



State of Rhode Island and Providence Plantations

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Peter F. Kilmartin, Attorney General

October 2, 2015

Ms. Luly Massaro
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Re: Docket No. 4573

Attached is the prefiled testimony of Bruce Oliver in Docket 4573, the 2015 DAC filing of National Grid. As stated in his testimony, Mr. Oliver did not address the pension adjustment factor or the 2015 ISR reconciliation, both of which are recovered through the DAC. Those are being addressed by Mr. David Effron. Mr. Effron has filed testimony in Docket 4474, the 2015 Gas ISR Reconciliation. The Company has not yet responded to his testimony in that docket. Any decision on the 2015 ISR reconciliation will be carried forward into the calculation of the 2015 DAC factor for effect November 1, 2015.

Regarding the Pension Adjustment factor for both electric and gas operations, the Division currently has discovery outstanding and we have been recently informed by the Company that it will likely be filing changes to the proposed electric and gas PAFs in the near future. Any changes to the gas PAF will affect the filed DAC factor. The Division reserves its right to file testimony Mr. Effron on this issue subsequent to the receipt of responses to outstanding discovery on the PAF, as well as any National Grid supplemental filings in the DAC docket to incorporate changes in the PAF.

Finally, National Grid filed gas earnings reports on August 28 for fiscal years 2014 and 2015. The Division has issued discovery which is due to be received on Monday October 5. The DAC includes an earnings sharing component. The Division reserves its right to file testimony by Mr. Effron on the issue of earnings sharing subsequent to the receipt of discovery and the conclusion of his review on the reported earnings.

Very truly yours,

Leo J. Wold

Assistant Attorney General

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF RHODE ISLAND
AND PROVIDENCE PLANTATIONS**

IN THE MATTER OF

**The National Grid 2015
Distribution Adjustment
Charge Filing**

)
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Docket No. 4573

**DIRECT TESTIMONY OF WITNESSES
BRUCE R. OLIVER**

On Behalf of

The Division of Public Utilities and Carriers

October 2, 2015

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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive, Fairfax Station, Virginia, 22039.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by Revilo Hill Associates, Inc. and serve as President of the firm. I manage the firm's business and consulting activities and direct its preparation and presentation of economic, utility planning, and policy analyses for clients.

Q. ON WHOSE BEHALF DO YOU APPEAR IN THIS PROCEEDING?

A. My testimony in this proceeding is presented on behalf of the Division of Public Utilities and Carriers (hereinafter "the Division").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. This testimony addresses the request of National Grid (hereinafter "National Grid" or "the Company") for a change in its Distribution Adjustment Charge ("DAC") for natural gas service in Rhode Island as set forth in testimony filed by Suhila N. Nutile on behalf of the Company. Witness Nutile's testimony has been presented in two documents; Direct Testimony filed on August 3, 2015 and

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1 Supplemental Testimony filed on September 1, 2015. This review of the
2 Company's 2015 DAC filing includes an examination of the Company's
3 Environmental Report Filed on August 3, 2015.

4 It also includes review and analysis of each of the elements of the
5 Company's DAC calculations, with exception of Pension Adjustment Factor
6 (PAF), the Earnings Sharing Mechanism (ESM), and the 2015 ISR
7 Reconciliation. Issues associated with the Company's PAF, ESM, and ISR
8 Reconciliation will be addressed on behalf of the Division by Mr. David Effron.

9
10 **II. REVIEW OF NATIONAL GRID'S DAC ADJUSTMENTS**

11
12 **Q. HAVE YOU REVIEWED THE CALCULATIONS UNDERLYING NATIONAL**
13 **GRID'S PROPOSED DAC CHARGES IN THIS PROCEEDING?**

14 A. Yes. With the exceptions noted above, I have reviewed the details of each of
15 the elements of National Grid's proposed DAC factors in this proceeding. I have
16 also examined additional supporting detail for the Company's DAC factors that
17 has been provided by the Company in response to data requests.

18
19 **A. General Assessment of National Grid's DAC Filing**

20
21 **Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE COMPANY'S FILINGS IN**
22 **THIS PROCEEDING AND THE DAC CHARGES NATIONAL GRID IS**
23 **PROPOSING TO IMPLEMENT?**

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1 A. The elements of the Company's proposed DAC charges generally appear
2 reasonable and accurate in their computation. Exclusive of the ISR components,
3 the Company's proposed DAC adjustments lower charges for all classes of
4 service. I also understand that as of the time of this writing, the Company may
5 be filing changes to its previously filed Pension Adjustment Factor, and there is
6 an outstanding issue associated with the 2015 ISR Reconciliation filing. I expect
7 the Company to update the record on these matters prior to hearing and that the
8 ISR and PAF components of the DAC may be affected as a result.

9

10 **Q. WHAT ARE THE SPECIFIC DAC CHARGES THAT NATIONAL GRID**
11 **PROPOSES TO APPLY FOR THE PERIOD NOVEMBER 1, 2015 THROUGH**
12 **OCTOBER 31, 2016?**

13 A. Schedule SLN-1S to the September 1, 2015 Supplemental Direct Testimony of
14 National Grid witness Suhila Nouri Nutile computes a DAC Factor (not including
15 the ISR) which represents a **net credit** (i.e., a DAC Factor of **(\$0.0550)** per
16 therm) for the Company's Residential, Small C&I and Medium C&I classes. It
17 also shows the development of **net credit** of **(\$0.0078) per therm** for customers
18 in the Large and Extra Large C&I classes. By comparison, the Company's
19 present DAC is a net credit (not including the ISR) of **(\$0.0339) per therm** for
20 Residential, Small C&I and Medium C&I customers, and Large and Extra Large
21 C&I customers (not including the ISR) a factor of zero **(\$0.000 per therm)**.
22 Thus, the Company's proposed DAC charges in this proceeding (not including

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1 the ISR) represent decreases from the currently effective DAC charges (not
2 including the ISR).

3 After inclusion of ISR Reconciliation Factor and the currently effective ISR
4 Factor (which are differentiated by rate class), the Final DAC rates that that the
5 Company proposes in this proceeding are:

6		Proposed
7		DAC Rates
8	<u>Rate Class</u>	<u>Eff. 11/1/2015</u>
9		(per therm)
10		
11	Res-NH	\$0.0731
12	Res-NH-LI	\$0.0731
13	Res-H	\$0.0269
14	Res-H-LI	\$0.0269
15	Small	\$0.0225
16	Medium	\$0.0061
17	Large LL	\$0.0436
18	Large HL	\$0.0424
19	XL-LL	\$0.0106
20	XL-HL	\$0.0100
21		

22 As shown below, the Company's proposed DAC charges and the effective
23 changes in those charges (in terms of dollars per therm) vary by rate class with
24 Residential Non-Heating and Residential Heating customers receiving the largest
25 effective rate increases.

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	<u>Rate Class</u>	<u>Current DAC Rates (per therm)</u>	<u>Proposed DAC Rates Eff. 11/1/2015 (per therm)</u>	<u>Change (per therm)</u>
1				
2				
3				
4				
5				
6	Res-NH	\$0.0541	\$0.0731	\$0.0190
7	Res-NH-LI	\$0.0541	\$0.0731	\$0.0190
8	Res-H	\$0.0221	\$0.0269	\$0.0048
9	Res-H-LI	\$0.0221	\$0.0269	\$0.0048
10	Small	\$0.0212	\$0.0225	\$0.0013
11	Medium	\$0.0110	\$0.0061	(\$0.0049)
12	Large LL	\$0.0354	\$0.0436	\$0.0082
13	Large HL	\$0.0346	\$0.0424	\$0.0078
14	XL-LL	\$0.0131	\$0.0106	(\$0.0025)
15	XL-HL	\$0.0133	\$0.0100	(\$0.0033)
16				

17 **B. Issues and Concerns From Docket 4514**

18

19 **Q. WHAT WERE THE ISSUES AND CONCERNS THAT YOU HIGHLIGHTED IN**
20 **YOUR TESTIMONY IN DOCKET 4514?**

21 A. In Docket 4514 I identified four matters of concern that emerged from my review
22 of the Company's filing in that proceeding. Those concerns related to: (1) the
23 Company's treatment of a credit against to claimed Environmental Response
24 Costs for insurance proceeds; (2) the proper recognition of revenue from
25 curtailment penalties in the assessment of On-System Margin Revenues; (3) the
26 Company's reporting of negative monthly service volumes for certain rate classes
27 and months; and (4) inconsistent recognition of planned transfers of customers
28 between Residential Non-Heating service and Residential Heating service.

29

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1 **Q. HAS NATIONAL GRID ADDRESSED THOSE CONCERNS IN THE**
2 **TESTIMONY AND SCHEDULES IT HAS FILED IN THIS PROCEEDING?**

3 A. The Company's testimony in this proceeding explicitly addresses the first two of
4 those concerns, and each has been satisfactorily resolved. The third concern is
5 addressed in the Company's pending GCR filing. However, nothing in the
6 information National Grid has filed in this proceeding or in its pending GCR
7 proceeding addresses the fourth concern which relates to the Company's
8 planned transfer of more than 3,000 customers from Residential Non-Heating
9 service to Residential Heating service.

10

11 **1. Application of Credits to Environmental Costs**

12

13 **Q. PLEASE EXPLAIN THE NATURE OF THE CONCERN YOU IDENTIFIED IN**
14 **DOCKET 4514, WITH RESPECT TO NATIONAL GRID'S RECOGNITION OF**
15 **INSURANCE PROCEEDS IN ITS ERC FACTOR DETERMINATIONS?**

16 A. The Company's response to Division Data Request 1-6, part b. in Case No.
17 4514, indicated that a credit against its claimed environmental costs for the 170
18 Allens Avenue Project should have been included in reported costs for the fiscal
19 year ended March 31, 2014 but was not properly credited in that period. As
20 shown in a revised version of Schedule YC-4R attached to the National Grid's
21 response to Division Data Request 1-6, that credit of **\$1,482,810** reduced the
22 Company's costs in excess of the base rate embedded funding and lowered the

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1 ERC Factor that was included in the DAC that became effective November 1,
2 2014.

3

4 **Q. HOW WAS THIS SPECIFIC CONCERN RESOLVED IN DOCKET NO. 4514?**

5 A. In rebuttal testimony, witness Yi-An Chen for National Grid agreed that the
6 treatment of the credit was incorrect. In Order No. 21885, the Commission
7 approved the recommended correction, and the ERC Factor was reduced
8 according.

9

10 **Q. IS THE COMPANY'S TREATMENT OF CREDITS TO ITS ENVIRONMENTAL
11 COSTS IN THIS PROCEEDING CONSISTENT WITH THE COMMISSION'S
12 DETERMINATION IN ORDER NO. 21885?**

13 **A.** Yes. After reviewing the annual Environmental Report that National Grid filed on
14 August 3, 2015 and the Company's response to Division Data Request 1-6, I
15 have determined that the referenced credits to environmental costs associated
16 with the 170 Allens Avenue Project are appropriately reflected in the Company's
17 ERC Factor computations in this proceeding.

18

19 **2. Recognition of Revenue from Curtailment Penalties**

20

21 **Q. PLEASE SUMMARIZE THE CONCERN RAISED IN DOCKET 4514
22 REGARDING THE COMPANY'S DETERMINATION OF ON-SYSTEM MARGIN
23 CREDITS?**

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1 **A.** In Case No. 4514 I questioned whether the Company had accurately recognized
2 margin revenue associated with curtailment penalties for customers who failed to
3 comply fully with curtailment.

4

5 **Q. DO YOU HAVE SIMILAR CONCERNS REGARDING THE COMPANY'S ON-
6 SYSTEM MARGING CREDIT DETERMINATIONS IN THIS DOCKET?**

7 **A.** No. The Direct Testimony of witness Nutile at page 14 of 23, lines 9 through 12
8 directly addresses the change made by the Company to appropriately include
9 curtailment revenue in its FY 2015 On-System Margin calculations. The
10 Company's recognition of revenue associated with curtailment penalties is
11 demonstrated in Schedule SLN-6, page 2 of 6.

12

13 **3. Reporting of Negative Service Volumes**

14

15 **Q. DOES THE COMPANY'S FILING IN THIS PROCEEDING ADDRESS YOUR
16 CONCERNS REGARDING THE REPORTING OF NEGATIVE MONTHLY
17 SERVICE VOLUMES FOR CERTAIN C&I RATE CLASSIFICATIONS?**

18 **A.** As previously noted, that concern is not discussed by National Grid in this
19 proceeding. Rather, as those concerns related to both the Company's DAC and
20 GCR filings, the Company has chosen to include testimony relating to that matter
21 in the testimony and attachments it has filed in its currently pending GCR filing
22 (Docket No. 4576). I have no problem with decision, and any further issues or

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1 concerns regarding negative monthly service volumes for certain rate
2 classifications will be addressed in that proceeding.

3
4 **4. Consistent Recognition of Customer Transfers**

5
6 **Q. IN DOCKET 4514 THE TESTIMONY OF WITNESS NUTILE DISCUSSED**
7 **NATIONAL GRID'S PLAN TO TRANSFER OVER 3,000 CUSTOMERS FROM**
8 **RESIDENTIAL NON-HEATING SERVICE TO RESIDENTIAL HEATING**
9 **SERVICE. DOES THE COMPANY'S TESTIMONY IN THIS PROCEEDING**
10 **ADDRESS THE STATUS OF THOSE PLANNED CUSTOMER TRANSFERS?**

11 **A.** No, it does not. Questions remain unanswered regarding: (a) whether those
12 transfer were completed; (b) how and when such transfers were made; and (c)
13 how such transfers are reflected in the information the Company has provided in
14 this proceeding. Although the impacts of such transfers may be of greater
15 relevance to National Grid's GCR rate determinations, some discussion of the
16 status of those transfers in this proceeding would seem appropriate in the context
17 of the Company's testimony regarding those transfers in its last DAC filing.
18 However, no information relating to those transfers is found in either the
19 Company's testimony in this docket or its testimony in its pending GCR
20 proceeding (Docket 4576).

21 Of particular concern is the impact of those transfers on the Company's
22 forecasts of numbers of customers and use per customer for the Residential
23 Non-Heating class. I anticipated that the removal of the customers identified for

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1 transfer from the Residential Non-Heating class would lower average use per
2 customer for the Residential Non-Heating class and increase the percentage of
3 total usage for the Residential Non-Heating customers that is attributed to off-
4 peak months (i.e., April through October), but I find no evidence of such changes
5 in the Company's sales forecasts. Rather, the percentage of annual normal
6 weather gas use for the Residential Non-Heating class that is attributed to the
7 winter peak months (i.e., November through March) is essentially unchanged. In
8 the current GCR proceeding National Grid has presented a witness to address its
9 forecasts of sales and throughput requirements for 2015-16, but nothing in that
10 testimony offers any insights regarding the effects of the referenced customer
11 transfers.

12
13 **C. Review of Proposed DAC Factors**

14
15 **Q. WHAT ARE THE MAJOR COMPONENTS OF THE COMPANY'S**
16 **DISTRIBUTION ADJUSTMENT CHARGE (DAC) CALCULATIONS?**

17 A. National Grid's DAC calculations comprise twelve (12) components. The
18 components of the Company's Distribution Adjustment Charge calculations
19 include:

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- 1 1. A System Pressure (**SP**) Factor
- 2 2. An Advanced Gas Technology Program (**AGT**) Factor
- 3 3. A Low Income Assistance Program (**LIAP**) Factor
- 4 4. An Environmental Response Cost (**ERC**) Factor
- 5 5. A Pension Adjustment Factor (**PAF**)
- 6 6. An On-System Margin Credits (**MC**) Factor
- 7 7. A Reconciliation (**R**) Factor
- 8 8. A Service Quality Performance (**SQP**) Factor
- 9 9. An Earnings Sharing Mechanism (**ESM**)
- 10 10. An Allowance for Uncollectibles (**AFU**)
- 11 11. A Revenue Decoupling Adjustment (**RDA**)
- 12 12. A Revenue Decoupling Adjustment Reconciliation (**RDA-R**) Factor

13

14 **Q. WHAT ARE THE CURRENT AND PROPOSED DAC FACTORS?**

15 **A.** The following tables illustrate the current and proposed charges for each DAC
16 factor. The first table shows the factors for the Residential, Small C&I, and
17 Medium C&I classes. The second table shows the factors for the Large and Extra
18 Large C&I classes.

19

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Residential, Small and Medium C&I Customers

DAC Factor	Current	Proposed	Difference
SP	\$0.0039	\$0.0037	(\$0.0002)
AGT	(\$0.0026)	\$0.0000	\$0.0026
LIAP	\$0.0000	\$0.0000	\$0.0000
ERC	\$0.0011	\$0.0013	\$0.0002
PAF	(\$0.0052)	(\$0.0122)	(\$0.0070)
MC	\$0.0003	\$0.0003	\$0.0000
R	\$0.0038	\$0.0008	(\$0.0030)
SPQ	\$0.0000	\$0.0000	\$0.0000
ESM	\$0.0000	\$0.0000	\$0.0000
AFU	3.18%	3.18%	0.00%
RDA	(\$0.0033)	(\$0.0500)	(\$0.0468)
RDA-R	(\$0.0027)	\$0.0130	\$0.0157

Large and X-Large Customers

DAC Factor	Current	Proposed	Difference
SP	\$0.0039	\$0.0037	(\$0.0002)
AGT	(\$0.0026)	\$0.0000	\$0.0026
LIAP	\$0.0000	\$0.0000	\$0.0000
ERC	\$0.0011	\$0.0013	\$0.0002
PAF	(\$0.0052)	(\$0.0122)	(\$0.0070)
MC	\$0.0003	\$0.0003	\$0.0000
R	\$0.0025	(\$0.0007)	(\$0.0032)
SPQ	\$0.0000	\$0.0000	\$0.0000
ESM	\$0.0000	\$0.0000	\$0.0000
AFU	3.18%	3.18%	0.00%
RDA	\$0.0000	\$0.0000	\$0.0000
RDA-R	\$0.0000	\$0.0000	\$0.0000

1 **1. System Pressure Factor**

2

3 **Q. WHAT IS THE PURPOSE OF THE SYSTEM PRESSURE ADJUSTMENT?**

4 A. Since the beginning of rate unbundling for firm service customers, this
5 Commission has recognized that a portion of the Company's use of LNG and the

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1 facilities used to supply LNG serve to maintain adequate operating pressures on
2 the Company's gas distribution system. Given that both sales service and
3 transportation service customers benefit from the maintenance of system
4 operating pressures, it is appropriate that such costs be recovered from both
5 sales and transportation service customers. In the absence of the System
6 Pressure Factor, all of the Company's LNG costs would be recovered through
7 National Grid's Gas Cost Recovery (GCR) charges, and thus only sales service
8 customers would bear those costs. To more appropriately apportion
9 responsibility for System Pressure costs, the Commission has determined that
10 the Company should allocate a portion of its LNG costs to system pressure
11 maintenance, and it should recover those costs from all users of the Company's
12 distribution system through the DAC. The System Pressure factor is included in
13 the DAC to accomplish that objective.

14

15 **Q. HOW WAS THE SYSTEM PRESSURE FACTOR CALCULATED?**

16 **A.** In the October 31, 2012 Settlement Agreement accepted by the Commission in
17 Docket No. 4339, the Commission approved the system pressure balancing
18 percentage to be used in the calculation of the Company's annual DAC
19 Reconciliation, beginning in November 2012. That percentage is applied to the
20 NGLNG Lease Payments to arrive at the system pressure costs assignable to
21 the DAC. The resulting dollar amount assigned to the DAC is \$1,488,789. That
22 dollar amount, divided by the forecasted firm throughput for the 2015-2016 GCR

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1 year of 39,897,042 Dth, produces a system pressure factor of \$0.0370 per Dth,
2 or **\$0.0037 per therm.**

3

4 **Q. HAVE YOU VERIFIED THAT THE SYSTEM PRESSURE FACTOR THAT THE**
5 **COMPANY HAS INCLUDED IN THE SUPPLEMENTAL TESTIMONY OF**
6 **WITNESS NUTILE IN THIS PROCEEDING IS COMPUTED IN A MANNER**
7 **CONSISTENT WITH THE SETTLEMENT AGREEMENT IN DOCKET 4339?**

8 A. Yes, I have verified that the appropriate allocation factor was applied. Thus, the
9 System Pressure Factor computed by the Company in this proceeding is found to
10 be consistent with the provisions of the Settlement Agreement accepted by the
11 Commission in Docket No. 4339.

12

13 **2. Advanced Gas Technology Program Factor**

14

15 **Q. WHAT IS THE PURPOSE OF THE ADVANCED GAS TECHNOLOGY**
16 **PROGRAM FACTOR?**

17 A. The goal of the AGT program is to promote the installation of gas technologies
18 that increase utilization of natural gas during periods of low demand. The
19 Advanced Gas Technology (AGT) Program Factor provides the Commission a
20 mechanism for reflecting differences between actual expenditures for AGT
21 program rebates and the amount of funding provided annually through base
22 rates.

23

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1 **Q. AS OF MARCH 2015, WHAT LEVEL OF FUNDING WAS AVAILABLE FOR**
2 **AGT PROJECTS?**

3 A. The August 3, 2015 Direct Testimony of National Grid witness Nutile indicates
4 that the AGT program balance of available funds as of the end of March 2015
5 was **\$2,134,557**.

6
7 **Q. DOES NATIONAL GRID REQUEST ANY CHANGE IN THE FUNDING OF ITS**
8 **AGT PROGRAM IN ITS DAC FILING?**

9 A. No, it does not. However, the Company continues to collect \$300,000 annually
10 for AGT funding through base rates.

11
12 **Q. HAS NATIONAL GRID EXPENDED ANY AGT PROGRAM FUNDS OVER THE**
13 **LAST YEAR?**

14 A. Yes. In June 2015, the Company issued a rebate to one customer, Toray
15 Plastics (America), Inc., in the amount of **\$500,000**. That amount represents the
16 first year's payments under a commitment by the Company to provide this
17 customer a total rebate of **\$1.8 million** over four years (i.e., \$500,000 per year
18 for three years and \$300,000 in the fourth year).

19
20 **Q. OVER THE PAST YEAR WERE THERE ANY OTHER ADJUSTMENTS TO THE**
21 **BALANCE OF FUNDS AVAILABLE FOR NATIONAL GRID'S AGT PROGRAM**
22 **FUNDS?**

23 A. Yes. There were two further adjustments.

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1 First, in Docket 4514, the Commission directed the Company to **return \$1**
2 **million** to customers through the implementation of a negative AGT factor. Of
3 that amount, the Company indicates that **\$699,357** was refunded by to
4 customers the end of March 2015. The remaining amount (approximately
5 \$300,000) is being credited to customers through the DAC between April 2015
6 and October 2015.

7 Second, the Company accrued interest monthly on the average AGT Fund
8 balance and that interest has been credited to customers through monthly
9 adjustments to the fund balance. Interest credits for the first ten months of the
10 period from April 1, 2014 through March 31, 2015 sum to **\$31, 963**.

11
12 **Q. HAS THE COMPANY IDENTIFIED ANY FUTURE AGT PROJECTS?**

13 A. Yes. The Company's response to Division Data Request 2-4 details a new
14 Combined Heat and Power System that would be eligible for an estimated rebate
15 of \$330,000 during the 2016-17 period if that project moves forward.

16
17 **Q. AFTER THE AFOREMENTIONED PAYMENTS AND AGT FUND BALANCE**
18 **ADJUSTMENTS, DOES NATIONAL GRID HAVE SUFFICIENT FUNDS AVAIL-**
19 **ABLE TO MEET ITS AGT FUNDING COMMITMENTS?**

20 A. Yes. With no adjustments to the current funding, the AGT Fund plus scheduled
21 base rate revenue accruals for this program will enable National Grid to fully fund
22 its existing commitment to Toray Plastics as well as the one new potential project
23 the Company has identified.

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Q. IS THE COMPANY’S TREATMENT OF INTEREST EARNED FROM THE AGT ACCOUNT IN ACCORDANCE WITH SETTLEMENT AGREEMENT FROM DOCKET NO. 4339?

A. Yes. The Company calculated \$31,963 of interest on cash balances in the AGT Fund for the twelve-month period from April 2014 through March 2015. Consistent with the settlement agreement this amount is credited to all customers through the Reconciliation factor, and can be verified in schedule SLN-10S, page 1 of 8, line 9.

3. Low Income Assistance Program Factor

Q. WHAT IS THE PURPOSE OF THE LOW INCOME ASSISTANCE PROGRAM (LIAP) FACTOR?

A. The Low Income Assistance Program (LIAP) Factor performs a function similar to that of the AGT Factor. It provides a mechanism for the Commission to adjust the funding of the Company’s Low Income Heating Assistance Program (LIHEAP) and Low Income Weatherization Program activities outside the context of a base rate proceeding.

Q. WHAT IS THE LEVEL OF FUNDING PROVIDED FOR NATIONAL GRID’S LOW INCOME ASSISTANCE PROGRAMS THROUGH ITS BASE RATE CHARGES?

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1 A. As set forth in the Company's tariff, Section 3, Distribution Adjustment Charge,
2 Schedule A, Sheet 4, paragraph 3.3, the LIAP funding presently embedded in
3 base rates for National Grid is **\$1,785,000** per year. That amount includes
4 \$1,585,000 for LIHEAP and \$200,000 for Low Income Weatherization Program
5 activities.

6

7 **Q. DOES NATIONAL GRID SEEK ADDITIONAL LIAP FUNDING THROUGH ITS**
8 **PROPOSED LIAP FACTOR IN THIS PROCEEDING?**

9 A. No, it does not. Therefore, the LIAP factor in the Company's DAC calculations
10 remains at **\$0.0000 per therm.**

11

12 **Q. HAS THE COMPANY PROVIDED ANY EVIDENCE THA THE CURRENT**
13 **LEVEL OF FUNDING FOR LIAP PROGRAMS IS INADEQUATE?**

14 A. No, it has not. As noted in my testimony in Docket 4514, legislated changes in
15 LIHEAP funding is substantially increased the amount of funds available through
16 governmental sources. In the absences of any evidence to the contrary, we
17 assume that the current combination of funds available to LIAP customers is
18 adequate and no adjustment to the current LIAP factor is necessary. Thus, no
19 reason is found to challenge the Company's DAC calculations which maintain the
20 LIAP factor at **\$0.0000 per therm.**

21

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1 **4. Environment Response Cost Factor**

2

3 **Q. PLEASE DESCRIBE THE PURPOSE OF THE ENVIRONMENTAL RESPONSE**
4 **COST (ERC) FACTOR?**

5 A. The primary function of the ERC Factor is to provide the Company a means of
6 recovering “reasonable and prudently incurred” environmental response costs
7 while limiting impacts on customers’ bills. Costs subject to recovery through the
8 ERC Factor include:

9

10 (1) Costs for evaluation, remediation and clean-up of sites associated
11 with National Grid’s ownership and operation of manufactured gas
12 plants, manufactured gas storage facilities, and manufactured gas
13 plant-related off-site waste disposal locations;

14

15 (2) Costs for removal and disposal of mercury regulators and meters;

16

17 (3) Costs for acquiring property associated with the clean up of such
18 sites; and

19

20 (4) Litigation costs, claims, judgments, and settlements associated with
21 environmental clean up activities.

22

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1 **Q. WHAT IS THE ERC FACTOR THAT NATIONAL GRID PROPOSES IN THIS**
2 **PROCEEDING?**

3 A. Witness Nutile's Direct Testimony, filed on August 3, 2015 proposes an ERC
4 Factor of **\$0.0013** per therm.

5
6 **Q. HOW ARE REASONABLE AND PRUDENTLY INCURRED ENVIRONMENTAL**
7 **RESPONSE COSTS RECOVERED THROUGH THE ERC FACTOR?**

8 A. According to the terms of the settlement approved by this Commission in Docket
9 No. 3401, Environmental Response Costs shall be recovered through a 10-year
10 straight-line amortization, subject to the restriction that the ERC Factor shall be
11 limited to an increase of no more than \$0.10 per dekatherm (i.e., \$0.01 per
12 therm) in any annual DAC filing. Moreover, the ERC Factor is computed to
13 reflect an adjustment to the \$1,310,000 of Environmental Response Costs that is
14 presently included in National Grid's base rate charges. The net ERC costs
15 incurred during a year are divided by a factor of 10, and one tenth of the total for
16 the year is recovered over each of the next ten years. Thus, the total dollar
17 amount subject to recovery through the ERC Factor in any year reflects the sum
18 of all applicable 10-year ERC amortizations for the most recently completed
19 reporting year and for the nine immediately preceding years less the \$1,310,000
20 of environmental cost recoveries included in base rates. Further, the sum of the
21 amortized annual cost amounts is divided by forecasted firm throughput to
22 determine the applicable ERC Factor for the next DAC year.

23

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1 **Q. IN THIS PROCEEDING, WHAT IS THE NET DOLLAR AMOUNT THAT**
2 **NATIONAL GRID PROPOSES FOR RECOVERY THROUGH ITS ERC**
3 **FACTOR?**

4 A. As originally filed on August 1, 2013, National Grid proposes a net requirement of
5 **\$519,872.** This net dollar amount reflects:

- 6
- 7 1. A 10-year amortization of \$436,020 of net ERC costs for FY 2006;
 - 8
 - 9 2. A 10-year amortization of (\$758,291) of net ERC costs for FY 2007;
 - 10
 - 11 3. A 10-year amortization of (\$45,755) of net ERC costs for FY 2008;
 - 12
 - 13 4. A 10-year amortization of \$965,754 of net ERC costs for FY 2009;
 - 14
 - 15 5. A 10-year amortization of 2,088,264 of net ERC costs for FY 2010;
 - 16
 - 17 6. 10-year amortization of \$4,522,947 of net ERC costs for FY 2011;
 - 18
 - 19 7. 10-year amortization of \$5,583,936 of net ERC costs for FY 2012;
 - 20
 - 21 8. 10-year amortization of \$1,368,521 of net ERC costs for FY 2013;
 - 22
 - 23 9. 10-year amortization of \$3,008,237 of net ERC costs for FY 2014;
 - 24
 - 25 10. 10-year amortization of \$1,129,080 of net ERC costs for FY 2015;
 - 26 and
 - 27
 - 28 11. A deduction of \$1,310,000 for ERC costs embedded in base rates.

29

30 **Q. WHAT IS THE NET BALANCE OF THE ENVIRONMENTAL REMEDIATION**
31 **COSTS THAT REMAIN TO BE RECOVERED THROUGH THE COMPANY'S**
32 **ERC FACTOR?**

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1 A. In its August 3 filing, the Company reported a net balance of Environmental
2 Response Costs to recovered through the DAC during the 2015-2016 DAC year
3 is **\$519,872**. That net balance reflects \$1,829,872 in environmental costs for the
4 2015-2016 DAC year (based on the above the amortization schedule) less the
5 \$1,310,000 collected annually through base rates. Dividing \$519,872 by the
6 forecasted firm throughput for the 2015-2016 DAC year yields the Company's
7 proposed ERC Factor of **\$0.0013 per therm**.

8

9 **Q. HAVE YOU REVIEWED SUPPORTING DETAIL FOR THE ENVIRONMENTAL**
10 **RESPONSE COSTS THAT THE COMPANY CLAIMS FOR THE TWELVE**
11 **MONTHS ENDED MARCH 2015?**

12 A. Yes. I have reviewed the calculations supporting National Grid's computed ERC
13 Factor, including the full detail of the Company's August 3, 2015 Annual
14 Environmental Report and extensive materials (i.e., reports, contractor invoices,
15 receipts, etc.) that National Grid has provided in response to Division data
16 requests as further support of the Company's claimed FY 2015 environmental
17 expenditures.

18

19 **Q. DO YOU FIND ANY REASON TO QUESTION THE PRUDENCE OF THE**
20 **ENVIRONMENTAL RESPONSE COSTS THAT NATIONAL GRID INCURRED**
21 **DURING THE 12 MONTHS ENDED MARCH 31, 2015?**

22 A. No. Through discovery the Division sought, and the Company has provided,
23 considerable additional detail regarding the environmental costs for which

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1 National Grid seeks recovery for the first time in this proceeding. Although the
2 Division's review of this material does not constitute a full audit of those
3 expenditures, the Company's expenditures appear to be well-documented. No
4 costs were identified for which recovery through the ERC factor would be
5 inappropriate. And no computational errors were found. We also reviewed the
6 nature of the activities, services and materials for which cost claims were
7 included in the Company's 2015 Annual Environmental Report, and performed
8 random comparisons of the costs claimed for FY 2015 with costs claimed for
9 similar activities and services in prior years. Nothing was observed that
10 obviously out-of-line with the Company's prior cost experience.

11
12 **5. On-System Margin Credit Factor**

13
14 **Q. WHAT IS THE ROLE OF THE ON-SYSTEM MARGIN CREDIT (MC) FACTOR?**

15 A. The role of the On-System Margin Credit (MC) factor was changed as part of the
16 Commission's determinations in the Company's last base rate case. Prior to the
17 Commission's decision in Docket No. 4323, the On-System Margin Credit Factor
18 was used to identify deviations between the margin revenue collected from all
19 Firm and Non-Firm dual fuel customers and the margin revenue assumed to be
20 derived from those customers in the setting of the Company's base rates for
21 distribution service. In its decision in Docket No. 4323, the Commission
22 accepted a change in National Grid's On-System Margin Credit determinations

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1 such that, subsequent to that decision, those determinations only apply to
2 revenues derived from Non-Firm service customers.

3

4 **Q. HAVE YOU ASSESSED THE REASONABLENESS OF NATIONAL GRID'S FY**
5 **2015 MARGIN REVENUE DETERMINATIONS?**

6 A. Yes. I have reviewed in detail the margin revenue calculations that National Grid
7 has presented in Schedule SLN-6 for Firm and Non-Firm Dual Fuel customers as
8 well as the Company's responses to Division data requests that provide
9 additional data supporting for the Company's On-System Margin determinations.
10 Based on that review, I find that the Company has properly adjusted its revenue
11 thresholds to reflect migration of dual fuel customers from Non-Firm to Firm
12 Service for the period subsequent to the test year in Docket No. 4323. No
13 reason has been found to challenge the completeness or accuracy of the
14 Company's MC Factor calculations in this proceeding. Thus, the Company's
15 proposed **\$0.0003 per therm** MC factor appears reasonable.

16

17 **6. Revenue Decoupling Adjustment Factor**

18

19 **Q. WHAT IS THE PURPOSE OF THE COMPANY'S REVENUE DECOUPLING**
20 **ADJUSTMENT (RDA) FACTOR?**

21 A. In Docket 4206, the Commission approved a Revenue Decoupling Mechanism
22 (RDM) for the Residential, Small Commercial, and Medium Commercial rate
23 classes. The approved RDM provides for an annual reconciliation of the

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1 Company's actual base revenues with its approved test year base revenue (on a
2 revenue-per-customer basis) as approved in the Company's most recent base
3 rate case.

4

5 **Q. WHAT IS THE RDA FACTOR THAT NATIONAL GRID PROPOSES IN THIS**
6 **PROCEEDING?**

7 A. Witness Nutile's Direct Testimony, filed on August 3, 2015, indicates that a
8 reconciling adjustment of **(\$14,181,587)** is required to offset over-recoveries of
9 approved test year revenue for the Company's Residential, Small Commercial,
10 and Medium Commercial rate classes for the twelve months ended March 31,
11 2015. Based on the computed **(\$14,181,587)** over-recovery, the witness Nutile's
12 Direct Testimony calculates a uniform RDA Factor for application to all
13 Residential, Small C&I and Medium C&I customers of **(\$0.0500) per therm.**

14

15 **Q. IS THE COMPANY'S PROPOSED RDA FACTOR IN THIS PROCEEDING**
16 **PROPERLY COMPUTED?**

17 A. Yes. After reviewing Schedule SLN-7S and the supporting workpapers, the
18 adjustment amount of **(\$14,181,587)**, and the forecasted throughput for the
19 Residential, Small C&I, and Medium C&I classes of 28,336,470 Dth all appear
20 properly computed.

21

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1 **7. Reconciliation Factor**

2

3 **Q. WHAT IS THE PURPOSE OF THE RECONCILIATION (R) FACTOR THAT**
4 **NATIONAL GRID INCLUDES IN ITS DAC RATE DETERMINATIONS?**

5 A. The Reconciliation (R) Factor adjusts for differences between revenue collections
6 associated with each component of DAC and either actual costs or budgeted
7 revenue by component, adjusted for interest on deferred balances. In this
8 proceeding, the R-Factor computations include reconciling adjustments for
9 Advanced Gas Technology, Low Income Assistance, Environmental Response
10 Costs, System Pressure Costs, On-System Margin Credits, Weather
11 Normalization, Earnings Sharing, and the previous Reconciliation Factor.

12

13 **Q. WHAT IS THE RESULT OF NATIONAL GRID'S "R" FACTOR COMPU-**
14 **TATIONS?**

15 A. Updated Schedule SLN-10S, page 1 of 8, indicates that in aggregate the
16 Company's reconciliations reflect a net under-collection of \$349,281. That
17 under-collected balance results in a computed Reconciliation Factor of **\$0.0008**
18 **per therm** for application during the Company's 2015-2016 DAC period.

19

20 **Q. DO YOU FIND ANY REASON TO CHALLENGE THE COMPANY'S RECON-**
21 **CILIATION FACTOR COMPUTATIONS?**

22 A. No. I have thoroughly examined the data and computations provided in
23 Schedule SLN-10S filed on September 1, 2015, and I find that the Company's

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1 presentation of its Reconciliation Factor determinations to be reasonable and
2 appropriate.

3

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 A. Yes, it does.

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