

December 2, 2014

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4393 - Standard Offer Service Rates  
Period of January – June 2015 for Residential and Commercial  
Period of January – March 2015 for Industrial  
Responses to Commission's Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed are National Grid's<sup>1</sup> responses to the Public Utilities Commission's (PUC) Third Set of Data Requests in the above-referenced docket. This filing is also accompanied by a Motion for Protective Treatment in accordance with Rule 1.2(g) of the PUC's Rules of Practice and Procedure and R.I.G.L. § 38-2-2(4)(i)(B). Therefore, pursuant to the PUC's Rules, I have enclosed one (1) copy of the unredacted confidential Attachment COMM 3-1 and ten (10) copies of the Company's responses for the PUC's review.

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 4393 Service List  
Steve Scialabba (w/confidential attachments)

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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/or any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Copies of this filing were hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities Carriers.

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**Joanne M. Scanlon**

December 1, 2014  
**Date**

**Docket No. 4393 - National Grid – 2014 SOS and RES Procurement Plans  
Service List updated 12/1/14**

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<b>File an original &amp; 10 copies w/:</b> Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	<a href="mailto:Luly.massaro@puc.ri.gov">Luly.massaro@puc.ri.gov</a>	401-780-2017
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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

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**In Re: 2014 Standard Offer Service Procurement  
Plan and 2014 Renewable Energy  
Standard Procurement Plan**

**Docket No.: 4393**

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**NATIONAL GRID'S MOTION FOR PROTECTIVE TREATMENT  
OF CONFIDENTIAL INFORMATION**

National Grid<sup>1</sup> respectfully requests that the Rhode Island Public Utilities Commission (PUC or Commission) provide confidential treatment and grant protection from public disclosure certain confidential, competitively sensitive, and proprietary information submitted in the above-captioned docket, as permitted by PUC Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(B). National Grid also respectfully requests that, pending entry of that finding, the PUC preliminarily grant National Grid's request for confidential treatment pursuant to Rule 1.2 (g)(2).

**I. BACKGROUND**

On December 2, 2014, National Grid filed with the PUC its responses to the PUC's Third Set of Data Requests in this docket. In PUC data request 3-1, the PUC requests information regarding expected Standard Offer Service (SOS) rates and bill impacts that are derived from the Company's contracts for Residential SOS. In responding to data request 3-1, the Company has submitted a confidential version of Attachment COMM 3-1. This confidential attachment includes expected SOS rates developed from competitive and proprietary SOS bid prices and other wholesale transaction information. In addition, the rates provided in

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

response to COMM 3-1 are derived from this confidential information. Because National Grid considers this information as confidential and proprietary, National Grid respectfully requests that the PUC treat the information contained in Attachment COMM 3-1 and the pricing information contained in its response to COMM 3-1 as confidential.

## **II. LEGAL STANDARD**

The PUC's Rule 1.2(g) provides that access to public records shall be granted in accordance with the Access to Public Records Act ("APRA"), R.I.G.L. §38-2-1 *et seq.* Under the APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a "public record," unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the PUC falls within one of the designated exceptions to the public records law, the PUC has the authority under the terms of the APRA to treat such information as confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(B) provides that the following types of records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would likely either (1) impair the Government's ability to obtain necessary information in the future; or (2) cause substantial harm to the competitive position of the person from whom the information was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I. 2001). The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a

kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47. National Grid meets the second prong of this test, which applies here.

### **III. BASIS FOR CONFIDENTIALITY**

The Company seeks confidential treatment on winning bid prices and estimated SOS rates derived from these prices. Release of this type of information would be commercially harmful to the Company and to its customers since potential bidders could use this information in such a way that would impede the Company's ability to obtain the best possible bid for its customers. This information is confidential and privileged information of the type that the Company would ordinarily not make public. Moreover, as previously noted, the dissemination of this type of information could impact the Company's ability to obtain advantageous pricing in the future.

### **IV. CONCLUSION**

Accordingly, the Company respectfully requests that the PUC grant protective treatment to the confidential information included in its response to PUC data request 3-1 and the attachment identified as Attachment COMM 3-1.

**WHEREFORE**, for the foregoing reasons, the Company respectfully requests that the PUC grant its Motion for Protective Treatment.

Respectfully submitted,

**NATIONAL GRID**

By its attorney,

A handwritten signature in black ink, appearing to read "Jennifer Hutchinson", written over a horizontal line.

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Jennifer Hutchinson, RI Bar # 6176  
National Grid  
280 Melrose Street  
Providence, Rhode Island  
(401) 784-7288

Dated: December 2, 2014

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d/b/a National Grid  
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COMM 3-1

Request:

For Residential Standard Offer Service, please provide the expected SOS rate and associated bill impacts assuming the following:

- a. A six month rate – July 2015 through December 2015 (assuming approval of the currently proposed 6 month rate for the period January to June 2015.
- b. A twelve month rate – January through December 2015.

Response:

- a. Assuming that the Commission approves the Company’s proposed six-month rate for January 2015 through June 2015, the estimated six-month base<sup>1</sup> Residential SOS rate for July 2015 through December 2015 is \$0.08108 per kWh, as shown in Attachment COMM 3-1. This estimated base Residential SOS rate is based upon the weighted average monthly prices of the Residential SOS supply contracts that the Company has already executed with suppliers for that period, representing 70% of the total Residential SOS load requirement. The estimated monthly bill impact in July 2015 for a 500 kWh residential customer as compared to a bill based upon currently effective delivery service charges, the RES charge, and the proposed base Residential SOS rate of \$0.11899 per kWh is a decrease of \$12.34, or approximately 18.1%.
- b. A 12-month base Residential SOS rate for the period January 2015 through December 2015 based upon the prices contained in the executed Residential SOS contracts for the period is \$0.09922 per kWh, as shown in Attachment COMM 3-1. (As noted above, not all, of the Company’s Residential SOS load obligation is under contract). The monthly bill impact in January 2015 for a 500 kWh residential customer as compared to a bill based upon currently effective rates is an increase of \$19.74, or approximately 14.3%.

Since the Company has not contracted for all of its Residential SOS load obligation, should the Commission require the implementation of a 12-month base Residential SOS rate, the Company requests that the Commission approve the filing for a mid-year adjustment to that rate should the remaining contracts contain prices that are materially different than those used to calculate a 12-month rate. This would allow for an

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<sup>1</sup> The base SOS rate reflects only the prices of the underlying SOS contracts and excludes the SOS Adjustment Factor and the SOS Administrative Cost Factor.

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adjustment to the rate should the weighted average of contract prices be significantly more or less than those used to design a 12-month rate. There is 30% remaining to be procured for the period July 1, 2015 through December 31, 2015, which would have two more price points for the calculation of SOS rates for that period. Therefore, a mid-year adjustment would be important to mitigate a significant deferral of cost recovery. In evaluating whether such a mid-year adjustment is appropriate, the Company recommends a threshold of 5% of the current estimate of residential SOS costs, which is shown in Attachment COMM 3-1, column (e) as approximately \$290 million. Upon contracting for the remaining residential SOS load, if the balance of the estimated residential SOS deferral at December 31, 2015 exceeds the updated estimate of residential SOS costs by 5% or more, the Company would file to propose a revised base Residential SOS rate at the same time it files to propose SOS rates for the Commercial and Industrial groups. The revised base Residential SOS rate would be designed to recover the remaining estimated residential SOS costs such that the estimated deferral at the end of December 2015 is as close to zero as possible. The Company selected a threshold of 5% and the manner of its application because this evaluation is consistent with that reflected in its Gas Cost Recovery (GCR) tariff provision for mid-year changes to the GCR factors should there be significant changes subsequent to the Commission’s approval of the annual GCR factors.

The Company would like to clarify that the calculation of the Standard Offer Billing Adjustment, is applicable to residential customers who leave SOS to receive their electricity supply from a non-regulated power producer. Regardless of the ultimate design of the base Residential SOS rate (two six-month rates or one 12-month rate), the Company would continue to use the monthly Residential SOS prices to calculate applicable Standard Offer Billing Adjustments in the event that residential customers leave SOS. By doing so, these customers pay their share of SOS costs and remaining Residential SOS customers are not burdened with the obligation to pay the migrating customers’ winter costs that were deferred to the summer.

The Company would like to point out that lowering winter rates and increasing summer rates may significantly affect the wholesale and retail markets. Customer migration may increase as customers switch to Standard Offer in the winter and then switch back to non-regulated power producers in the summer. This increase in migration may have a detrimental impact on future Standard Offer solicitations because wholesale suppliers may avoid participating in SOS Requests for Proposals or may add increased risk

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premiums to their contract prices. Thus, higher contract prices would further increase future rates for Standard Offer Service.

The Company also notes that its approved SOS Procurement Plan takes into consideration market issues as well as the alignment of costs with recovery. The Procurement Plan provides for six different price points as components of the SOS rate, thereby mitigating market volatility. Although the approved SOS Procurement Plan appropriately maintains the relationship between retail SOS rates and the underlying contract costs over the six-month pricing period, the Company is concerned about the impact that the proposed Residential SOS rate will have on customers. To help alleviate this impact, the Company proposes that it will further promote the use of the Budget Billing program, which allows each customer to smooth out their energy costs across the year, with their individualized true-up reflecting their own usage. This will effect a smoothing of energy costs for participating customers, while avoiding a potential detrimental market impact on future Standard Offer rates.

Finally, the Company emphasizes that the Budget Billing program is the most effective solution to mitigate bill impacts to Standard Offer customers. This is because Budget Billing considers the components of both rate and volumetric usage, as well as both commodity and delivery portions of the bill. In contrast, modifying the structure of Standard Offer rates to twelvemonths does not help alleviate customers' bill impacts resulting from increased usage during the cold winter months, and introduces the risk of negatively impacting prices in the future.

**REDACTED DOCUMENT**

The Narragansett Electric Company  
d/b/a National Grid  
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2014 Standard Offer Rates  
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COMM 3-2

Request:

Assuming the proposed 6 month residential standard offer rate is approved and also assuming rates are adjusted again for the 6 month period July to December 2015, what is the total expected residential standard offer service cost for all kWh deliveries for the 12 month period January to December 2015? Please be sure to include the impact of interest on any under or over recovery during the period.

Response:

The estimated total Residential SOS expense for the period January through December 2015 is shown in column (e), Lines 15 and 16 of Attachment COMM 3-1. The estimated monthly expense is calculated by multiplying the average monthly contract prices by the forecasted Residential SOS kWh deliveries for that month. As noted in the Company’s response to COMM 3-1(a), for the period July 2015 through December 2015, only 70% of the Residential load is currently under contract. The remaining contract will be procured in the scheduled February 2015 solicitation. Since the January 2015 through June 2015 base Residential SOS rate and the estimated July 2015 through December 2015 base Residential SOS rate are designed to fully recover all estimated Residential SOS expenses by the end of each six-month pricing period, the Company is not expecting a significant under or over recovery of expense remaining as of December 2015. Assuming that the Residential SOS reconciliation balance is \$0 as of December 2015, no interest will accrue on the balance.

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COMM 3-3

Request:

Assuming a 12 month residential standard offer rate is approved for the period January to December 2015, what is the total expected residential standard offer service cost for all kWh deliveries for the 12 month period January to December 2015? Please be sure to include the impact of interest on any under or over recovery during the period.

Response:

Please see the Company’s response to COMM 3-2. The total estimated annual expense is shown in Attachment COMM 3-1, column (e), Line 14. Importantly, the estimated Residential SOS expense over the course of calendar year 2015 is the same regardless of the methodology chosen to design the rate. The design of the rate will only affect the estimated monthly SOS revenue which, in turn, will affect the monthly balance in the SOS reconciliation. However, the 12-month estimated base Residential SOS rate is designed to recover all estimated Residential SOS expense by the end of the 12-month period. Therefore, the Company is not expecting a significant under or over recovery of expense remaining as of December 2015. Assuming that the Residential SOS reconciliation balance is \$0 as of December 2015, no interest will accrue on the balance.

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COMM 3-4

Request:

Assume a residential customer (whose account is not in arrears) contacts the company on January 2, 2015 and requests to be entered in a prospective 12 month levelized payment plan pursuant to the Commission’s Rules and Regulations Governing the Termination of Residential Electric, Gas and Water Utility Service. What standard offer rate would be used to calculate the prospective bill?

Response:

The Company refers to a prospective 12-month levelized payment plan as Budget Billing. Budget Billing is a bill payment program that allows customers to pay a fixed, predetermined amount per month on their bill, regardless of the charges determined through their monthly usage. The budget payment is based on a customer’s total annual charges for a specific service location over the most recent 12-month period, and as such, the prior year’s usage and associated charges are used to calculate the budget bill amount. Therefore, the process followed to calculate the budget amount uses the Standard Offer Service (SOS) rate in effect during the prior year. However, in instances where the SOS rate is increasing materially from its historic level, the customer service representative informs the customer of the change in the rate and gives the customer the option of adding an additional amount to their budget amount to compensate for the increase. The decision to do so is at the discretion of the customer. The customer may elect to do so, may decide to manage their electric usage thereby lowering their charges, or may wait for the review of their budget amount in six months, as described below. If a full year’s worth of billing information is not available, the Company uses a “default” amount. The “default” amount is based upon the type of service and the customer’s rate class. If the service location is new or the nature of the service at an existing location has changed, the Company asks these customers to wait a couple of months until usage history at their current address has been established to start on Budget Billing.

The budget amount, however, will not include charges of a non-regulated power producer if the customer is receiving their electric supply from an entity other than the Company, even if the Company bills on behalf of the non-regulated power producer. The supplier service charges will be billed separately from the budget amount and will be based on actual usage.

The Company’s Customer Service System, CSS, automatically reviews accounts on Budget Billing every six months from the start of the budget year and recalculates the budget amount. During this review, if the difference between the new calculated budget amount and the current

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active budget amount is 10% and \$5 different than the original budget amount, the budget amount will be automatically revised. When the budget amount is revised, a message is printed on the customer's bill notifying them of the change. Automatic changes to the budget amount can be the result of:

- changes in usage from the prior year as a result of many factors, including weather and estimated meter readings;
- billing adjustments in the prior year that were reflected in the budget amount;
- billing adjustments in the current year; and
- changes in electric (or gas) rates.

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COMM 3-5

Request:

For each individual rate class:

- a. How many customers are in each class?
- b. How many customers receive standard offer service?
- c. How many customers receive competitive supply service?

Response:

Please see Attachment COMM 3-5 for customer counts for each rate class in total, for Standard Offer Service, and for customers on competitive supply as of October 2014.

**The Narragansett Electric Company  
Customer Count by Rate Class as of October 2014**

Rate Class	Total	Standard Offer Service	Competitive Supply
	(a)	(b)	(c)
A-16	389,507	367,616	21,891
A-60	44,626	41,067	3,559
B-32	5	2	3
B-62	0	0	0
C-06	49,395	41,542	7,853
G-02	8,235	5,616	2,619
G-32	1,051	467	584
G-62	12	3	9
M-1	3	0	3
S-6	0	0	0
S-10	0*	0*	0*
S-14	381	211	170
X-01	1	0	1
<b>Total</b>	<b>493,216</b>	<b>456,524</b>	<b>36,692</b>

\*S-10 accounts are supplemental, meaning each account is associated with a primary service account