

March 25, 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 Electric Retail Rate Filing
Revised Pages of Adam S. Crary Testimony

Dear Ms. Massaro:

At the request of Public Utilities Commission (PUC) counsel, I am enclosing ten (10) redlined copies of revised Pages 4, 6-15, 33, and 40-41 of the testimony of Adam S. Crary. The enclosed revised pages correspond to the revisions and corrections to Mr. Crary's revised schedules filed with the PUC on March 23, 2016 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.

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.



Jennifer Brooks Hutchinson

March 25, 2016
Date

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

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____payments made to renewable Qualifying Facilities that are in excess of payments that the Company receives from ISO New England (ISO-NE) from the sale of the kilowatt hours generated by the Qualifying Facilities for the twelve-month period ending December 31, 2015; and

(9) a Long-Term Contracting for Renewable Energy Recovery Factor (LTC Recovery Factor) of 0.234¢ per kWh consisting of the proposed LTC Reconciliation Factor of 0.116¢ per kWh, designed to collect the under-recovery of expense during the twelve-month period ending December 31, 2015, plus the LTC Recovery Factor of 0.118¢ per kWh currently in effect for the period January 1, 2016 through June 30, 2016.

In support of the above requests, the Company is presenting its annual reconciliations for SOS, SOS administrative costs, the non-bypassable transition charge, the transmission service charge, the transmission-related uncollectible expense, the Net Metering charge, and the LTC Recovery Factor. The reconciliation period for the various costs in this filing is January 1, 2015 through December 31, 2015.

The net effect of all rate changes proposed in this filing for a typical residential SOS customer using 500 kWh per month is an increase of ~~\$1.56~~\$1.53 from \$92.35 to ~~\$93.91~~\$93.88 or approximately 1.7%. Schedule ~~ASC-4~~ASC-1 Revised presents a summary of the proposed rate changes. The Company is proposing that the rate and tariff changes identified above be effective for usage on and after April 1, 2016.

1 lighting Rates S-05, S-06, S-10, and S-14. Finally, the Industrial Group consists of the
2 Company's large C&I classes; Large Demand Rate G-32, Optional Large Demand Rate
3 G-62, Backup Service Rates B-32 and B-62, and Electric Propulsion Rate X-01. The
4 Company procures and prices SOS separately for each of these procurement groups and
5 tracks revenue and expenses separately for each group.

6
7 SOS Reconciliation

8 **Q. Please describe the Company's SOS reconciliation for the period January 2015**
9 **through December 2015.**

10 A. This reconciliation is included as Schedule ~~ASC-2~~ASC-2 Revised. Page 1 of Schedule
11 ASC-2ASC-2 Revised reflects a total over-recovery of approximately \$10.0 million for
12 the period January 2015 through December 2015.

13
14 **Q. Please describe the SOS reconciliation process in more detail.**

15 A. The Company is required to reconcile SOS revenues and expenses in accordance with the
16 SOS Adjustment Provision, RIPUC No. 2157. This provision requires the Company to
17 reconcile, on an annual basis, its total cost of purchased power for SOS supply against its
18 total SOS revenue, and to refund the excess to or collect the deficiency from customers
19 through a rate recovery/refund methodology approved by the PUC at the time the
20 Company files its annual reconciliation.

1 Total revenues are generated from charges billed to SOS customers through the SOS
2 rates for the applicable reconciliation period. Since the Company procures and prices
3 SOS separately for the Residential Group, Commercial Group, and the Industrial Group,
4 the Company has performed separate reconciliations for each group. The SOS
5 reconciliations for each procurement group, plus a reconciliation of all groups combined,
6 are presented in Schedule ~~ASC-2~~ASC-2 Revised.

7
8 **Q. Please describe the adjustment shown in the SOS reconciliation, Schedule ~~ASC-~~**
9 **2ASC-2 Revised, Line (3).**

10 A. The adjustment of \$40,282 shown on Page 1, Line (3) of the reconciliation reflects the
11 remaining balance of the 2013 net under-recovery of SOS expense for the period
12 January 1, 2013 through December 31, 2013 that was reflected on SOS customer bills
13 during the period April 1, 2014 through March 31, 2015.

14
15 **Q. Please describe the adjustment shown in the SOS reconciliation, Schedule ~~ASC-~~**
16 **2ASC-2 Revised, Line (4).**

17 A. The adjustment of \$65,900 shown on Page 1, Line (4) of the reconciliation reflects the
18 net credit in unbilled SOS Billing Adjustment from the period July 1, 2015 through
19 December 31, 2015. Pages 2 and 3, Line (4) of Schedule ~~ASC-2~~ASC-2 Revised and
20 Page 1 of Schedule ASC-8 provide further detail. This adjustment will be discussed in
21 further detail later in my testimony.

1 **Q. Has the Company included a schedule showing the final balance of the 2013 net**
2 **under-recovery incurred during the period January 2013 through December 2013?**

3 A. Yes. Section 1, Page 7 of Schedule ~~ASC-2~~[ASC-2 Revised](#) shows the final status of the
4 net under-recovery incurred during January 2013 through December 2013. The
5 beginning balance of \$6,233,050 was approved for recovery in Docket No. 4485. This
6 amount was credited or recovered through each rate class's SOS Adjustment Factor
7 effective April 1, 2014 through March 31, 2015. As shown on Schedule ~~ASC-2~~[ASC-2](#)
8 [Revised](#), Page 7, on a net basis, the Company over-credited SOS customers by \$40,282
9 through April 1, 2015. This remaining balance is included as an adjustment to the current
10 base reconciliation on Schedule ~~ASC-2~~[ASC-2 Revised](#), Page 1, Line (3).
11

12 **Q. Has the Company included a status of the recovery of the 2014 SOS under-recovery**
13 **incurred during the period January 2014 through December 2014 that the**
14 **Company is recovering during the twelve months ending March 31, 2016?**

15 A. Yes. Section 2, Page 7 of Schedule ~~ASC-2~~[ASC-2 Revised](#) shows the status of the under-
16 recovery incurred during the January 2014 through December 2014 reconciliation period.
17 The beginning under-recovery balance of \$5,664,254 was approved in Docket No. 4554.
18 This amount is being recovered from each rate class through the SOS Adjustment Factors
19 implemented on April 1, 2015. The Company will continue to apply the currently
20 effective adjustment factors through March 31, 2016. Any balance remaining at that
21

time, positive or negative, will be reflected in next year's SOS reconciliation as an adjustment.

Calculation of the SOS Adjustment Factors

Q. How are the SOS Adjustment Factors developed?

A. The proposed SOS Adjustment Factors are developed in Schedule ~~ASC-3~~[ASC-3 Revised](#). The SOS Adjustment Factors are calculated by dividing the ending balance of the SOS reconciliation for each procurement group plus estimated interest during the period during which the factors will be in effect by the forecasted SOS kWh deliveries for each procurement group during the period of April 2016 through March 2017.

IV. Standard Offer Service Administrative Cost Adjustment Factors

Q. Please describe the Standard Offer Service Administrative Cost Adjustment (SOS Administrative Cost Adjustment) Factors.

A. Pursuant to the Company's Standard Offer Adjustment Provision, the SOS Administrative Cost Adjustment Factors, which are applicable to customers receiving SOS, recover administrative costs associated with arranging, administering, and providing SOS. In accordance with the Standard Offer Adjustment Provision, on an annual basis, the Company reconciles its administrative cost of providing SOS with its SOS revenue associated with the recovery of administrative costs and the excess or deficiency, including interest at the interest rate paid on customer deposits, is refunded to,

or recovered from, SOS customers in the subsequent year's SOS Administrative Cost Adjustment Factor.

Q. What costs are included for recovery in the SOS Administrative Cost Adjustment Factor?

A. Administrative costs that the Company is allowed to recover under this provision include the cost of working capital, the administrative costs of complying with the requirements of Renewable Energy Standard established in RIGL Section 39-26-1, the costs of creating the environmental disclosure label, the costs associated with the New England Power Pool (NEPOOL's) Generation Information System (GIS) attributable to SOS, the costs associated with the procurement of SOS including requests for bids, contract negotiation, and execution and contract administration, the costs associated with notifying SOS customers of the rates for SOS, the costs associated with updating rate changes in the Company's billing system, and an allowance for SOS-related uncollectible expense associated with amounts billed through SOS rates and the SOS Administrative Cost Adjustment Factors at the uncollectible rate approved by the PUC¹

Q. Has the Company proposed SOS Administrative Cost Adjustment Factors to be effective April 1, 2016?

A. Yes. The proposed factors are developed in Schedule ~~ASC-4~~[ASC-4 Revised](#), Page 1.

¹ As approved in the Company's general rate case Docket No. 4323, the current allowed uncollectible rate of 1.25% became effective February 1, 2013.

1 **Q. How are the proposed factors calculated?**

2 A. Pursuant to the Standard Offer Adjustment Provision, the proposed SOS Administrative
3 Cost Adjustment Factors are designed to collect (1) an allowance for SOS-related
4 uncollectible expense based upon estimated SOS base revenue, estimated SOS
5 Adjustment Factor revenue, and estimated RES revenue associated with each
6 procurement group for the upcoming year, (2) administrative costs associated with
7 arranging SOS for the upcoming year, and (3) any over- or under-recoveries of SOS
8 administrative costs from the prior year.

9
10 **Q. How does the Company estimate the SOS revenue and associated uncollectible**
11 **expense for the period April 1, 2016 through March 31, 2017?**

12 A. Uncollectible expense is based upon estimated SOS base revenue, SOS Adjustment
13 Factor revenue, and RES revenue for the period April 1, 2016 through March 31, 2017,
14 calculated as estimated SOS kWh deliveries for the twelve months ending March 31,
15 2017, for each procurement group multiplied by the sum of the SOS base rates currently
16 in effect, the current RES rate, and the proposed SOS Adjustment Factors. The estimated
17 revenue is then multiplied by the uncollectible rate to determine the estimated
18 commodity-related uncollectible expense. Estimated commodity-related uncollectible
19 expense is shown on Line (1) of Schedule ~~ASC-4~~ASC-4 Revised, Page 1. The details of
20 this estimate are included on Page 2 of Schedule ~~ASC-4~~ASC-4 Revised.

1 **Q. How does the Company estimate other SOS administrative expenses?**

2 A. The SOS administrative expense is categorized into three components: GIS costs, other
3 administrative costs, and cash working capital. The estimated GIS and other
4 administrative costs are based upon the actual expense incurred during 2015, which is
5 allocated to each procurement group based on each procurement group's percentage
6 share of SOS expense during the twelve-month period ending December 31, 2015. Cash
7 working capital is allocated to each procurement group based upon each group's actual
8 SOS revenue as a percentage of total SOS revenue. The total estimated SOS
9 administrative expense for 2016 is shown on Line (3) of Schedule ~~ASC-4~~ASC-4 Revised,
10 Page 1.

11
12 SOS Administrative Cost Reconciliation

13 **Q. Did the Company prepare a reconciliation of SOS administrative costs for the**
14 **period ending December 31, 2015?**

15 A. Yes, the SOS administrative cost reconciliation for the period January 1, 2015 through
16 December 31, 2015 is presented in Schedule ~~ASC-5~~ASC-5 Revised. Consistent with the
17 reconciliation of base SOS costs, the Company has prepared separate reconciliations for
18 the Residential Group, the Commercial Group, and the Industrial Group. The
19 reconciliations on Page 2 of Schedule ~~ASC-5~~ASC-5 Revised show under-recoveries of
20 ~~\$2,571,874~~\$2,366,898 for the Residential Group, ~~\$803,215~~\$720,030 for the Commercial
21 Group, and ~~\$491,994~~\$461,638 for the Industrial Group.

1 **Q. Please describe the amounts on Pages 4, 5, and 6, Column (h), labeled Cash**
2 **Working Capital.**

3 A. The amounts on Schedule ~~ASC-5~~[ASC-5 Revised](#), Pages 4, 5, and 6, Column (h) labeled
4 Cash Working Capital, are the commodity-related working capital requirements during
5 2015. The Cash Working Capital calculation is presented in Schedule ~~ASC-6~~[ASC-6](#)
6 [Revised](#).

7 **Q. How is the Company proposing to recover each group's under-recovery of SOS**
8 **administrative costs?**

9 A. The Company is proposing to recover each group's under-recovery of SOS
10 administrative costs through SOS group-specific adjustment factors. The proposed
11 factors are developed on Schedule ~~ASC-7~~[ASC-7 Revised](#). Each group's factor is
12 developed by dividing each group's under- or over-recovery, including interest during the
13 recovery period, by the group's forecasted SOS kWh deliveries. These factors are
14 included in the proposed SOS Administrative Cost Adjustment Factors as shown in
15 Schedule ~~ASC-4~~[ASC-4 Revised](#), Page 1, Line (6).
16

17 **V. Unbilled Standard Offer Service Billing Adjustment**

18 **Q. Please describe Schedule ASC-8.**

19 A. Schedule ASC-8, Page 1 shows the monthly net unbilled SOS Billing Adjustments by
20 SOS customer group. The total net unbilled SOS Billing Adjustments for 2015 for both
21 Residential and Commercial customer groups was a net credit of \$65,900.50. This

amount is shown as an adjustment to the Residential and Commercial customer group
SOS base reconciliations in Exhibit ~~ASC-2~~ASC-2 Revised, pages 2 and 3.

Q. Why is the Company proposing this adjustment to the SOS reconciliation balance?

A. In Docket No. 4556, the PUC approved the termination of the SOS Billing Adjustment effective July 1, 2015. The SOS Billing Adjustment was a one-time billing adjustment applied to Residential and Commercial customers' bills when switching to a competitive energy supplier from SOS and were billed a fixed rate (an option only for Commercial customers – all Residential customers are on a fixed rate). This adjustment accounted for the pricing difference between energy deliveries on the multi-month fixed SOS rate and the monthly contract rates at which the Company procured SOS from its SOS suppliers. This one-time adjustment could result in either a net credit or charge to the customer.

The PUC further directed the Company to track the unbilled SOS Billing Adjustments beginning July 1, 2015 through the end of the reconciliation period and to recover from or refund to all retail delivery service customers the net amount of the adjustments.

Q. How is the adjustment applied to the SOS base reconciliation?

A. As required by RIPUC No. 2157, the SOS Adjustment Provision, approved by the PUC in Docket No. 4556, the Company is to apply a Revenue Adjustment, defined as an increase to SOS revenue in the SOS reconciliation if the variable rate billing less fixed

rate billing is positive (the Company paid more to SOS suppliers than it billed SOS customers), and a decrease to SOS revenue in the SOS reconciliation if the variable rate billing less the fixed rate billing is negative (the Company paid less to SOS suppliers than it billed SOS customers). 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 continue to bill these SOS Billing Adjustments. In this way, SOS customers are not harmed or are not benefitted from the termination of the SOS Billing Adjustment.

The net amount of the unbilled SOS Billing Adjustment is negative, or a credit of \$65,901, meaning that, in the aggregate, for all of the SOS customers being billed a fixed rate who left SOS to take their electric supply from a non-regulated power producer, the Company paid less for their SOS supply than what it billed those customers. Therefore, the Company is reducing SOS revenue in the Residential and Commercial SOS reconciliations, thereby reducing the Residential SOS over-recovery by \$7,701 as shown on Exhibit ~~ASC-2~~ASC-2 Revised, page 2, and increasing the Commercial SOS under-recovery by \$58,200 as shown on page 3, each by the amount of the applicable net credit.

Q. How does the Company proposed to credit the net credit of the SOS Billing Adjustment to all customers?

A. The Company is proposing to reflect the net credit of the SOS Billing Adjustment as a credit to the Revenue Decoupling Mechanism reconciliation which will be filed no later

1 totaled \$115,762, as shown in Column (b). The difference between the payments made
2 to Qualifying Facilities with renewable generation at the SOS rate and the payments
3 received from ISO-NE for market energy sold totaled \$538,710, as shown in Column (c).
4 The total costs incurred during the period January 1, 2015 through December 31, 2015 is
5 \$551,915, as shown in Column (e).

6
7 **Q. Is the Company proposing a Net Metering Charge for April 1, 2016?**

8 A. Yes. As shown on Schedule ASC-16, Page 1, Line (2), a Net Metering Charge of 0.007¢
9 per kWh has been proposed.
10

11 **Q. Please describe Schedule ~~ASC-17~~ASC-17 Revised.**

12 A. Schedule ~~ASC-17~~ASC-17 Revised is the Company's Net Metering report. This schedule
13 includes a listing of all eligible net metering facilities in the Company's service territory,
14 along with a description of each unit, including fuel type, capacity, and interconnection
15 date. An estimate of each unit's annual kWh production is also included in the report.
16

17 **IX. LTC Recovery Factor and Reconciliation**

18 **Q. Please describe the LTC Recovery Provision.**

19 A. Pursuant to LTC Recovery Provision, RIPUC No. 2127, the Company is allowed to
20 recover the costs incurred in accordance with the provisions of RIGL Chapter 39-26.1,
21 Long-Term Contracting Standard for Renewable Energy, and RIGL Chapter 39-26.2,

as a credit, or an offset to total cost, and is simultaneously recorded in the RES reconciliation⁵ as an expense.

Q. Please describe the calculation of the contract remuneration.

A. The contract remuneration is shown in Schedule ASC-18, Page 4, Column (h) and is calculated as 2.75% of the actual net contract payments shown in Column (c).

Q. What is the status of the under-recovery of costs incurred as of December 2014?

A. Schedule ASC-18, Page 5, contains the status of the under-recovery of \$8.7 million incurred during the period January 1, 2014 through December 31, 2014. This balance is currently being recovered from customers during the period April 1, 2015 through March 31, 2016. The Company will continue to recover the under-recovery through March 31, 2016. The ending balances, positive or negative, will be included as an adjustment to the LTC Recovery reconciliation for the period January 2016 through December 2016, which will be filed with the PUC in early 2017.

X. Typical Bills

Q. Has the Company provided a typical bill analysis to illustrate the impact of the proposed rate changes?

A. Yes. The typical bill analysis is contained in Schedule ~~ASC-19~~ASC-19 Revised. The

⁵ Pursuant to RIGL section 39-26-1

1 impact of all rate changes proposed in this filing on a typical residential SOS customer
2 using 500 kWh per month is an increase of ~~\$1.56~~, \$1.53 from \$92.35 to ~~\$93.91~~ \$93.88 or
3 approximately 1.7% percent.
4

5 **XI. Summary of Retail Delivery Rates**

6 **Q. Is the Company including a revised Summary of Retail Delivery Rates tariff,**
7 **RIPUC. No. 2095, or Summary of Rates – Standard Offer, RIPUC 2096, in this**
8 **filing?**

9 A. No, the Company is not revising these tariffs at this time. The Company currently has
10 rate changes for April 1, 2016 pending approval by the PUC in Docket No. 4592, the
11 Fiscal Year 2017 Electric Infrastructure, Safety, and Reliability Plan. In addition, the
12 Company will submit its RES filing prior to February 29, 2016 and will propose its RES
13 charge effective April 1, 2016. Therefore, the Company will submit its revised Summary
14 of Rates Tariffs as compliance filing once the PUC has issued its decision in all dockets
15 related to rate changes proposed for April 1, 2016.
16

17 **XII. Conclusion**

18 **Q. Does this conclude your testimony?**

19 A. Yes, it does.