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<u>**Issues**</u>	**Agreement/Resolution**	**Rationale**
1. Single Year Rate Case vs. Multi-Year Rate Plan (Rate Plan) • Company filed single-year rate case. • Division suggested multi-year rate plan.	Adopted three-year Multi-Year Rate Plan providing revenue requirements for Narragansett Electric and Narragansett Gas tailored to each year, with modest increases in Rate Year 2 and Rate Year 3.	Addressed in detail in Settlement Testimony. Balances interests of all stakeholders and the Company for expense recovery and rate stability
2. Power Sector Transformation (PST) Cost Recovery • Company proposed cost recovery through PST Provision establishing mechanism to operate outside of base distribution rates on a fully reconciling basis. • Division and other parties proposed cost recovery for PST investments through base distribution rates, with limited or no opportunity to reconcile to actual costs.	Parties agreed to categories of PST investments with cost recovery occurring through base distribution rates in each year of the Rate Plan, with certain special sector projects allowed on a deferred basis.	Addressed in detail in Settlement Testimony. Overall, balances the interests of furthering the State's energy policy goals with the need to mitigate bill impacts for customers.
3. Revenue Requirements • <u>Company</u> – in rebuttal – proposed to address an existing revenue deficiency of $34,328,802, after adjustments for the Tax Cuts and Jobs Act (Tax Act) and other corrections in discovery. <u>Division</u> – proposed numerous reductions to revenue requirements related to FTEs, IS investments, Gas	The Parties agreed to a compromise on revenue requirements with cost changes spread over each year of the Rate Plan. Includes delayed recovery for Company's proposed incremental FTEs, and 85 percent of IS projects and Gas Business Enablement with provisions to reconcile over- and under-recovery.	Addressed in detail in Settlement Testimony. Overall, balances the interests of making necessary investments to ensure continued safe and reliable service with the need to mitigate bill impacts to customers and establish PUC and Division oversight for substantial investments.

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Business Enablement and other matters.		
4. Labor and Labor-Related Expenses • Company – proposed recovery of 169 incremental FTEs in the Rate Year and wage increases for union and non-union employees • Division – proposed reduction of number of FTEs and questioned ability of Company to hire on the timeframe proposed. Recommended that non-union increases be the same as union increases.	Agreement to allow cost recovery for all requested incremental FTEs, adjusted downward for 1 duplicate FTE noted in discovery, but on a delayed hiring curve over the three years of the Rate Plan. Accepted Company's proposal for wage increases.	Addressed in detail in Settlement Testimony. Parties agreed that incremental FTEs were necessary and that a smoothed-out hiring pattern would protect the interests of customers in mitigating bill impacts. Non-union wage increases are supported by market data and both union and non-union increases will occur.
5. IS Investments • Company – proposed a comprehensive upgrade to modernize information systems technology and reinforce cybersecurity capabilities, with cost recovery of 100% of rent expense charged by the Service Company. • Division – Proposed reducing rent expense by 15% and having an independent consulting firm perform an audit.	Accepted Division's proposal to reduce cost recovery to 85% of rent expense, with a provision to reconcile actual costs of less than or more than 85%. Compromised on a reporting schedule instead of an independent audit.	Addressed in detail in Settlement Testimony. Overall, balances the interests of making necessary investments to ensure continued safe and reliable service with interest in mitigating bill impacts for customers while allowed oversight by PUC and Division for substantial investments.

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6. Gas Business Enablement • Company – proposed recovery of 100% of rent expense charged by the Service Company, including pre-rate year costs, as allocated per the Company's allocation methodology. • Division – proposed reducing Service Company rent expense by 15%, but allowing recovery (or credit) of actual costs of less than or more than 85%; Removing pre-rate year expenses. • New Energy Rhode Island (NERI) – opposed funding of Gas Business Enablement.	Accepted Division's proposal to reduce cost recovery to 85% of Service Company rent expense, with a provision to allow for recovery (or credit) of actual costs of more than or less than 85%. Compromised on a reporting schedule instead of an independent audit. Gas Business Enablement costs are amortized over 10 years. Also, accounts for Type II savings.	Addressed in detail in Settlement Testimony. Overall, balances the interests of making necessary investments to ensure continued safe and reliable service with ensuring that bill impacts to customers are mitigated to the extent possible, while allowing PUC and Division oversight of substantial investments.
7. Uncollectible Accounts Expense – Electric	Adopted actual five-year average of net write-offs percentage that will also be used in the recovery of the uncollectible allowance in various reconciling mechanisms pursuant to respective tariffs.	This approach smooths the impact of variables affecting computation in the nearer term by using a broader experience term.
8. Uncollectible Accounts Expense – Gas • Division – recommended removal of 12-month period ended June 30, 2013 from average write-off rate to be used in calculation.	Adopted Division's proposal. Resulting write-off percentage will also be used in the recovery of the uncollectible allowance in various reconciling mechanisms pursuant to respective tariff provisions.	Agreement that excluded period represented an outlier in experience range.

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9. Non-Deferrable Storm Expense	Adopted non-deferrable storm expense at $3,193,756 (with adjustment to $3,722,000 for portion of year) with $2 million deadband.	Accounts for expense associated with storms that do not qualify as major events, but cause costs to be incurred on a routine basis.
10. Storm Contingency Fund	Adopts Storm Contingency Fund contribution maximum.	This is consistent with Docket 4686 Settlement Agreement.
11. Capital Structure/Return on Equity (ROE) • Company – Proposed 50.97% equity for capital structure and an ROE of 10.1%. • Division – Proposed 50.95% equity for capital structure and ROE of 9.0% for Narragansett Gas; ROE of 8.5% for Narragansett Electric with additional 0.5% available for Performance Incentive Mechanism (PIM) earnings. • NERI – proposed ROE of no more than 8.44%. • Wal-Mart/Sam's Club – recommended an ROE of 9.56% as average of non-Illinois distribution utilities.	Agreed to accept Division's proposed Capital Structure equity percentage. The Parties compromised on an ROE of 9.275%, with no reduction to account for potential PIM earnings.	Addressed in Settlement Testimony. Represents a balance of customer interest in mitigating bill impacts with the Company's need to raise adequate capital. ROE is low nationally, or 40 basis points below the national average for gas distribution companies in 2017, and 2018 to date. Also consensus reached in context of overall Settlement Agreement.

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12. Rate Design – Consolidation of G-32 and G-62 Electric Rates • <u>Company</u> – proposed consolidation. • <u>Navy</u> – Opposed consolidation because of impact on the Navy's account. • <u>Wal-Mart</u> – did not oppose the consolidation but opposed Company's method of consolidation because the Allocated Cost of Service Study (ACOSS) did not use a combined class.	Parties agreed to consolidate rates and resolved differences over impacts and methodology. Parties agreed to special provisions for hurricane barrier.	Company demonstrated that ACOSS with consolidated rates did not show demonstrable difference. Other issues with proposed consolidation resolved.
13. Rate Design – Customer Charges (Electric) • <u>Company</u> – Proposed increases to residential customer charges (to $8.50) to more closely align with ACOSS. • <u>Division</u> – Did not contest ACOSS, but opposed increase to residential customer charge. Proposed phasing in customer charge for low-income customers. • <u>Acadia Center</u>- opposed manner by which Company calculates customer charge. Recommended no increase to residential customer charge. • <u>NERI</u> – Opposed calculation of customer costs and increases to customer charge	Adopted customer charge of $6.00 per month, with phase-in for low-income customers over course of three-year Rate Plan. Leaves unresolved the differences over how customer costs should be calculated on the basis of consensus-based customer charge.	Balances interests of moving towards cost-based rates with need to mitigate bill impacts for customers.

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(beyond $5.90 per month).		
14. Rate Design – Customer Charges (Gas) • <u>Company</u> – Proposed increases to residential customer charges to $16.00 to more closely reflect customer charges from ACOSS and aligning charges for heating and non-heating customers. • <u>Division</u> – opposed increases to customer charges.	Adopted increased customer charge of $14.00.	Balances interests of moving towards cost-based rates with need to mitigate bill impacts for customers.
15. Rate Design – Low Income Discount • <u>Company</u> – proposed 15% total bill discount for electric and gas low-income rates in place of existing low-income discount mechanisms. • <u>Division</u> – proposed 25% low-income discount, with added 5% discount for customer participating in certain low-income programs. • <u>George Wiley Center</u> – proposed tiered rate structure based on low-income customer income; alternatively proposed at least a 35% total bill discount.	Adopted Division's position with recovery of discount through the Low Income Discount Recovery Factor.	Balances needs of low-income customers with the interests of remaining customers who subsidize the low-income discounts; provides greater transparency to customers for discount, while providing easier administration.

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16. Rate Design – Returned Check Fee • <u>Division</u> – recommended returned check fee of $7.95.	Adopted returned check fee of $8.00.	Reasonable compromise for costs associated with returned checks.
17. Rate Design – Electric Propulsion Rates • Amtrak raised issue that X-01 rate over-recovered based on cost of service.	Adopted reduced rate for Amtrak, with minimum impact on other customers in light of Amtrak's cost of service per the ACOSS.	Represents fair treatment in line with principles of gradualism.
18. Rate Design – Streetlighting • <u>NERI</u> – raised questions about dimming provisions to allow streetlighting customers more dimming options.	Adopted additional dimming scheduled in the S-05 Tariff.	Negotiated solution to provide more options to streetlighting customers on terms that are administratively workable for National Grid.
19. Rate Design – Optional Telephone and Web Page Payment Provision	Agreement to cancel associated tariff.	PUC rules no longer require the need for a tariff.
20. Rate Design – Gas – Demand Billing Units	Agreed to weather-normalize demand billing units for medium, large, and extra-large commercial and industrial customers in future rate cases.	Accepted Division position.

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21. LNG O&M Expense • Company – proposed transfer of recover of rate year base rate allowance from base distribution rates to Gas Cost Recovery (GCR) mechanism at a fixed amount pursuant to past precedent. • Division – believed that future LNG O&M costs may be less and therefore amount recovered in GCR should represent actual expense.	Agreement to treat LNG O&M expense consistent with other GCR expenses by estimating the allowance for the upcoming GCR year subject to full reconciliation to actual LNG O&M expense, with PUC review in annual GCR reconciliation filing.	Accepted Division position.
22. Electric and Gas Forecasting • Division – challenged Company's weather normalization in gas forecasting. • NERI – challenged weather normalization procedure for electric forecasting and proposed creation of forecasting docket to address forecasting in future rate cases; questioned whether forecasts fairly consider impact of power sector transformation.	Adopted Company's forecasts.	Company's forecasts establish reasonable expectations based on a valid methodology and available data.

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23. Depreciation • Company and Division differed significantly on calculation of net salvage for purposes of calculating depreciation.	Adopted compromise number reducing Company's proposed depreciation amount by $3.1 million.	Addressed in detail in Settlement Testimony. Represents compromise between competing methodologies, which is reasonable in light of the overall settlement.
24. Calculation of Rate Base – Gas and Electric	The Company proposed to rest the ISR factor to zero on September 1, 2018 and set rate base including capital additions from approved ISR plans.	Addressed in detail in Settlement Testimony. Simplification of calculation of rate base.
25. Earnings Reports and Earnings Sharing Mechanisms	Adopted a methodology to calculate earnings in earnings reports and developed an earnings sharing mechanism to provide shared Company and customer benefits from increased earnings, should such earnings occur.	Addressed in detail in Settlement Testimony. Balances the interests of customers and the Company in incentivizing Company performance for improved and more efficient operations while furthering State energy goals.

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26. PST Program Investments • Company – proposed suite of foundational investments for grid modernization, advanced metering functionality (AMF) study, electric heat, electric transportation, electric storage, company-owned solar, and a low-income rewards program. • Division and other intervenors – Requested revisions to grid modernization investments and to eliminate certain proposed PST investments.	Parties agreed to eliminate certain PST investment proposals, including Company-owned solar and the low-income rewards program. Adopted revised investment proposal to address the concerns of the intervenors.	Addressed in detail in Settlement Testimony. The Parties designed the programs in a collaborative way to balance the interests of all stakeholders and customers to further the State's energy goals.
27. System Data Portal • Division – proposed reduced funding for system data portal.	Parties agreed to reduce number of FTEs in first year of Rate Plan, with funding in second year of Rate Plan for additional FTE.	Compromise that recognizes that capabilities of the portal will grow and evolve over time and eventually require additional personnel.

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28. Grid Modernization Foundational Investments • Division – Proposed removing remote feeder monitoring sensors from investments. Proposed other modifications to grid modernization investments. Proposed filing comprehensive Grid Modernization Plan (GMP). • OER – supported Division position.	Accepted removal of remote feeder monitoring sensors and revised other grid modernization proposals per Division recommendations. Allocated revenue requirement for investments across three years of Rate Plan. Company agreed to implement GMP and will engage with stakeholders through newly created PST Advisory Group.	Addressed in detail in Settlement Testimony. Careful consideration of all stakeholder input on developing a program that best balances State energy goals with interest in mitigating bill impacts for customers while providing necessary cost recovery.
29. AMF Study (now referred to as Updated AMF Business Case) • Company – Requested $2 million to update the business case for AMF based. • Division – proposed reducing the funding for the study to $1 million.	The Parties agreed to fund the Updated AMF Business Case at $2 million, amortized over the three years of the Rate Plan.	The Parties agreed that the funding is necessary to develop an updated business case that considers a broad range of issues. Agreement to amortize over three years balanced the interests of developing a comprehensive and robust business plan with the mitigation of bill impacts for customers.

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30. Electric Transportation • General support for the overall structure and scale of the program, with refinements proposed to a number of the program components.	Revised electric transportation proposal to address stakeholder input. Revised Off-Peak Charging Pilot; Charging Demonstration Program; and DC Fast Charging Station Pilot. Replaced Company fleet electrification with Fleet Advisory Services program for other fleet operators in Rhode Island. Retained Annual Evaluation Report.	Addressed in detail in Settlement Testimony. Careful consideration of all stakeholder input on developing a program that best balances stakeholder interests and meets the needs of customers.
31. Electric Heat • Parties raised concerns about company-owned ground source heat pump proposal. The parties proposed numerous revisions and suggested additional considerations that should be made a part of the electric heat program.	Removed the company-owned ground source heat pump program. Increased funds for incentive program for customer owned electric heat pumps.	Addressed in detail in Settlement Testimony. Aligned program components with interests of stakeholders balanced with interests of Company and customers, while moving toward achieving State energy policy objectives.
32. Outreach and Education (now referred to as Strategic Electrification Marketing Fund) • Parties raised concerns over community outreach proposals and oil dealer education programs.	Parties moved funding to create Strategic Electrification Marketing Fund.	Used proposed funding to achieve outreach goals shared by the parties in furtherance of achieving State energy policy goals.

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33. Energy Storage Demonstration • Parties raised concerns about Company ownership of storage. Parties also expressed interest in combining storage with proposed DC Fast Charging stations for electric vehicles.	Agreed to revised energy storage proposal that includes one behind-the-meter and one front-of-the meter storage system, to be procured through an RFP process to be developed in collaboration with stakeholders.	Addressed in detail in Settlement Testimony. Aligned program components with interests of stakeholders balanced with interests of Company and customers, while moving toward achieving State energy policy objectives.
34. PST Advisory Group • Throughout the proceedings the Company and the stakeholders emphasized the importance of stakeholder engagement in Power Sector Transformation.	Agreed to the creation of a PST Advisory Group to monitor the development and implementation of PST investments and PIMs.	Achieves goal of continuous stakeholder engagement as PST progresses.
35. Capital Efficiency Mechanism • <u>Company</u>- proposed two capital efficiency performance incentives. • <u>Division and Other Parties</u> – raised concerns that proposed incentives did not adequately incentivize incremental activity.	Developed new Capital Efficiency Mechanism for Narragansett Electric.	Addressed in detail in Settlement Testimony. Balances Company, customer and stakeholder interests in promoting budget discipline, while providing appropriate incentives and penalties for the Company.

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36. Performance-Based Incentives • Company – proposed performance incentive mechanisms related to desired outcomes for proposed PST investments in the area of demand reduction, DG enablement, electric vehicle adoption, electric storage adoption, electric heat adoption, and other areas. • Division and other parties – raised concerns that performance incentives proposed do not adequately measure the desired outcomes, have incorrect baselines, and that monetary incentives were not appropriately tied to outcomes.	Parties developed entirely new performance based incentives that are fewer in number and offer a lesser degree of overall incentive compensation. Parties also developed scorecards and metrics for demonstration incentives to set baselines for potential future incentives.	Addressed in detail in Settlement Testimony. Overall, represents a collaborative development of meaningful incentives that promote outcomes that further stakeholder and State energy policy goals while recognizing the need to incentivize the Company's ability obtain achievable results with respect to the desired outcomes.
37. Next Rate-Case Filing	Adopted guidelines for timing and structure of next base distribution rate case.	Addressed in Settlement Testimony. Provides more certainty about future utility rates.
38. Excess Deferred Taxes True Up • Company – raised issue that excess deferred taxes actual amounts will not be certain until Company files FY 2018 income taxes.	Agreement to true-up actual excess deferred taxes.	Provides reasonable basis to make sure customers get accurate benefit.

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39. Charitable Contributions • Issues were raised regarding the Company's collection of customer revenues to make charitable contributions.	Agreed to allow practice to continue with additional information provided about the benefits resulting from the charitable contributions.	Consistent with RI Supreme Court precedent on charitable contributions.
40. Trade Association Dues • <u>NERI</u> – raised concerns about dues paid to American Gas Association (AGA) and Edison Electric Institute (EEI) potentially being used for lobbying purposes and other activities not in the interest of RI customers.	Company agreed to get information from AGA and EEI regarding allocation of dues between lobbying and non-lobbying activities and provide that information to regulators.	Compromise to provide greater transparency.