

December 2, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4651 - Arrearage Management Program Provision
RIPUC No. 2130 and RIPUC NG-GAS No. 101
Responses to Division Data Requests – Sets 2 and 3**

Dear Ms. Massaro:

Enclosed please find 10 copies of National Grid's¹ responses to the second and third sets of data requests issued by the Rhode Island Division of Public Utilities and Carriers in the above-referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at 401-784-7415.

Very truly yours,



Robert J. Humm

Enclosures

cc: Docket 4651 Service List
Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid.

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

December 2, 2016

Date

**Docket No. 4651 - National Grid – Arrearage Management Program
Service List updated 11/1/16**

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4651
In Re: Arrearage Management Program Provision
RIPUC No. 2130 and RIPUC NG-GAS No. 101
Responses to the Division's Second Set of Data Request
Issued November 10, 2016

Division 2-1

Request:

Regarding the administrative costs associated with the implementation, administration, and reporting on the Arrearage Management Program, can National Grid provide an estimate of what types of costs, and what the amounts of the costs might be on an annual basis? Would there be any initial start-up, or one-time costs incurred by National Grid associated with the AMP?

Response:

As demonstrated in Attachment DIV 2-1, the Company estimates that it will incur initial startup costs associated with the Arrearage Management Program (AMP) of approximately \$409,800. Specifically, to accurately and efficiently implement the AMP after it is approved by the PUC, the Company will need to modify its billing system; namely, the Customer Service System (CSS). The estimated initial information system startup costs to modify CSS to automate the functions associated with the AMP are \$285,000. In addition, prior to the completion of the changes to CSS, the Company estimates that it will incur approximately \$124,800 in contractor costs to manually maintain the AMP. This annual figure, which is broken down in Attachment DIV 2-1, includes the costs associated with two contractors who are necessary to manually enter participating customers' information for the AMP.

After the modifications to CSS have been implemented, the Company anticipates hiring a full-time employee to work on the administration of the AMP. The Company anticipates that such work will include, but will not be limited to, preparing the monthly report, monitoring defaults, performing outreach to promote the AMP, and contacting and communicating with customers, among other work to administer the AMP. As demonstrated in Attachment DIV 2-1, the Company estimates that it will incur approximately \$146,570 annually for such work, including base salary and labor-related overhead.

Estimated AMP Start -Up Cost

(1)	Estimated Cost of Enhancements to CSS		\$285,000
(2)	Estimated Contractor Cost		
(3)	Hourly Contractor Rate	\$30	
(4)	Hours perWeek	<u>40</u>	
(5)	Estimated Contractor Cost per Week (Line (3) x Line (4))	\$1,200	
(6)	Weeks per Year	<u>52</u>	
(7)	Estimated Annual Contractor Cost (Line (5) x Line (6))	\$62,400	
(8)	Number of Contractors	<u>2</u>	
(9)	Total Estimated Annual Contractor Cost (Line (7) x Line (8))		<u>\$124,800</u>
(10)	Estimated Annual Cost (Year 1) (Line (1) + Line (9))		<u>\$409,800</u>
(11)	Estimated Ongoing Administrative and Reporting Costs		
(12)	Estimate Salary of 1 new FTE		\$86,400
(13)	Estimated Labor-Related Overheads (average for Dec-15 thru Nov-16 period)		<u>69.64%</u>
(14)	Estimated Labor Cost of 1 new management FTE (Line (12) x Line (13))		<u>\$146,570</u>

- (1) Company preliminary estimate
- (13) Excludes pension and post-retirement benefits other than pension percentages, as these costs are recovered through the pension recovery mechanism.

Division 2-2

Request:

Regarding the two types of forgiven arrearages identified by National Grid associated with AMP, those pertaining to customers who fail to satisfy the conditions of the AMP, and those pertaining to customers who do satisfy the conditions of the AMP, does National Grid have an estimate of each of the dollar amount of those two types of forgiven arrearages that might be incurred on an annual basis?

Response:

The Company is providing Attachment DIV 2-2 to illustrate an estimate of steady-state total estimated arrears forgiveness. The estimates provided in Attachment DIV 2-2 are based upon assumptions of steady-state number of customers, the rate of customers making payments, and the rate of default from the Arrearage Management Program (AMP).

The first section of the attachment quantifies the potential arrears forgiveness associated with all eligible customers making payments, as identified in the attachment, with the potential to have up to \$1,500 in arrears forgiven. This is estimated to be \$5,568,000 of arrears forgiven.

The second section estimates the arrears forgiven for participants who successfully complete their payment plan. This is estimated to be \$2,262,000 in arrears forgiven.

Finally, the total estimated amount of arrears forgiven annually for customers who may not successfully complete the AMP is \$3,306,000.

Please see Attachment DIV 2-2 for this illustration and associated assumptions.

Estimate of Arrears Forgiven - Successful Participation vs. Default

Calculation for Total Annual Credits

(1)	Average Annual Number of Participants in the Arrearage Forgiveness Program (AFP) from 2012 through 2016	5,800
(2)	Estimated Percentage of Paying Participants and Receiving the Forgiveness Credit	64%
(3)	AMP Annual Forgiveness Credit per Statute	<u>\$1,500</u>
(4)	Total Estimated Annual Credit (Line (1) x Line (2) x Line (3))	\$5,568,000

Successful Participation

(5)	Average Percentage of Paying Participants in Arrearage Forgiveness Program from 2012 through 2016	26%
(6)	Estimated Total Number of Successful Participants (Line (1) x Line (5))	1,508
(7)	Total Estimated Annual Credit re: Successful Participants (Line (6) x Line (3))	\$2,262,000

Unsuccessful Participation

(8)	Total Estimated Annual Credit re: Unsuccessful Participants (Line (4) - Line (7))	\$3,306,000
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- (1) Based on Company records of AFP
- (2) Based on Company records from Massachusetts Electric AMP plan history
- (5) Default rate of AFP averages 74%, resulting in 26% of participants remaining active throughout the year.

Division 3-1

Request:

Can National Grid please provide an illustrative example of the test it will perform, as referenced in its proposed AMP Provision tariff, to determine if it can seek recovery through the AMAF of those forgiven arrearages pertaining to customers who satisfy conditions of the statute and the AMP?

Response:

Please see Attachment DIV 3-1 for illustrative examples of the test to determine whether the Company can seek recovery through the Arrearage Management Adjustment Factor (AMAF) for arrears forgiven for customers who satisfy the conditions of the statute and the terms of the Arrearage Management Program (AMP) (i.e., customers who have successfully completed their participation in the AMP). In Attachment DIV 3-1, the Company provides three scenarios to illustrate the calculations that the Company anticipates performing to determine whether the arrears forgiven for customers who successfully complete the AMP are recoverable through the AMAF provision of the proposed AMP. Attachment DIV 3-1 pertains only to the recovery of arrears forgiven that are associated with customers' successful completion of the AMP.

Illustrative Examples of Calculation of Allowable Arrears Forgiveness through AMAF

	Electric Service			Gas Service		
	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>	Actual Bad Debt Greater than Adjusted Allowable <u>Bad Debt</u>
<u>Adjusted Allowable Bad Debt Expense</u>						
1 Rate Year Base Delivery/Distribution	\$3,071,382			\$4,754,935		
2 Calendar Year Commodity	\$6,297,000			\$6,176,285		
3 Calendar Year Transmission/Distribution Adjustment Clause (DAC)	\$1,977,000			\$3,865,659		
4 <u>Calendar Year Energy Efficiency (EE)</u>	<u>\$905,000</u>			<u>\$908,296</u>		
5 Total Adjusted Allowable Bad Debt	\$12,250,382			\$15,705,175		
		Actual Bad Debt Greater than Adjusted Allowable <u>Recoverable Bad Debt</u>	Actual Bad Debt Less than Adjusted Allowable <u>Bad Debt</u>		Actual Bad Debt Greater than Adjusted Allowable <u>Recoverable Bad Debt</u>	Actual Bad Debt Less than Adjusted Allowable <u>Bad Debt</u>
<u>Bad Debt Test to Determine Recovery of Arrearage Forgiveness Successfully Completed</u>						
6 Illustrative Actual Calendar Year Bad Debt Expense	\$12,500,000	\$12,500,000	\$11,500,000	\$16,000,000	\$16,000,000	\$15,000,000
7 Total Adjusted Allowable Bad Debt	\$12,250,382	\$12,250,382	\$12,250,382	\$15,705,175	\$15,705,175	\$15,705,175
8 Illustrative Recoverable Bad Debt Expense	\$249,618	\$249,618	\$0	\$294,825	\$294,825	\$0
9 Illustrative Arrearage Forgiveness-Successful Completion	\$500,000	\$200,000	\$500,000	\$500,000	\$200,000	\$500,000
10 Illustrative Recoverable Arrearage Forgiveness Through AMAF	\$249,618	\$200,000	\$0	\$294,825	\$200,000	\$0

- 1 Electric: 2012 Rate Case, Docket No. 4323, Compliance Attachment 1, Schedule MDL-3-ELEC, Page 46, Line 33, Col (d)
Gas: 2012 Rate Case, Docket No. 4323, Compliance Attachment 6, Schedule MDL-3-GAS, Page 45, Line 31, Col (d)
- 2 Illustrative Commodity Bad Debt
- 3 Electric: Illustrative Transmission Bad Debt
Gas: Illustrative DAC Bad Debt
- 4 Illustrative EE Bad Debt
- 5 Sum of Lines 1 through Line 4
- 6 Illustrative Actual Bad Debt Expense representing net charge offs derived by beginning and ending reserve balance net of the additions to the reserve
- 7 Line 5
- 8 Max [\$0, (Line 6 - Line 7)]
- 9 Illustrative Arrearage Forgiveness amount
- 10 Min [Line 8, Line 9]