

June 7, 2017

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4686 - Request for Approval of Storm Contingency Fund Replenishment Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

On behalf of National Grid,<sup>1</sup> I enclose ten (10) copies of the Company's responses to the first set of data requests issued by the Rhode Island Public Utilities Commission in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions concerning this transmittal, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4686 Service List  
Leo Wold, Esq.  
Steve Scialabba, RI Division  
John Bell, RI Division

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

The Narragansett Electric Company  
d/b/a National Grid  
RIPUC Docket No. 4686  
In Re: National Grid's Request for Approval of  
Storm Contingency Fund Replenishment  
Responses to Commission's First Set of Data Requests  
Issued on May 16, 2017

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PUC 1-1

Request:

Referencing National Grid's response to DIV-1-2, and DIV-1-5, specifically, the footnote in each that states, "the term 'affiliates' also pertains to employees of the Company's gas business," please identify the amount of electric storm related costs included in the storm fund that were charged to The Narragansett Electric Company's electric operations by the Rhode Island gas operations commencing with the March 2010 floods to present.

- a. How are the expenses paid to the gas operations from the electric operations accounted for by the gas operations?
- b. Do ratepayers of the gas operations receive any rate relief as a result of the transfer of personnel and overhead costs from the electric to gas operations?
- c. If so, how? If not, why not?

Response:

Please see Attachment PUC 1-1 for the requested information.

- a. The Narragansett Electric Company (the Company) is the legal entity that owns and operates National Grid's electric distribution operations (referred to herein as Narragansett Electric) and gas distribution operations (referred to herein as Narragansett Gas) in Rhode Island. Prior to the implementation of SAP, Narragansett Gas was reported as if it was a separate company in the Company's PeopleSoft General Ledger. Expenses paid to Narragansett Gas from Narragansett Electric were accounted for by Narragansett Gas as net settlements received against Intercompany Accounts Receivable/Payable in the intercompany moneypool accounts. Since SAP was implemented, Narragansett Gas and Narragansett Electric are reported as one company in the Company's General Ledger so there is no longer an intercompany transaction.
- b. No. Customers of Narragansett Gas do not receive any rate relief as a result of the temporary transfer of personnel and overhead costs from the Company's gas to electric operations.
- c. When crews are transferred from Narragansett Gas to Narragansett Electric, the costs of those crews are charged to the affiliate receiving assistance (Receiving Affiliate), at cost, including appropriate labor-following overheads. The affiliate responding to provide assistance (Responding Affiliate) and providing the crews records the

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charged cost as an Intercompany Accounts Receivable and payment is settled through the intercompany process. Conversely, the Receiving Affiliate records the charged cost as an Operation and Maintenance (O&M) expense and an offsetting Intercompany Accounts Payable, and it is similarly settled. Accordingly, on each end, the transaction is accounted for in a similar manner as would an invoice issued by an independent, externally procured company.

Through the ratemaking process, labor costs associated with crews that are dispatched to Narragansett Electric by Narragansett Gas are normalized in the cost of service of Narragansett Gas. Since Narragansett Gas costs were charged to Narragansett Electric during the 2011 test year used in the last Rhode Island gas and electric base rate cases, those labor costs needed to be added back to the cost of service for Narragansett Gas to reflect a normal year of labor expense. This is in compliance with the PUC's Rules of Practice and Procedure, Part Two, Section 2.6 (c) (1), "Adjustments to the Test Year—Normalization Adjustments" which states:

**(c) (1) Normalization Adjustments.** These adjustments shall be made to the test year to present a reasonable/normal amount for one full year of operations. The test year must be normalized to reflect expected results for a typical future year. All items of unusual magnitude which occurred during the test year, but which are not expected to recur to a significant degree beyond the test year, should be adjusted to reflect what is reasonably to be expected in the future. Correspondingly, adjustments should be made to reflect items that are fixed, determinable, and likely to occur in the future, but did not occur to a significant degree during the test year.

In Rhode Island, labor costs are incorporated into the revenue requirement using the test-year end employee headcount and the associated wages and salaries to develop "total labor cost." Actual labor cost in the test year is not used as the basis for setting rates. Once the total labor cost is calculated, the Company reduces the total by the O&M rate, so that only the expense portion of the total labor cost is included in the revenue requirement. The O&M rate is the Company's actual O&M rate in the test year, excluding any storm-related work performed for an affiliate. This means that the labor and labor-related expense locked into rates is based exclusively on the actual cost of labor devoted to the functions of the utility. The requirement to

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normalize the test year in base rate cases is also the practice for other National Grid affiliates.

Conversely, when a utility uses crews from an affiliated company, it pays for those crews similar to how it would pay for an external crew. If an employee of an affiliate company performs storm-related work for the benefit of Narragansett Electric, the employee charges their time and expenses to the applicable work orders established for that weather event in the General Ledger of The Narragansett Electric Company. The costs charged to these work orders are not included in the affiliate's cost of service in a rate case as a normally recurring expense.

Please also see the Company's joint rebuttal testimony filed with the PUC on June 6, 2017.

The Narragansett Electric Company  
d/b/a National Grid  
Storm Costs (Base Payroll)  
March 2010 - April 2016 Events

**Capital and Incremental O&M Storm Costs**

**Base Payroll**

Line No.	Storm Event	Narragansett Gas (a)	Narragansett Electric (b)	Massachusetts Electric (c)	Niagara Mohawk Power Corp. (d)	NG USA Service Company (e)	KeySpan Corporate Services (f)	Other Affiliates (g)	Total <sup>1</sup> (h)
1	March 2010 Flood	\$ -	\$ -	\$ 20,979	\$ -	\$ 58,668	\$ -	\$ -	\$ 79,647
2	September 2010 Hurricane Earl	-	-	899	277	13,042	1,298	-	15,516
3	August 2011 Tropical Storm Irene	169,874	45,161	35,373	15,294	502,215	121,713	223	889,853
4	October 2011 Snow Storm	3,577	10,697	2,035	244	15,257	770	-	32,580
5	January 2012 Snow/Wind Storm	-	931	-	-	5,422	-	-	6,353
6	July 2012 Lightning Storm	213	10,171	4,429	11,381	13,736	-	-	39,930
7	October 2012 Hurricane Sandy	51,840	5,395	(26,187)	(3,420)	(505,260)	-	2,173	(475,459)
8	November 2012 Snowstorm	695	5,366	4,996	1,009	85,285	-	-	97,351
9	February 2013 Nor' easter (Nemo)	11,101	793	16,242	100,632	212,770	-	-	341,538
10	February 2013 Coastal Storm	-	26	-	-	3,160	-	-	3,186
11	March 2013 Snow Storm	9,738	1,883	2,974	-	68,730	-	-	83,325
12	Subtotal Filed Storms	\$ 247,038	\$ 80,423	\$ 61,740	\$ 125,417	\$ 473,025	\$ 123,781	\$ 2,396	\$ 1,113,820
13	November 2013 Windstorm	\$ -	\$ -	\$ 2,450	\$ -	\$ 17,677	\$ -	\$ -	\$ 20,127
14	January 2015 Blizzard (Juno)	-	-	6,982	-	141,688	-	92	148,762
15	February 2015 Snow Storm	-	-	2,016	-	3,975	-	-	5,991
16	August 2015 Lightning Storm	-	-	70,642	1,222	142,914	-	-	214,778
17	February 2016 Snow Storm	-	-	3,541	12,270	77,103	-	-	92,914
18	February 2016 Snow Storm	-	-	5,151	44,191	54,802	-	-	104,144
19	April 2016 Wind Storm	-	-	355	-	17,651	-	-	18,006
20	Subtotal Unfiled Storms	\$ -	\$ -	\$ 91,137	\$ 57,683	\$ 455,810	\$ -	\$ 92	\$ 604,722
21	Total All Storms	\$ 247,038	\$ 80,423	\$ 152,877	\$ 183,100	\$ 928,835	\$ 123,781	\$ 2,488	\$ 1,718,542

<sup>1</sup> Total includes amounts charged to Capital and COR/Other

The Narragansett Electric Company  
d/b/a National Grid  
Storm Costs (Payroll Overheads)  
March 2010 - April 2016 Events

**Capital and Incremental O&M Storm Costs**

**Payroll Overheads**

Line No.	Storm Event	Narragansett Gas (a)	Narragansett Electric (b)	Massachusetts Electric (c)	Niagara Mohawk Power Corp. (d)	NG USA Service Company (e)	KeySpan Corporate Services (f)	Other Affiliates (g)	Total <sup>1</sup> (h)
1	March 2010 Flood	\$ -	\$ -	\$ 77,628	\$ 6,344	\$ 119,649	\$ -	\$ -	\$ 203,621
2	September 2010 Hurricane Earl	-	576	2,692	1,682	39,971	1,476	-	46,397
3	August 2011 Tropical Storm Irene	246,890	180,688	251,912	54,126	1,489,619	221,820	8,339	2,453,394
4	October 2011 Snow Storm	49,674	38,681	15,066	778	48,476	6,387	-	159,062
5	January 2012 Snow/Wind Storm	-	2,799	1,385	-	12,180	-	-	16,364
6	July 2012 Lightning Storm	567	18,088	10,566	45,779	28,020	275	-	103,295
7	October 2012 Hurricane Sandy	737,101	267,294	218,535	(614)	560,203	-	39,362	1,821,881
8	November 2012 Snowstorm	119,147	72,453	19,823	2,511	229,211	-	-	443,145
9	February 2013 Nor'easter (Nemo)	274,292	31,524	15,655	324,236	1,630,676	-	16,503	2,292,886
10	February 2013 Coastal Storm	(6,707)	(125)	(1,452)	-	31,383	-	-	23,099
11	March 2013 Snow Storm	(19,656)	(3,118)	(6,474)	-	134,368	-	-	105,120
12	Subtotal Filed Storms	\$ 1,401,308	\$ 608,860	\$ 605,336	\$ 434,842	\$ 4,323,756	\$ 229,958	\$ 64,204	\$ 7,668,264
13	November 2013 Windstorm	-	-	2,067	-	16,915	-	-	18,982
14	January 2015 Blizzard (Juno)	-	-	14,527	1,184	202,348	-	277	218,336
15	February 2015 Snow Storm	-	-	4,513	-	32,711	-	-	37,224
16	August 2015 Lightning Storm	-	-	216,084	3,500	270,985	-	-	490,569
17	February 2016 Snow Storm	-	-	16,595	319,971	266,056	-	-	602,622
18	February 2016 Snow Storm	-	-	11,988	90,336	87,410	-	-	189,734
19	April 2016 Wind Storm	-	-	324	-	20,773	-	-	21,097
20	Subtotal Unfiled Storms	\$ -	\$ -	\$ 266,098	\$ 414,991	\$ 897,198	\$ -	\$ 277	\$ 1,578,564
21	Total All Storms	\$ 1,401,308	\$ 608,860	\$ 871,434	\$ 849,833	\$ 5,220,954	\$ 229,958	\$ 64,481	\$ 9,246,828

<sup>1</sup> Total includes amounts charged to Capital and COR/Other

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PUC 1-2

Request:

Referencing National Grid's response to DIV-1-2 and DIV-1-5, please identify the amount of electric storm related costs included in the storm fund that were charged to The Narragansett Electric Company's electric operations by non-Rhode Island affiliates commencing with the March 2010 floods to present.

- a. How are the expenses paid to the non-RI affiliates from the Narragansett Electric operations accounted for by the non-RI affiliates?
- b. How are these affiliated transactions reported to the MA Department of Public Utilities and NY Public Service Commission?
- c. Do ratepayers of the non-RI affiliates receive any rate relief as a result of the transfer of personnel and overhead costs from the electric to gas operations?

Response:

- a. Expenses paid to non-RI affiliates from the Narragansett Electric operations are accounted for by the non-RI affiliates as Intercompany Accounts Receivable.
- b. The reporting of affiliate transactions in storm fund filings by Massachusetts Electric Company is identical to the way it is reported by Narragansett Electric to the PUC. Both Massachusetts Electric Company and Narragansett Electric separately identify charges by affiliate company and by the payroll categories (i.e. base labor and overtime labor).

The following provision is contained in Niagara Mohawk Power Corporation's most recent base rate case Joint Proposal, Case 12-E-0201, Appendix 7, Section 1.2.3.4 which states:

1.2.3.4 In its summary of Incremental Costs to be deferred with respect to any Major Storm, Niagara Mohawk shall identify the portion of such Incremental Costs that represents payments to any affiliated company or companies separately from the portion of Incremental Costs that represents internal costs and costs paid to unaffiliated third-parties. Affiliated company costs shall be broken down into the same cost components as used for internal Company costs.

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- c. No. It would not be appropriate to provide "rate relief" to customers of the non-RI affiliates as a result of the temporary transfer of personnel and overhead costs from the RI electric or gas operations to New York or Massachusetts.

Please see the Company's response to PUC 1-1 and Attachment PUC 1-1 for further explanation. Please also see the Company's joint rebuttal testimony filed with the PUC on June 6, 2017.

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.



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Joanne M. Scanlon

June 7, 2017  
Date

**Docket No. 4686 – National Grid’s Storm Contingency Fund Replenishment  
Service List as of 1/26/17**

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