

October 3, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4708 - 2017 Distribution Adjustment Charge
Responses to Division Data Requests – Set 4**

Dear Ms. Massaro:

Enclosed please find 10 copies of National Grid's¹ responses to the fourth set 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 4708 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Bruce Oliver, 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

October 3, 2017
Date

Docket No. 4708 – National Grid –2017 Annual Distribution Adjustment Charge Filing (DAC) - Service List as of 10/3/17

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-1

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 2, please provide all workpapers showing how the revenues and expenses were derived from the "Annual Report of Natural Gas Companies" for the year ended March 31, 2017 ("Annual Report").

Response:

Please refer to Attachment Division 4-1 for the requested information.

National Grid - RI Gas
Income Statement
For the Twelve Months ended March 31, 2017

	<u>Income Statement</u>	<u>Adjustments</u>	<u>2017</u>
	(a)	(b)	(c)
<u>Operating Revenues</u>			
1 Total Firm Gas	\$329,171,244	(\$6,377,170)	\$322,794,073
2 Transportation	\$39,838,486	(\$2,538,809)	\$37,299,677
3 Other Revenues	\$1,275,075	\$5,932,070	\$7,207,145
4 FY17 Customer Portion of On System Non-Firm Margin not booked in FY17		\$15,912	\$15,912
5 FY16 Customer Portion of On System Non-Firm Margin booked in FY17		\$63,674	\$63,674
6 Total Operating Revenues	<u>\$370,284,805</u>	<u>(\$2,904,323)</u>	<u>\$367,380,482</u>
<i>Adjustment to Operating Revenue:</i>			
7 Inventory Financing		(\$1,150,808)	(\$1,150,808)
8 Total Adjusted Operating Revenues	<u>\$370,284,805</u>	<u>(\$4,055,131)</u>	<u>\$366,229,674</u>
<u>Operating Expenses</u>			
9 Production (Gas Costs)	\$131,025,385		\$131,025,385
10 Storage	\$3,009,844		\$3,009,844
11 Transmission	\$72,342		\$72,342
12 Distribution	\$33,028,180		\$33,028,180
13 Customer Accounts	\$36,901,347	\$358,487	\$37,259,833
14 Sales	\$625,044	(\$625,044)	\$0
15 Administrative and General	\$42,635,687	\$435,540	\$43,071,227
16 Total Operating Expenses	<u>\$247,297,830</u>	<u>\$168,982</u>	<u>\$247,466,813</u>
<i>Adjustments to Operating Expense:</i>			
17 Savings Imputed in Base Rates		\$2,450,000	\$2,450,000
18 Total Adjusted Operating Expenses	<u>\$247,297,830</u>	<u>\$2,618,982</u>	<u>\$249,916,813</u>
<u>Other Expenses</u>			
19 Depreciation and Amortization	\$36,203,744		\$36,203,744
20 Local and Other Taxes	\$23,740,076		\$23,740,076
21 Revenue Related Taxes (Gross Earnings Tax - GET)	\$11,278,608		\$11,278,608
22 Federal Income Taxes @ 35%	\$17,880,133	(\$7,722,840)	\$10,157,294
23 Total Other Expenses	<u>\$89,102,561</u>	<u>(\$7,722,840)</u>	<u>\$81,379,721</u>
24 Income Before Interest Expense	<u>\$33,884,413</u>	<u>\$1,048,727</u>	<u>\$34,933,140</u>

(a) The Narragansett Electric Company d/b/a National Grid Annual Report Gas - Year Ended March 31, 2017 pages 219, 262, 300, 301, 320, 322, 323, 324

(b) DIV 4-1

(c) = (a) + (b)

**National Grid - RI Gas
Reconciliation of Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended March 31, 2017**

Div 4-1 Operating Revenues		
	Total Firm Gas Adjustments	(a)
1	Remove Energy Efficiency Incentives	(1,541,775)
2	Unbilled Revenue Net Margin	(7,321,536)
3	Unbilled Energy Efficiency	2,486,141
		<u>(6,377,170)</u>
	Transportation	
4	Unbilled Transportation	<u>(2,538,809)</u>
	Other Revenues	
5	1 Excess Sharing	10,855,137
6	3 Off System Gas Sales	(12,184,957)
7	4 Contract Sharing	103,005
8	5 Unbilled DAC	2,998,235
9	6 Unbilled RDM	3,702,750
10	7 Miscellaneous Service Revenues	52,606
11	8 CSS Revenue - Customer Arrears	405,295
		<u>5,932,070</u>
12	FY17 Customer Portion of On System Non-Firm Margin not booked in FY17	<u>15,912</u>
13	FY16 Customer Portion of On System Non-Firm Margin booked in FY17	<u>63,674</u>
14	Inventory Financing	<u>(1,150,808)</u>
	Total Operating Revenue Adjustments	<u>(4,055,130)</u>
	Operating Expenses	
	Customer Accounts	
15	Adjust Uncollectible expense to reflect Bad Debt Write Offs	358,487
	Sales	
16	Remove Advertising Expense	(625,044)
	Administrative and General	
17	Reclassify Donations to A&G expense from Account 426.1	490,083
18	Exclude Executive Variable Compensation not charged to customers	(54,543)
		<u>435,540</u>
19	Savings Imputed in Base Rates	<u>2,450,000</u>
	Total Operating Expense Adjustments	<u>2,618,983</u>
	Other Expenses	
20	Federal Income Tax Expense per income Statement	17,880,133
21	Additional Federal Income Tax Expense adjustment	10,157,293
	Total Federal Income Tax Adjustment	<u>(7,722,840)</u>
	Total Adjustments Revenue, Operating Expense and Other Expenses	<u>1,048,727</u>

(a) detail for DIV 4-1 Column (b) page 1 of 2

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-2

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 2, please reconcile the Total Firm Gas Revenues of \$322,794,073 to the Gas Operating Revenues shown on Page 301, Line 1 of the Annual Report.

Response:

Please refer to Attachment Division 4-2 for the requested information.

**National Grid - RI Gas
Reconciliation of Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended March 31, 2017**

1	DIV 4-2 Gas Operating Revenues shown on Page 301, Line 1 of the Annual Report	\$329,171,244
2	Remove Energy Efficiency Incentives	(\$1,541,775)
3	Unbilled Revenue Net Margin	(\$7,321,537)
4	Unbilled Energy Efficiency	\$2,486,141
5	Gas Earnings Sharing Mechanism, Page 2, Total Firm Gas Revenues	<u>\$322,794,073</u>
6	DIV 4-3 Other Gas Revenues shown on Page 308 of the Annual Report	\$1,093,769
7	Rent From Gas Property	\$233,912
8	Excess Sharing	\$10,855,137
9	Off System Gas Sales	(\$12,184,957)
10	Contract Sharing	\$103,005
11	Unbilled DAC	\$2,998,235
12	Unbilled RDM	\$3,702,750
13	CSS Revenue - Customer Arrears	\$405,295
14	Gas Earnings Sharing Mechanism, Page 2, Other Revenues	<u>\$7,207,146</u>
15	DIV 4-4 Customer Accounts expenses shown on Pages 324-325 of the Annual Report	\$36,901,347
16	Adjust Uncollectible expense to reflect Bad Debt Write Offs	\$358,486
17	Gas Earnings Sharing Mechanism, Page 2, Customer Accounts expense	<u>\$37,259,833</u>
18	DIV 4-5 Administrative and General expenses shown on Page 325 of the Annual Report	\$42,635,690
19	Reclassify Donations to A&G expense from Account 426.1	\$490,083
20	Exclude Executive Variable Compensation not charged to customers	(\$54,546)
21	Gas Earnings Sharing Mechanism, Page 2, Administrative and General expenses	<u>\$43,071,227</u>

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-3

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 2, please reconcile the Other Revenues of \$7,207,145 to the Other Gas Revenues shown on Page 308 of the Annual Report.

Response:

Please refer to Attachment Division 4-2 for the requested information.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-4

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 2, please reconcile the Customer Accounts to the Customer Accounts expenses shown on Pages 324-325 of the Annual Report.

Response:

Please refer to Attachment Division 4-2 for the requested information.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-5

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 2, please reconcile the Administrative and General to the Administrative and General expenses shown on Page 325 of the Annual Report.

Response:

Please refer to Attachment Division 4-2 for the requested information.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4708
2017 Distribution Adjustment Charge Filing
In Re: Gas Earnings Sharing Mechanism
Responses to Division's Fourth Set of Data Requests
Issued September 8, 2017

Division 4-6

Request:

Referring to the Gas Earnings Sharing Mechanism, Page 5, please reconcile the Plant in Service and the Accumulated Depreciation as of March 31, 2017 to the corresponding balances shown on Page 201 of the Annual Report.

Response:

Please refer to Attachment Division 4-6 for the requested information.

Please note that lines 4-6 and 10-12 on Attachment Division 4-6 associated with this data request include a correction to Rate Base (Page 5, Line 3 of the Earnings Report that forms the basis for the Earnings Sharing Mechanism) for an error discovered during the preparation of this response.

Asset retirement obligations (ARO) are removed from both Plant-In-Service and Accumulated Depreciation. However, the sign on the amount for ARO Accumulated Depreciation was inadvertently reversed, and ARO Accumulated Depreciation was added to, not removed from, Accumulated Depreciation as of March 31, 2017. Accumulated Depreciation as of March 31, 2017 was originally reported as \$398,938,009; the correct Accumulated Depreciation is \$388,553,415, a reduction of \$10,384,594. Because Accumulated Depreciation is subtracted from Plant-In-Service, Rate Base increased by the same amount, \$10,384,594. The same error was replicated for the quarters ending June 2016, September 2016, and December 2016, as set forth in Attachment Division 4-6. An updated Earnings Sharing Mechanism (ESM) with these corrections can be provided, if necessary. In addition, the amount of ARO removed from Plant-In-Service in the ESM was \$5,833,224, which was lower than the total ARO reflected in the Annual Report by \$1,021,749. The amount of ARO in the Annual Report as of March 31, 2017 was \$6,854,973, as shown on Attachment Division 4-6. Correcting for these errors, however, does not result in earnings to be shared with customers.

National Grid - RI Gas
Reconciliation of Gas Earnings Sharing Mechanism to Annual Report
For the Twelve Months ended March 31, 2017

As Filed	<u>Plant in Service</u>
1 Total per Annual Report page 201 Line 8	\$1,109,768,337
2 Less Asset Retirement Obligation (ARO)	<u>(5,833,224)</u>
3 Total per ESM Filing	\$1,103,935,113

Per Revised ESM	<u>Plant in Service</u>
4 Total per Annual Report page 201 Line 8	\$1,109,768,337
5 Less ARO per Annual Report page 209 Lines 109 + 124	<u>(6,854,973)</u>
6 Total Revised Amount	\$1,102,913,364

	<u>Accumulated Depreciation</u>			
	<u>June 30th</u>	<u>Sept 30th</u>	<u>Dec 31st</u>	<u>Mar 31st</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
As Filed	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
7 Total per Annual Report page 201 Line 14	\$399,608,196	\$399,880,850	\$399,433,062	\$393,745,712
8 Less Asset Retirement Obligation	<u>\$5,183,080</u>	<u>\$5,209,936</u>	<u>\$5,167,614</u>	<u>\$5,192,297</u>
9 Total per ESM Filing	\$404,791,276	\$405,090,786	\$404,600,676	\$398,938,009

	<u>Accumulated Depreciation</u>			
	<u>June 30th</u>	<u>Sept 30th</u>	<u>Dec 31st</u>	<u>Mar 31st</u>
	<u>2016</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
Per Revised ESM	<u>(a)</u>	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
10 Total per Annual Report page 201 Line 14	\$399,608,196	\$399,880,850	\$399,433,062	\$393,745,712
11 Less Asset Retirement Obligation	<u>(\$5,183,080)</u>	<u>(\$5,209,936)</u>	<u>(\$5,167,614)</u>	<u>(\$5,192,297)</u>
12 Total Revised Amount	\$394,425,116	\$394,670,914	\$394,265,448	\$388,553,415

(d) Total per Annual Report ending twelve months March 31st, 2017 page 201 Line 14