

March 31, 2017

BY HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4691 - 2017 Retail Rates Filing
Response to Division Data Request – Set 1**

Dear Ms. Massaro:

On behalf of National Grid,¹ I have enclosed 10 copies of the Company's response to the Rhode Island Division of Public Utilities and Carriers' first set of data requests dated March 24, 2017 in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4691 Service List
Steve Scialabba, Division
Leo Wold, Esq.

¹ 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 31, 2017
Date

**National Grid – 2017 Annual Retail Rate Filing - Docket No. 4691
Service List Updated 3/8/17**

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Division's Data Request Dated March 24, 2017

Request:

On Tuesday March 21, 2017, in response to a request made by the Division in a discovery conference call on March 20, NGRID provided a simple excel spreadsheet containing a breakdown of costs for the BITS project capital cost of \$125 million used in this docket. This is provided as a pdf document, attached. The Division appreciates the fast turnaround, but finds that this information is not completely responsive to our request to obtain an explanation of the growth in the project cost over past estimates. Therefore, the Division now requests that NGRID provide detailed explanations of the differences and their causes between the following cost estimates: (1) the \$75 million cost presented to the Division in July of 2013, (2) the \$107 million cost presented to the PUC and Division as of January 14, 2015, and (3) the current cost of \$125 million presented in Docket 4691. Please note that the Division does not intend to oppose the use of the \$125 million estimate in prospective retail rates effective April 1, 2017, as stated in our filed Docket 4691 memorandum, but does intend to review these costs after April 1, 2017, and requests that NGRID fully respond to this request within three weeks of its receipt.

Response:

The primary difference between the three estimates referenced above was the change in scope, permitting, and construction activities as the project evolved from 2013 to 2017.

The \$75 million estimate was based on a conceptual level of project maturity relating to the project's engineering and scope, which included estimates from Deepwater Wind and a contingency of -25%/+50%.

The \$107 million estimate was based on a preliminary level of project maturity relating to the project's engineering and scope, which included the market value of the Engineering, Procurement, and Construction (EPC) contract required to construct and fully implement the submarine cable work. Another change from the \$75 million estimate relates to the change to the mainland route in the town of Narragansett, Rhode Island from the original two miles of combined overhead and underground infrastructure to the new four miles of underground infrastructure. An additional scope of work identified in the preliminary engineering on West Kingston substation resulted in an increase in costs. Estimated costs for engineering, legal, and permitting and construction supervision activities were also further defined from the \$75 million estimate.

Division's Data Request Dated March 24, 2017 (continued)

The major variances from \$107 million to the \$133 million¹ estimate were driven by a change order on the EPC contract for the submarine cable work. The Contractor submitted a request for compensation for the additional work required to construct the horizontal directional drill (HDD) at Scarborough Beach based on encountered surface rock conditions and additional burial depth required to mitigate inadvertent return of drilling fluid. The estimates for engineering, legal, permitting and construction supervision activities were further developed based on the additional work required during the construction phase to complete the project. In addition, this latest estimate includes incremental costs associated with archaeological discoveries on Block Island that imposed changes on construction methodology for the underground infrastructure completion on Block Island in order to proceed with data recovery of archeological artifacts while completing the installation. The market value of substation equipment was also revised in the latest estimate.

The most recent estimate of \$133 million, of which \$125 million is applicable to the BITS Surcharge billable to Narragansett Electric and BIPCO, is subject to final cost reconciliation expected by the end of calendar year 2017. The remaining project costs are billable through other rate mechanisms under Schedule 21-NEP of the ISO-NE OATT.

¹ Of this total, \$125 million is applicable to the BITS Surcharge billable to Narragansett Electric and Block Island Power Company ("BIPCO).