a>	
	<a href="mailto:Joanne.scanlon@nationalgrid.com">Joanne.scanlon@nationalgrid.com;</a>	
<b>National Grid</b> Melissa Little Patricia Easterly Susan Toronto Caitlin Broderick Ryan Moe Susan Toronto Patricia Easterly Daniel Gallagher Theresa Burns Scott McCabe	<a href="mailto:Melissa.Little@nationalgrid.com">Melissa.Little@nationalgrid.com;</a>	
	<a href="mailto:Patricia.easterly@nationalgrid.com">Patricia.easterly@nationalgrid.com;</a>	
	<a href="mailto:Susan.Toronto@nationalgrid.com">Susan.Toronto@nationalgrid.com;</a>	
	<a href="mailto:Caitlin.broderick@nationalgrid.com">Caitlin.broderick@nationalgrid.com;</a>	
	<a href="mailto:Ryan.moe@nationalgrid.com">Ryan.moe@nationalgrid.com;</a>	
	<a href="mailto:Daniel.gallagher@nationalgrid.com">Daniel.gallagher@nationalgrid.com;</a>	
	<a href="mailto:Theresa.Burns@nationalgrid.com">Theresa.Burns@nationalgrid.com;</a>	
	<a href="mailto:Scott.McCabe@nationalgrid.com">Scott.McCabe@nationalgrid.com;</a>	
<b>Division of Public Utilities (Division)</b> Mark Simpkins, Esq. Jon Hagopian, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	<a href="mailto:Mark.A.Simpkins@dpuc.ri.gov">Mark.A.Simpkins@dpuc.ri.gov;</a>	
	<a href="mailto:jon.hagopian@dpuc.ri.gov">jon.hagopian@dpuc.ri.gov;</a>	
	<a href="mailto:eullucci@riag.ri.gov">eullucci@riag.ri.gov;</a>	
	<a href="mailto:MFolcarelli@riag.ri.gov">MFolcarelli@riag.ri.gov;</a>	
	<a href="mailto:John.bell@dpuc.ri.gov">John.bell@dpuc.ri.gov;</a>	
	<a href="mailto:Robert.Bailey@dpuc.ri.gov">Robert.Bailey@dpuc.ri.gov;</a>	
	<a href="mailto:Margaret.l.hogan@dpuc.ri.gov">Margaret.l.hogan@dpuc.ri.gov;</a>	
	<a href="mailto:Linda.george@dpuc.ri.gov">Linda.george@dpuc.ri.gov;</a>	

	<a href="mailto:Joseph.shilling@dpuc.ri.gov">Joseph.shilling@dpuc.ri.gov</a> ;	
David Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	<a href="mailto:Djeffron@aol.com">Djeffron@aol.com</a> ;	603-964-6526
Gregory L. Booth, PLLC 14460 Falls of Neuse Rd. Suite 149-110 Raleigh, N. C. 27614	<a href="mailto:gboothpe@gmail.com">gboothpe@gmail.com</a> ;	919-441-6440
Linda Kushner L. Kushner Consulting, LLC 514 Daniels St. #254 Raleigh, NC 27605	<a href="mailto:Lkushner33@gmail.com">Lkushner33@gmail.com</a> ;	919-810-1616
<b>Office of Energy Resources</b> Al Vitali, Esq.	<a href="mailto:Albert.vitali@doa.ri.gov">Albert.vitali@doa.ri.gov</a> ;	
	<a href="mailto:nancy.russolino@doa.ri.gov">nancy.russolino@doa.ri.gov</a> ;	
	<a href="mailto:Nicholas.ucci@energy.ri.gov">Nicholas.ucci@energy.ri.gov</a> ;	
	<a href="mailto:Carrie.gill@energy.ri.gov">Carrie.gill@energy.ri.gov</a> ;	
	<a href="mailto:Matthew.Moretta.INT@energy.ri.gov">Matthew.Moretta.INT@energy.ri.gov</a> ;	
<b>File an original &amp; five (5) copies w/:</b> Luly E. Massaro, Commission Clerk Cynthia Wilson-Frias, Esq. Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a> ;	401-780-2107
	<a href="mailto:Cynthia.WilsonFrias@puc.ri.gov">Cynthia.WilsonFrias@puc.ri.gov</a> ;	
	<a href="mailto:Todd.bianco@puc.ri.gov">Todd.bianco@puc.ri.gov</a> ;	
	<a href="mailto:Alan.nault@puc.ri.gov">Alan.nault@puc.ri.gov</a> ;	
PPL Electric Utilities Ronald Reybitz Stephen Breininger	<a href="mailto:rjreybitz@pplweb.com">rjreybitz@pplweb.com</a> ;	
	<a href="mailto:skbreininger@pplweb.com">skbreininger@pplweb.com</a> ;	
Matt Sullivan, Green Development LLC	<a href="mailto:ms@green-ri.com">ms@green-ri.com</a> ;	

PUC 2-7-Supplemental  
**Customer Request**

Request:

Using the Final Accounting provided in Docket No. 5206, Attachment PUC 1-1-1, please provide a schedule showing how that project is recorded in rate base. Identify the plant in service amounts, the CIAC amounts, and explain what happens to any difference between plant in service and CIAC for that project.

Initial Response:

Each work order associated with the project referenced in Final Accounting provided in Docket 5206 Attachment PUC 1-1-1 was reconciled separately. For this project, the Company performed an ISRDG study and collected statutory fees of \$10,000 as the initial CIAC. The Company collected study overrun costs of \$21,467.49 from the customer..

For System Modifications, the Company collected and deposited a CIAC as per initial estimates to its distribution line work order and its substation work order as shown in column C in the table below. The amounts in the table below are total spending, capex, opex and removal. For distribution line work, the Company spent \$52,169.55 less than the original estimate. For substation work, the Company spent \$207,648.40 more than its original estimate. The net project spending was \$155,478.85. At the end of reconciliation, the Company applied excess funds from the distribution line work order to the substation work order to reduce the overrun and did not charge the customer because the Company did not advise the Interconnecting Customer of overrun prior to start of the construction.

Work Order	Actual Spend (A)	CIAC/Customer Payments (B)	Invoiced after reconciliation (C)	Difference (D)
Study	\$31,467.49	\$10,000	\$21,467.49	\$0.00
Distribution Line	\$640,732.85	\$692,893.40	\$0.00	(\$52,169.55)
Substation	\$524,717.85	\$317,069.45	\$0.00	\$207,648.40
Total	\$1,165,441.70	\$1,009,962.85	\$0.00	\$155,478.85

PUC 2-7-Supplemental, page 2  
**Customer Request**

Supplemental Response:

Please see Attachment PUC 2-7-Suppl., which is a schedule that summarizes the reconciliation of the Distributed Generation (“DG”) project by cost category compared to initial customer contribution and the associated plant in service amounts for capital. The line labeled ‘Estimate’ represents the contribution in aid of construction (“CIAC”) made by the customer.

As shown in Attachment PUC 2-7-Suppl., the net plant in service recorded in rate base through infrastructure, safety, and reliability (“ISR”) for this project is (\$44,840), meaning a credit or decrease in rate base, through March 2021. The final accounting reconciliation is typically done before the system modification work orders are closed out in the Company’s accounting system. The reconciliation may result in adjustments to ensure any necessary corrections are made. Before the project is closed it is expected that further adjustments will be made.

In this particular example, and consistent with the Company’s interpretation of R.I. Gen. Laws § 39-26.3-2(4) and R.I.P.U.C. No. 2244. Sheet 5, which each provide that “[t]he distribution company may not be held liable or responsible if the actual costs exceed the estimate as long as the estimate was provided in good faith and the interconnection was implemented prudently by the electric distribution company,” a credit of \$44,840 being the difference between actual FY 2021 capital investment placed into service for this DG project and the capital investment funded through the DG CIAC, was included in the total FY 2021 ISR plant in service amount upon which rate base and the resulting revenue requirement were calculated. In isolation, a net credit in plant in service would result in negative return on investment and negative depreciation expense in the calculation of the revenue requirement. Therefore, the FY 2021 ISR revenue requirement was otherwise lower than it would have been absent this DG project.

Under a scenario where the actual capital investment incurred and placed into service exceeds the amount of capital funded through the CIAC, that difference would likewise be included in ISR rate base with similar impacts but as an increase to rate base and revenue requirements. Any difference in actual cost of removal incurred compared to the cost of removal funded through the DG CIAC would have the same impact to ISR rate base and the return on that rate base as described for plant in service: actual cost of removal (“COR”) that exceeds the COR funded through the CIAC would result in higher rate base and therefore a higher return on rate base; if the actual COR incurred is lower than the amount funded through the DG CIAC, the resulting net credit in COR would reduce rate base and therefore reduce the return on rate base.

PUC 2-7-Supplemental, page 2  
**Customer Request**

The remainder of the DG reconciliation difference related to operating and tax expenses, totaling \$52,955, was recorded to the Company's income statement and would be factored into the Company's overall revenues and operation & maintenance expenses to support the distribution business. In this example, where the net operations & maintenance expense ("O&M") and tax expense incurred exceeded the amounts funded through the CIAC, and with all other factors remaining equal, this expense would reduce the amount of income available for sharing with electric customers under the Company's earnings sharing mechanism. In the case where funding of O&M and tax expense through the CIAC exceeds actual costs incurred, this would increase the amount of income available for sharing with customers in a given year.

	(A)	(B)	(C)	(D)	(E)	(F)
		<b><u>Study</u></b>				
		<u>Capital</u>	<u>Removal</u>	<u>Expense</u>	<u>Income Tax</u>	<u>Total</u>
(1)	<u>Estimate</u>	\$ 10,000.00	\$ -	\$ -	\$ -	\$ 10,000.00
(2)	<u>Actual</u>	\$ 22,178.82	\$ -	\$ 6,831.26	\$ 2,457.41	\$ 31,467.49
(3)	<u>Difference</u>	\$ 12,178.82	\$ -	\$ 6,831.26	\$ 2,457.41	\$ 21,467.49

*Customer was invoiced to pay \$21,467.49*

		<b><u>Distribution Line</u></b>				
		<u>Capital</u>	<u>Removal</u>	<u>Expense</u>	<u>Income Tax</u>	<u>Total</u>
(4)	<u>Estimate</u>	\$ 269,750.00	\$ 1,730.00	\$ 14,784.00	\$ 30,805.00	\$ 317,069.00
(5)	<u>Actual</u>	\$ 411,106.43	\$ 11,559.92	\$ 56,500.91	\$ 45,550.59	\$ 524,717.85
(6)	<u>Difference</u>	\$ 141,356.43	\$ 9,829.92	\$ 41,716.91	\$ 14,745.59	\$ 207,648.85

		<b><u>Substation</u></b>				
		<u>Capital</u>	<u>Removal</u>	<u>Expense</u>	<u>Income Tax</u>	<u>Total</u>
(7)	<u>Estimate</u>	\$ 577,000.00	\$ 20,000.00	\$ 30,000.00	\$ 65,793.00	\$ 692,793.00
(8)	<u>Actual</u>	\$ 392,824.28	\$ 155,613.47	\$ 48,753.31	\$ 43,532.79	\$ 640,723.85
(9)	<u>Difference</u>	\$ (184,175.72)	\$ 135,613.47	\$ 18,753.31	\$ (22,260.21)	\$ (52,069.15)
(10)	<b><u>Grand Total</u></b>	<b><u>\$ (42,819.29)</u></b>	<b><u>\$ 145,443.39</u></b>	<b><u>\$ 60,470.22</u></b>	<b><u>\$ (7,514.62)</u></b>	<b><u>\$ 155,579.70</u></b>

*Under spend compare to original estimate for System Modification*

**Plant In Service (PIS)**

		<u>Capital</u>
(11)	Distribution Line	\$ 125,605
(12)	Substation	\$ (170,445)
(13)	<b><u>Total PIS</u></b>	<b><u>\$ (44,840)</u></b>