The Narragansett Electric Co. d/b/a National Grid—Application for Approval of a Change in Electric and Gas Base Distribution Rates (filed on November 27, 2017)

Docket 4770

Request for Information

Requesting Party: New Energy Rhode Island (NERI)
To: National Grid
Request No.: NERI Set 17- 7-1 through 7-3
Date of Request: 3.9.18
Response Due Date: Rolling
Subject/Panel: Book 12—Gorman

7-1. Reference p. 12, ll. 12-16. Does the Company's 2012 methodology, developed prior to the launch of Rhode Island's Power System Transformation process, align with the Commission and Rhode Island's Power System Transformation goals?

Response can be found on Bates page(s) 1.

7-2. Reference the statement on p. 23, l. 14 through p. 24, l. 3, that "The guiding principles for rate design are: Produce the target revenue for each rate class, as determined in the revenue allocation process; Promote efficient use of resources, ultimately reducing costs to customers; Produce costs for customers and revenue for the utility that are reasonably stable and predictable while reflecting the nature of the costs they recover; (i.e., recovering customer-related costs in the monthly fixed charge); and Mitigate extreme rate impacts on customer subgroups." Please provide supporting references (including, but not limited to, reports, studies, papers, and RI PUC orders) for each of the guiding principles articulated above. Did the Company consider Docket 4600 principles in developing its "guiding principles for rate design"?

Response can be found on Bates page(s) 2.

7-3. Reference the statement on p. 27, ll. 1-3, that "In my view, it is appropriate to include some portion of demand-related costs in the monthly charge, in order to align the utility's revenue and costs more closely, and to help stabilize the utility's revenue and customers' costs." In determining the amount of demand-related costs to include in the monthly charge, has the Company accounted for peak demand reductions attributable to customers who implement DER solutions, including, but not limited to solar installations, demand response program participation, battery or other storage technology, and energy efficiency? Please provide a response to this question for each of the following rate classes:

a. A-16 and A-60;

b. G-02;

c. C-06; and

d. G-32.

Response can be found on Bates page(s) 3.

NERI 17-1

Request:

Subject: Book 12—Gorman

Reference p. 12, ll. 12-16. Does the Company's 2012 methodology, developed prior to the launch of Rhode Island's Power System Transformation process, align with the Commission and Rhode Island's Power System Transformation goals?

Response:

The portion of Mr. Gorman's Pre-Filed Direct Testimony referenced in the data request on Bates Page 16 of Book 12 states that the methodology used to prepare the allocated cost of service study (ACOSS) in the present proceeding was the same as in the Company's 2012 rate case (RIPUC Docket No. 4323) and its 2009 rate case (RIPUC Docket No. 4065).

Because the ACOSS supports the development of economically efficient rates, it can be used to develop rates that align with the goals of the Public Utilities Commission regarding Rhode Island's Power Sector Transformation initiative.

Prepared by or under the supervision of: Howard Gorman

NERI 17-2

Request:

Subject: Book 12—Gorman

Reference the statement on p. 23, l. 14 through p. 24, l. 3, that "The guiding principles for rate design are: Produce the target revenue for each rate class, as determined in the revenue allocation process; Promote efficient use of resources, ultimately reducing costs to customers; Produce costs for customers and revenue for the utility that are reasonably stable and predictable while reflecting the nature of the costs they recover; (i.e., recovering customer-related costs in the monthly fixed charge); and Mitigate extreme rate impacts on customer subgroups." Please provide supporting references (including, but not limited to, reports, studies, papers, and RI PUC orders) for each of the guiding principles articulated above. Did the Company consider Docket 4600 principles in developing its "guiding principles for rate design"?

Response:

The rate design principles stated in Mr. Gorman's Pre-Filed Direct Testimony are the same as used by the Company in its 2012 rate case (RIPUC Docket No. 4323) and its 2009 rate case (RIPUC Docket No. 4065). These concepts are set forth in the widely accepted book, *Principles of Public Utility Rates* by Bonbright et al.

A discussion of how the proposed rate design in the present case aligns with the Docket 4600 principles is presented in Mr. Gorman's testimony, beginning on Page 42 (Bates Page 46 of Book 12).

Prepared by or under the supervision of: Howard Gorman

NERI 17-3

Request:

Subject: Book 12—Gorman

Reference the statement on p. 27, ll. 1-3, that "In my view, it is appropriate to include some portion of demand-related costs in the monthly charge, in order to align the utility's revenue and costs more closely, and to help stabilize the utility's revenue and customers' costs." In determining the amount of demand-related costs to include in the monthly charge, has the Company accounted for peak demand reductions attributable to customers who implement DER solutions, including, but not limited to solar installations, demand response program participation, battery or other storage technology, and energy efficiency? Please provide a response to this question for each of the following rate classes:

a. A-16 and A-60;
b. G-02;
c. C-06; and
d. G-32.

Response:

The inclusion of demand costs in the fixed monthly charge reflects the fact that the Company must have assets in place to meet demand at any time of day. Costs of the Sub-transmission, Primary, and Secondary distribution systems are allocated based on non-coincident peaks, not on contribution to system peak.

The analysis performed for residential customers (Rates A-16 and A-60) determined that over 93 percent of customer bills reflect at least 0.50 kW of demand, and that every customer in the sample reached that level of demand at least once during the year. The analysis performed for small commercial customers (Rate C-06) determined that over 84 percent of customer bills reflect at least 0.25 kW of demand, and that over 97 percent of the customers in the sample reached that level of demand at least once during the year. Therefore, the demand of an individual customer at any particular point in time (*i.e.*, the system peak, the class peak, or any other time) is not relevant; what is relevant is whether the customer's demand reached the level to be included in the fixed monthly charge.

Similarly, the fixed monthly charges for Rates G-02 and G-32 include 10 kW and 200 kW of demand, respectively. The demand of an individual customer at any particular point in time is not relevant; what is relevant is whether the customer's demand reached the level to be included in the fixed monthly charge.

Prepared by or under the supervision of: Howard Gorman