

March 18, 2016

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4599 - 2016 Retail Rates Filing  
Responses to PUC Data Requests – Set 2**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's<sup>1</sup> responses to second 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 4599 Service List  
Steve Scialabba, Division  
Leo Wold, 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

March 18, 2016  
Date

**National Grid – 2016 Annual Retail Rate Filing - Docket No. 4599  
Service List Updated 3/18/16**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone</b>
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<b>File an original &amp; 9 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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COMM 2-1

Request:

The following quote is from the Rebuttal Testimony of Margaret M. Janzen (Page 6) filed May, 2015 in Docket 4556:

The Company recommends that the total of the amounts that would have been reflected on customer bills as SOS Billing Adjustments be recovered in its annual retail rate filing through the Company's Standard Offer Service Cost Adjustment Provision. This provision allows the PUC to approve recovery of SOS expenses from SOS customers or from all customers, as appropriate. Since SOS Billing Adjustment charges are associated with customers leaving SOS for the competitive market, the Company believes that it is appropriate to recover these costs from all customers, rather than just SOS customers. Depending on the size of the annual amount of the SOS billing adjustment in the applicable 12-month reconciliation period, the Company may propose in future proceedings to reconcile such costs in an alternate manner. The Company will report in its February 2016 filing on the amount of the SOS Billing Adjustment incurred during 2015 following termination of the SOS Billing Adjustment and may make a recommendation regarding modifications to this cost recovery proposal at that time.

Given the Company's original intention to recover the billing adjustment balance through the SOS Cost Adjustment Provision, as stated in Docket 4556, explain in detail why the Company is now proposing to credit the SOS net unbilled billing adjustment through the revenue decoupling mechanism.

Response:

In the Public Utilities Commission's (PUC) July 1, 2015 Open Meeting decision in Docket No. 4556, the PUC allowed the Company to recover the costs associated with eliminating the billing adjustment from all delivery service customers. The SOS Adjustment factor is applicable only to customers who receive Standard Offer Service (SOS) from the Company. In order to credit the net unbilled SOS Billing Adjustment as a component of the SOS Adjustment Factor and have it be applicable to all delivery service customers and not just SOS customers, the Company would have had to propose and implement a new, separate adjustment factor. In this instance, the amount was too small to result in a billable factor. Therefore, as an alternative, the Company has proposed to reflect the net credit of the SOS Billing Adjustment as a credit to the Revenue Decoupling Mechanism (RDM) because the RDM Adjustment Factor is applied as a uniform per kWh charge/credit to all delivery service customers. Therefore, adjusting the RDM accomplishes the same desired result (i.e., crediting all customers the value of the unbilled SOS billing adjustment).

COMM 2-1, page 2

As explained in the pre-filed direct testimony of Adam S. Crary in this proceeding, the Company tracked the unbilled SOS Billing Adjustment beginning July 1, 2015 through the end of the reconciliation period, and then applied a Revenue Adjustment to the SOS base reconciliation in accordance with RIPUC No. 2157, the SOS Adjustment Provision, which the PUC approved in Docket No. 4556. This adjustment to SOS revenue in the SOS reconciliation results in the SOS revenue being at a level it would have been had the Company continued to bill these SOS Billing Adjustments, such that SOS customers are neither harmed, nor do they benefit from the termination of the SOS Billing Adjustment.

As stated in the Rebuttal Testimony of Ms. Janzen in Docket No. 4556 that is quoted above, the Company indicated that it would "report in its February 2016 filing on the amount of the SOS Billing Adjustment incurred during 2015 following termination of the SOS Billing Adjustment and may make a recommendation regarding modifications to this cost recovery proposal at that time." Depending on the size of the annual amount of the SOS Billing Adjustment in future 12-month reconciliation periods, the Company may propose in future proceedings to reconcile such costs in an alternate manner.

COMM 2-2

Request:

Provide a duplicate copy of the following:

- 1) National Grid's SOS Cost Adjustment Provision currently in effect
- 2) National Grid's Revenue Decoupling Mechanism Provision currently in effect.

Response:

Please see Attachments COMM 2-2(a) and COMM 2-2(b) for the currently effective Standard Offer Adjustment Provision and Revenue Decoupling Mechanism Provision, respectively.

## THE NARRAGANSETT ELECTRIC COMPANY STANDARD OFFER ADJUSTMENT PROVISION

The prices contained in the applicable rates of the Company are subject to adjustment to reflect the power purchase costs incurred by the Company in arranging Standard Offer Service, which costs are not recovered from customers through the Standard Offer Service rates, including, but not limited to, the costs incurred by the Company to comply with the Renewable Energy Standard established in R.I.G.L. Section 39-26-1, the costs to comply with the Commission's Rules Governing Energy Source Disclosure and administrative costs.

On an annual basis, the Company shall perform two reconciliations for its total cost of providing Standard Offer Service: 1) the Standard Offer Service Supply Reconciliation and 2) the Standard Offer Administrative Cost Reconciliation. In the Standard Offer Service Supply Reconciliation, the Company shall reconcile its total cost of purchased power for Standard Offer Service supply against its total purchased power revenue. Total purchased power revenue shall mean all revenue billed to Standard Offer Service customers through the Standard Offer Service rates for the applicable 12 month reconciliation period, adjusted by the "Revenue Adjustment," as defined below. The Revenue Adjustment shall increase revenue in the reconciliation if the variable rate billing less fixed rate billing is positive, and the Revenue Adjustment shall decrease revenue in the reconciliation if the variable rate billing less the fixed rate billing is negative. The excess or deficiency ("Standard Offer Adjustment Balance") shall be credited to, or recovered from, customers through a methodology approved by the Commission at the time the Company files its annual reconciliation. Any positive or negative balance will accrue interest calculated at the rate in effect for customer deposits.

If there is a positive or negative balance in the then current Standard Offer Adjustment Balance outstanding from the prior period, the balance shall be credited against or added to the new reconciliation amount, as appropriate, in establishing the Standard Offer Adjustment Balance for the new reconciliation period.

Beginning July 1, 2015, for customers leaving Standard Offer Service during a pricing period to receive their electric supply from a Non-regulated Power Producer, the Company shall calculate a "Revenue Adjustment" which shall be the difference between the amount customers in the Residential (Retail Delivery Service Rates A-16 and A-60) and Commercial (Retail Delivery Service Rates C-06, G-02, S-05, S-06, S-10, and S-14) Groups were billed for Standard Offer Service at the fixed rate as provided for in the Company's Tariff for Standard Offer Service, R.I.P.U.C. No. 2155, as may be amended from time to time, and the amount they would have been billed at the monthly variable rates underlying the applicable fixed rate. The calculation shall cover the time between the beginning of a pricing period for the fixed rate and the last day the customer received and was billed for Standard Offer Service. The amount, including interest calculated at the rate in effect for customer deposits, shall be recovered from or credited to all retail delivery service customers.

Annually, the Company shall determine the Standard Offer Adjustment Balance for the prior

## THE NARRAGANSETT ELECTRIC COMPANY STANDARD OFFER ADJUSTMENT PROVISION

calendar year and make a filing with the Commission. The Company will propose at that time a methodology to recover or credit the balance, as appropriate, over the subsequent twelve month period or as otherwise determined by the Commission. The Commission may order the Company to recover or credit the balance over any reasonable time period from (i) all customers, (ii) only Standard Offer Service customers, or (iii) through any other reasonable method.

In the Standard Offer Administrative Cost Reconciliation, the Company shall reconcile its administrative cost of providing Standard Offer Service with its Standard Offer Service revenue associated with the recovery of administrative costs, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be credited to, or recovered from, Standard Offer Service Customers in the subsequent year's Standard Offer Service Administrative Cost Factor. The Company may file to change the Standard Offer Service Administrative Cost Factor at any time should significant over- or under- recoveries of Standard Offer Service administrative costs occur.

For purposes of calculating the Standard Offer Service Administrative Cost Factors, which is applicable to customers receiving Standard Offer Service, administrative costs associated with arranging Standard Offer Service pursuant to this provision shall include:

1. the cost of working capital;
2. the administrative costs of complying with the requirements of Renewable Energy Standard established in R.I.G.L. Section 39-26-1, the costs of creating the environmental disclosure label, and the costs associated with NEPOOL's Generation Information System attributable to Standard Offer Service;
3. the costs associated with the procurement of Standard Offer Service including requests for bids, contract negotiation, and execution and contract administration;
4. the costs associated with notifying Standard Offer Service customers of the rates for Standard Offer Service and the costs associated with updating rate change in the Company's billing system; and
5. an allowance for Standard Offer Service- related uncollectible accounts receivables associated with amounts billed through Standard Offer Service rates, the Renewable Energy Standard charge and the Standard Offer Service Administrative Cost Factors at the rate approved by the Commission.

The allowance for Standard Offer-related uncollectible amounts shall be estimated for purposes of setting the Standard Offer Service Administrative Cost Factors for the upcoming year as the approved rate applied to the sum of (1) an estimate of Standard Offer costs associated with each customer group pursuant to the Standard Offer and Renewable Energy Standard procurement plans in effect at the time, as approved by the Commission, and (2) any over- or under-recoveries of Standard Offer Service from the prior year associated with each customer group. This amount shall be subject to reconciliation only for actual Standard Offer Service revenue billed by the Company over the applicable period.

**THE NARRAGANSETT ELECTRIC COMPANY  
STANDARD OFFER ADJUSTMENT PROVISION**

This provision is applicable to all Retail Delivery Service rates of the Company.

Effective: July 1, 2015

## NARRAGANSETT ELECTRIC COMPANY REVENUE DECOUPLING MECHANISM PROVISION

In accordance with *An Act Relating to Public Utilities and Carriers – Revenue Decoupling*, the prices for distribution service contained in all of the Company’s tariffs are subject to adjustment to reflect the operation of its Revenue Decoupling Mechanism (“RDM”) Provision.

### I. Definitions

“Actual Billed Distribution Revenue” shall mean the amounts the Company has billed during the applicable RDM Year for customer charges, distribution demand charges, distribution energy charges, Second Feeder Service charges, and any other charges or discounts that the Company records as distribution revenue. Actual Billed Distribution Revenue shall not include charges billed pursuant to the provisions of the Infrastructure, Safety and Reliability Provision, R.I.P.U.C. No. 2044, as may be amended from time to time. Actual Billed Distribution Revenue shall exclude the RDM Adjustment Factor, as it is subject to its own reconciliation.

“Annual Target Revenue” or “ATR” shall mean the revenue requirement as approved by the Commission less any adjustments to that revenue requirement as approved by the Commission.

“RDM Year” shall mean the twelve-month period beginning April 1.

“Forecasted kWh” shall mean the forecasted amount of electricity, as measured in kWh, to be distributed to the Company’s retail delivery service customers for the twelve month period during which the proposed RDM Adjustment Factor will be in effect.

“RDM Adjustment Factor” shall mean a per-kWh factor equal to the RDM Reconciliation Amount divided by the Forecasted kWh for all rate classes.

“RDM Reconciliation Amount” shall mean the difference (either positive or negative) between the Actual Billed Distribution Revenue and the ATR for the RDM Year.

### II. RDM Revenue Reconciliation and Adjustment Factor

The Company’s RDM shall include an annual RDM Revenue Reconciliation which will reconcile ATR and Actual Billed Distribution Revenue for the same RDM Year. The RDM Revenue Reconciliation Amount (either positive or negative) shall determine the RDM Adjustment Factor. The Company shall submit a filing no later than May 15, in which the Company shall propose adjustments to distribution rates to reflect the RDM Adjustment Factor. These adjustments to distribution rates will be effective for usage on and after July 1.

The RDM Adjustment Factor will be based on the RDM Reconciliation Amount for the prior RDM Year as determined above. The amount of over- or under-recovery resulting from the RDM Reconciliation Amount, including interest at the rate paid on customer deposits, shall be used to determine a uniform per-kWh RDM Adjustment Factor based on the Forecasted kWh.

## NARRAGANSETT ELECTRIC COMPANY REVENUE DECOUPLING MECHANISM PROVISION

The RDM Adjustment Factor shall be applicable to all retail delivery service customers. The amount approved by the Commission to be recovered or refunded through the RDM Adjustment Factor shall be subject to reconciliation.

### III. Adjustments to Annual Target Revenue

The ATR shall be based on the revenue requirement approved by the Commission in the Company's most recent general rate case. The ATR may be adjusted should the Commission approve recovery mechanisms for costs included in the revenue requirement such that those costs would be recovered from customers through two mechanisms or not recovered at all. Should the Company's ATR change during a RDM Year as a result of a new revenue requirement arising from a general rate case that may be approved by the Commission, the Company shall allocate the prior ATR and new ATR to each month within the RDM Year based on the rate year kWh deliveries reflected in the general rate case from which the revenue requirement was based.

### IV. Interim RDM Adjustments

If at any time during the year, the total of cumulative Actual Billed Distribution Revenue excess/shortfall for the Company in total is estimated to be equal to or greater than 10% above or below the Company's ATR for the current RDM Year, the Company will petition the Commission for an interim adjustment prior to its next scheduled RDM Filing.

### V. Adjustments to Rates

Adjustments to rates pursuant to the RDM Provision are subject to review and approval by the Commission. Modifications to the factors contained in this RDM Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

Effective: April 1, 2011