Jennifer Brooks Hutchinson
Acting Assistant General Counsel and Director

December 22, 2020

VIA ELECTRONIC MAIL

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

RE: Docket 4770 – Electric Earnings Sharing Mechanism
Earnings Report - Twelve Months Ended December 31, 2019
Responses to PUC Data Request – Set 5

Dear Ms. Massaro:

On behalf of National Grid[1] I have enclosed an electronic version of the Company's responses to the Public Utilities Commission's Fifth Set of Data Requests in the above-referenced matter.[2]

The Company was granted an extension to January 29, 2021 to respond to PUC 5-9.

Thank you for your attention to this transmittal. If you have any questions regarding this filing, please contact me at 401-784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4770 Service List
John Bell, Division
Christy Hetherington, Esq.
Leo Wold, Esq.

[1] The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

[2] Per Commission counsel's update on October 2, 2020, concerning the COVID-19 emergency period, the Company is submitting an electronic version of this filing. The Company will provide the Commission Clerk with five (5) hard copies and, if needed, additional hard copies of the enclosures upon request.

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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.

___________________________________ December 22, 2020
Joanne M. Scanlon Date

National Grid Docket No. 4770 (Rate Application) & Docket No. 4780 (PST)
Combined Service list updated 12/2/2020

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PUC 5-1

Request:

Referring to the response to PUC 3-5 and Attachment PUC 4-12, compared to the response to PUC 4-5, why do Attachments 3-5-1 and 4-12 show a calculation of the BITS hypothetical surcharge that differs from the calculation of the hypothetical surcharge shown in Attachment 4-5-1? Please provide a complete explanation of why they should not have resulted in the same formulaic method of calculation. Please make sure the explanation is clear as to why the resulting surcharge/revenue requirement is different.

Response:

The differences in the calculated BITS surcharges between the 3 responses resulted from the honest application of different carrying charges based on the information requested. Specifically, Attachments PUC 3-5-1 and PUC 4-12 applied a hypothetical NECO transmission carrying charge while Attachment PUC 4-5-1 applied NECO's actual primary distribution carrying charge which is the carrying charge in the formula in the tariff currently being applied.

PUC 3-5 asked the Company to

> re-calculate the 2019 revenue requirement for the BITS project consistent ***with the requirements of Schedule 21-NEP***, but [to] calculate it ***in the same manner that the revenue requirement is calculated for transmission facilities in Rhode Island*** providing local network service. *See* PUC 3-5 (Emphasis added).

PUC 3-5 and 4-12 called for a hypothetical calculation. In preparing Attachments 3-5-1 and 4-12, the Company assumed the assets were classified as transmission for purposes of the hypothetical BITS surcharge. The Company explained in this response and in its response to PUC 4-12-a that applying New England Power's (NEP) carrying charge to a NECO owned asset, even hypothetically, did not provide an accurate matching of assets and costs for comparison with the existing calculation of the BITS surcharge; therefore, the Company created and applied a hypothetical NECO transmission carrying charge in the calculations for illustrative purposes because there currently is no NECO transmission carrying charge in the Company's formula rates as detailed in the response to PUC 3-5 and PUC 4-12.

Prepared by or under the supervision: Michael Artuso

PUC 5-1, page 2

In Attachment 4-5-1, Company again calculated a hypothetical BITS surcharge based on the current NECO Primary Distribution System Carrying Charge which is in the formula in the tariff. The reason for applying the NECO Primary Distribution System Carrying charge in the calculation in response to PUC 4-5-1 was to illustrate the impact of having both the BITS assets classified as transmission in rate base along with the BITS Surcharge being recovered through the Integrated Facilities Credit. By using the same carrying charge as is currently being used under the tariff, the Company was attempting to isolate the rate base impact more clearly by showing an "apples to apples" comparison. The Company acknowledges, however, that this approach does not show the hypothetical carrying charge impact, which is why the calculations in Attachment 4-5-1 appear not to match the calculations in Attachment PUC 3-5-1 and Attachment PUC 4-12.

To better align the calculations, please see Line 24 Column B to Attachment 5-1-1 which recalculates Attachment 4-5-1 using the hypothetical NECO Transmission carrying charge.

The Company would like to note that these calculations were intended to be the Company's best efforts to provide hypothetical calculations in response to the PUC's questions regarding different revenue requirement scenarios. It was not the Company's intention to confuse or contradict other responses.

Narragansett Electric Company
Integrated Facilities Agreement
CY 2019 Annual True-up
Comparison between As Filed and Hypothetical includings BITS Assets

Line	Transmission Investment Base:	(A) As filed (a)	(B) Hypothetical (b)		(C) = (B) - (A) Variance
1	Transmission Plant	912,971,015	1,027,846,939	(c)	114,875,924
2	Transmission General Plant	6,551,989	7,376,403	(d)	824,414
3	Transmission Plant Held for Future Use	12,532,019	12,532,019	(d)	-
4	NEEWS-Related CWIP	-	-		-
5	Sub-Total Transmission Plant	932,055,023	1,047,755,361		115,700,337
6					
7	Transmission Depreciation Reserve	(130,585,051)	(136,941,305)	(c)	(6,356,255)
8	Transmission Accumulated Deferred Taxes	(139,789,457)	(157,382,091)	(d)	(17,592,634)
9	Transmission Loss on Reacquired Debt	836,870	942,213	(d)	105,343
10	Transmission Prepayments	1,099,029	1,237,636	(d)	138,607
11	Transmission Materials & Supplies	2,936,053	3,305,587	(d)	369,533
12	Transmission Cash Working Capital	3,116,316	3,720,746	(d)	604,430
13	**Total Transmission Investment Base**	**669,668,784**	**762,638,147**		**92,969,363**
14	**Transmission Revenue Requirement:**				
15	Return and Associated Income Taxes	64,665,940	73,190,894	(c)	8,524,954
16	Transmission Depreciation & Amortization Expense	20,590,467	23,176,240	(c)	2,585,773
17	Transmission Amortization of Loss on Reacquired Debt	62,693	70,583	(d)	7,890
18	Transmission Amortization of Investment Tax Credits	(530)	(597)	(d)	(67)
19	Transmission Municipal Tax Expense	16,162,255	18,346,321	(e)	2,184,066
20	Payroll Taxes	573,072	645,180	(d)	72,108
21	Transmission Operation and Maintenance Expense (c)	9,805,203	12,737,475	(e)	2,932,272
22	Transmission Administrative and General Expense (c)	15,125,328	17,028,495	(d)	1,903,167
23	Direct Assignment Facilities Credit - Attachment 6h	1,606,304	1,606,304		-
24	Integrated Facilities Credit - BITS Surcharge	18,948,602	15,844,593	(f) (g)	(3,104,009)
25	Billing Adjustment	-	-		-
26	Billing Adjustment Prior Year True-up	(2,157,412)	(2,157,412)		-
27	**Total Transmission Revenue Requirement**	**$ 145,381,922.18**	**$ 160,488,076.15**		**$ 15,106,153.97**

Notes

(a) Attachment 4-5-2. Annual True-Up Informational Filing of New England Power Company under its FERC Electric Tariff Number 1 Integrated Facilities Provisions – Docket No. ER10-523 as filed June 29, 2020

(b) Attachment 4-5-3. Recalculated 2019 NECO IFA Annual Revenue Requirement including BITS assets as Transmission as opposed to Distribution.

(c) Represents the direct impact of the inclusion of BITS assets treated as transmission

(d) Represents the indirect impact related to Transmission Plant and Wages & Salaries Allocation Factors as a result of the inclusion of BITS assets treated as transmission

(e) Represents the imputed costs as a result of the inclusion of BITS assets treated as transmission

(f) There is no double recovery for NECO because, if accounted for consistently, the revenue credit to the RI Distribution Customers offsets the revenues received from the BITS Surcharge.

(g) 2019 BITS Surcharge recalculated using hypothetical NECO Transmission Carrying Charge as calculated as per Attachment 4-12 to PUC 4-12.

The Narragansett Electric Company
Integrated Facilities Agreement
Summary of BITS Surcharge
For Costs in Calendar Year 2019

Line	Month	Gross Plant	Carrying Charge (a)	BITS Surcharge (b)
1	January	113,500,009	13.91%	1,315,552
2	February	113,523,131	13.91%	1,315,820
3	March	113,855,096	13.91%	1,319,668
4	April	113,912,570	13.91%	1,320,334
5	May	113,928,017	13.91%	1,320,513
6	June	113,947,385	13.91%	1,320,738
7	July	113,971,509	13.91%	1,321,017
8	August	113,981,288	13.91%	1,321,131
9	September	113,995,356	13.91%	1,321,294
10	October	114,103,482	13.91%	1,322,547
11	November	114,122,449	13.91%	1,322,767
12	December	114,160,806	13.91%	1,323,211
13	**Total Calendar Year 2019**			**15,844,593**

Notes

(a) The Narragansett Electric Company's 2019 carrying charge calculated using transmission revenue requirements as per annual IFA filing

(b) As per PUC 3-5, the calendar year 2019 BITS Surcharge is recalculated using a hypothetical Narragansett Electric Company transmission carrying charge as opposed to the FERC approved Primary Distribution System Carrying Charge set forth in Schedule III-B to NEP's FERC Electric Tariff No. 1

Narragansett Electric Company
Integrated Facilities Agreement
Annual True-up
CY 2019

Line No.	Transmission Investment Base:	(A) 1st Quarter FF1 CY 2019	(B) 2nd Quarter FF1 CY 2019	(C) 3rd Quarter FF1 CY 2019	(D) 4th Quarter FF1 CY 2019	(E) [Col (A) + (B) + (C) +(D)]/4 Annual FERC Form 1 Revenue Requirement	(F) [Page 2, Col. D] CY 2019 Actual Monthly Billing	(G) Reconciliation (Over)/Under	Tariff Reference
1	Transmission Plant	$894,777,746	$908,050,705	$921,978,153	$927,077,457	$912,971,015	$914,379,347	($1,408,332)	Section III-B (B) (A) (1) (a)
2	Transmission General Plant	$6,483,596	$6,526,534	$6,559,952	$6,637,875	$6,551,989	$5,102,869	$1,449,121	
3	Transmission Plant Held for Future Use	$12,532,019	$12,532,019	$12,532,019	$12,532,019	$12,532,019	$12,531,980	$39	
4	NEEWS-Related CWIP	$0	$0	$0	$0	$0	$0	$0	
5	Sub-Total Transmission Plant	$913,793,360	$927,109,257	$941,070,124	$946,247,351	$932,055,023	$932,014,196	$40,827	
6									
7	Transmission Depreciation Reserve	($125,214,347)	($128,212,841)	($132,590,277)	($136,322,738)	($130,585,051)	($130,988,401)	$403,350	
8	Transmission Accumulated Deferred Taxes	($140,017,869)	($140,691,316)	($139,915,390)	($138,533,254)	($139,789,457)	($146,256,823)	$6,467,366	
9	Transmission Loss on Reacquired Debt	$863,052	$844,722	$829,141	$810,565	$836,870	$837,403	($533)	
10	Transmission Prepayments	$1,084,834	$1,685,395	$1,116,190	$509,697	$1,099,029	$1,124,948	($25,919)	Section III-B (B) (L) (1)
11	Transmission Materials & Supplies	$2,949,928	$2,994,625	$2,933,793	$2,865,867	$2,936,053	$2,946,906	($10,853)	
12	Transmission Cash Working Capital	$3,116,316	$3,116,316	$3,116,316	$3,116,316	$3,116,316	$2,912,027	$204,289	
13	**Total Transmission Investment Base**	**$656,575,276**	**$666,846,158**	**$676,559,897**	**$678,693,805**	**$669,668,784**	**$662,590,257**	**$7,078,527**	
14									
15	Average Return and Associated Income Taxes (%)	9.632%	9.604%	9.629%	9.645%	9.656%			
16									
17	**Transmission Revenue Requirement:**					CY2019 Actual			
18	Return and Associated Income Taxes	$63,483,080	$64,248,210	$65,314,994	$65,617,475	$64,665,940	$64,272,167	$393,772	
19	Transmission Depreciation & Amortization Expense					$20,590,467	$20,555,897	$34,570	Section III-B (B) (K)
20	Transmission Amortization of Loss on Reacquired Debt					$62,693	$62,909	($216)	
21	Transmission Amortization of Investment Tax Credits					($530)	($533)	$3	
22	Transmission Municipal Tax Expense					$16,162,255	$16,162,255	$0	
23	Payroll Taxes					$573,072	$582,961	($9,889)	
24	Transmission Operation and Maintenance Expense					$9,805,203	$21,887,673	($12,082,470)	Section III-B (B) (I)
25	Transmission Administrative and General Expense					$15,125,328	$1,408,545	$13,716,784	
26	Direct Assignment Facilities Credit - Attachment 6h					$1,606,304	$1,606,304	$0	
27	Integrated Facilities Credit - BITS Surcharge					$18,948,602	$19,207,600	($258,998)	
28	Billing Adjustment					$0	($1,345,858)	$1,345,858	
29	Billing Adjustment Prior Year True-up					($2,157,412)	($2,157,412)	$0	
30	**Total Transmission Revenue Requirement**					**$145,381,922**	**$142,242,508**	**$3,139,415**	
31									
32	**Interest- Attachment 3**							**$76,116**	Section III-B (B) (L) (1)
33									Section III-B (B) (L) (3)
34	**Total CY19 True Up with Interest - Attachment 3**							**$3,215,531**	

Section III-B (B) (A) (1) (a): Total Transmission Investment Base shall be defined as a) Transmission Plant, plus (b) Transmission Related General Plant, plus (c) Transmission Land Held for Future Use, plus (d) Transmission Related Construction Work In Progress, less (e) Transmission Related Depreciation Reserve, less (f) Transmission Related Accumulated Deferred Taxes, plus (g) Transmission Related Loss on Reacquired Debt, plus (h) Transmission Prepayments, plus (i) Transmission Materials and Supplies, plus (j) Transmission Related Cash Working Capital.

Section III-B (B) (L) (1): The Annual True-up will reconcile any differences between a recalculation of the costs for the Service Year based on actual data reported in Customer's Quarterly FERC Form l's as compared to the monthly actual costs invoiced. The recalculation of the costs for the Service Year will be done using the average quarterly balances for all balance sheet items used in the formula (i.e. Plant, Depreciation Reserve, Deferred Taxes). Expenses will be those Service Year expenses reported in Customer's 4th Quarter FERC Form 1.

Section III-B (B) (K): Billing Adjustments shall be plus or minus any billing adjustments from the prior transmission billing periods. Billing adjustments shall include, but not be limited to, adjustments due to corrections to any value included in this formula, including, but not limited to, corrections to the FERC Form 1.

Section III-B (B) (I): Direct Assignment Facilities Credit shall equal the monthly revenue received by NEP for service provided to any of NEP's wholesale customers that utilize directly assigned transmission, distribution and/or generator interconnection facilities owned by Customer. Such NEP revenue is defined as any revenue NEP receives for Direct Assignment Facilities under the ISO-NE OATT or any interconnection-related charges for Customer-owned and/or maintained facilities under FERC jurisdictional agreements where NEP is the party to the agreement.

Section III-B (B) (L) (1), Section III-B (B) (L) (3): The Annual True-up Adjustment will be adjusted for interest, whether positive or negative, accrued monthly from December 31 of the Service Year to the end of the calendar month in which the Annual True-up Adjustment will be applied to a monthly billing. Interest shall accrue pursuant to the rate specified in the Commission's regulations 18 C.F.R §35.19a.

Hypothetical NECO Transmission Carrying Charge

35	Revenue Requirement (Sum Lines 18 thru 25)	$126,984,428
36	Transmission Plant (Line 1)	$912,971,015
37	Carrying Charge (Line 35 / Line 36)	13.91%

PUC 5-2

Request:

Referring to Attachment 4-5-1, column (B), line 24, please explain why the BITS surcharge in (B) is the same amount as appears in column (A), when column (B) is supposed to represent the BITS being classified as transmission, while column (A) was the original filing when the BITS was classified as distribution.

Response:

Please see the response to PUC 5-1 which explains how and why the Company applied the current NECO Primary Distribution System Carrying Charge in preparing its response to PUC 4-5. As explained in PUC 5-1, the Company recognizes that its original approach in PUC 4-5 makes it difficult to see the impact to the carrying charge of having both the BITS assets classified as transmission rate base, along with the BITS Surcharge being recovered through the Integrated Facilities Credit.

Please refer to Attachment 5-1-1 which recalculates Attachment 4-5-1 using the hypothetical NECO Transmission carrying charge which, the Company believes, shows more clearly the hypothetical carrying charge impact.

PUC 5-3

Request:

Referring to the response to PUC 4-22, which shows that the Company has received revenues that exceeded actual costs of the BITS by over $35 million (from 2017 through 2019), please provide the Company's best estimate of what the total amount of revenues in excess of actual costs of the BITS is likely to be for CY 2020. If a reliable estimate of the cost is not available, please indicate whether the Company has any reason to believe that the experience in 2020 will be materially different than what occurred in 2019 and, if so, why.

Response:

At this time, the Company has no reason to believe that the experience in 2020 will be materially different than what occurred in 2019. Therefore, the Company's current estimate of total BITS surcharge revenues in excess of actual costs of the BITS is approximately $11 million for CY 2020.

PUC 5-4

Request:

In responding to this question, the Company should refer to the following:

(i) the response to PUC 3-11, where Mr. Artuso makes a representation to the Commission that (in addition to the voltage level) "BITS were classified as distribution to avoid double recovery through transmission rates consistent with New England Power Company's FERC approved tariffs;"
(ii) the response to PUC 4-7, where Mr. Artuso makes a representation to the Commission that states "[c]oncern about double recovery was not the primary driver for the classification decision;" and
(iii) the response to PUC 4-3, where Mr. Artuso makes a representation to the Commission that states "[t]he Company does not believe it is accurate to characterize the IFA tariff as allowing for double recovery;"

Referencing the above, the Company is directed by the Commission to answer each of the questions below:

(a) If the Company does not believe that it is accurate to characterize the IFA tariff as allowing for double recovery, why did Mr. Artuso make the referenced representation in PUC 3-11?
(b) Please identify all employees and consultants that reviewed Mr. Artuso's response to PUC 3-11 and gave their approval to the response.
(c) At what point in time did the Company determine that the IFA would not allow for double recovery if the BITS facility was characterized as a transmission asset rather than a distribution asset used for transmission?
(d) In PUC 4-7, Mr. Artuso stated that "concern about double recovery was not the primary driver of the classification decision." Was the concern about double recovery a consideration when the Company classified the BITS as distribution or was it not a consideration?
(e) Please identify all employees and consultants that reviewed Mr. Artuso's response to PUC 4-7 and gave their approval to the response.
(f) If concern about double recovery was not a consideration, why did Mr. Artuso make the representation he made in response to PUC 3-11?
(g) If the concern about double recovery was a consideration, when did the Company first draw a conclusion that classifying the BITS as transmission would result in double recovery?

Prepared by or under the supervision: Michael Artuso

(h) If the concern about double recovery was a consideration, who was involved in evaluating this issue at the time the decision was made to classify the asset as distribution and when was that decision made?

Response:

(a) From preparing the initial BITS surcharge calculation, through and including the preparation of responses to the Public Utilities Commission's (PUC) third set of Data Requests, the Company believed that the IFA tariff would have allowed for double recovery if BITS were classified as transmission as opposed to distribution. The reason for this belief was that the Company was only looking at the rates from a transmission and FERC perspective as reflected in NECO's IFA revenue requirement.

The Company believed that if the BITS assets were classified as transmission, then NECO's IFA revenue requirement would include both the costs associated with the BITS assets in transmission rate base along with the revenues from the BITS Surcharge, resulting in what the Company identified as a potential double recovery. Mr. Artuso's response in PUC 3-11 reflected the Company's then existing belief. This was illustrated in Attachment 4-5-1, which has been superseded by Attachment 5-1-1.

While responding to the PUC's fourth set of Data Requests, and specifically PUC 4-6, the Company was asked, "[d]oes New England Power Company and/or Narragansett Electric receive double recovery of costs through FERC tariffs for any transmission assets they own or operate?" While preparing the response to this question, Mr. Artuso investigated the treatment of NECO-owned transmission Direct Assignment Facilities and how they were accounted for. It was at this time that the Company reviewed the flow of the charges through the transactions of the IFA, BITS Surcharge, and Direct Assignment Facilities through the retail distribution rates. As a result of that review, the Company identified that the treatment of the revenues from the transmission direct assignment facilities were being credited in NECO's distribution costs of service, thereby avoiding double recovery.

To summarize, prior to responding to the PUC's fourth set of Data Requests, the Company only ever analyzed the potential for double recovery with reference to transmission rates. This did not give an accurate picture of the credits associated with the transmission direct assignment revenues. It was only after the Company looked at the end-to-end treatment of the transmission direct assignment facilities, including the credit in NECO's distribution cost of service, in response to PUC 4-6 that the Company realized that there was no double recovery.

(b) Please see the list of employees and consultants that reviewed the response to PUC 3-11:

Name	**Title**	**Role**
William Malee	Vice President	Approver
James Holodak	Vice President	Reviewer
Tiffany Forsyth	Director	Approver
Melissa Little	Director	Approver
Jennifer Hutchinson	Internal Counsel	Approver
Patrick Tarmey	Internal Counsel	Approver
Michael Artuso	Manager	Approver

(c) Please see the response to (a) where it was described that only until the Company looked at the end-to-end treatment of the transmission direct assignment facilities in response to PUC 4-6 did the Company realize that the IFA would not allow for double recovery.

(d) Yes, the Company's concern about double recovery was one of the considerations when the Company classified the BITS as distribution in 2017. In the response to PUC 5-6 (a), the Company details the history and rationale behind the classification of BITS assets. The initial classification of the BITS assets, while the project was in its early inception, was thought to be classified as transmission. As stated, "The BITS assets, while under construction, were originally classified as transmission for accounting purposes. Since these assets were under construction and not included in rate base, there was no rate impact of this classification. Once the assets went into service and billing began, the accounting decision was made to classify the BITS assets as distribution to align with the classification in the FERC filings."

As stated in the response to PUC 4-7, the application of the voltage criteria of the BITS assets, as well as the following applicable tariff language were among the primary considerations for this asset classification. Attachment 2 to TSA-NEP-86, the Local Service Agreement by and between New England Power Company, The Narragansett Electric Company and ISO New England, Inc., references the Calculation of BITS Surcharge: "The IFA Facilities Credit shall equal the monthly integrated facilities credit for **Customer-owned distribution facilities** received by The Transmission Customer for the BITS facilities pursuant to Schedule III-B of New England Power Company's FERC

Electric Tariff No. 1. The IFA Facilities Credit amount will be updated annually in accordance with the provisions of Tariff No.1, on or about the June billing month of each year." (emphasis added.)

It was also at that time that the Company identified a potential risk of double recovery if the BITS assets were classified as transmission, in which case the Company would have had to file tariff revisions to adjust the IFA revenue requirement with a revenue credit for the BITS-related revenues to avoid the then perceived risk of double recovery. As stated in the response to subpart (a), the Company's position on double recovery changed once the holistic view of the flow of rates were better understood.

(e) Please see the list of employees and consultants that reviewed the response to PUC 4-7:

Name	**Title**	**Role**
William Malee	Vice President	Approver
James Holodak	Vice President	Reviewer
Tiffany Forsyth	Director	Approver
Melissa Little	Director	Approver
Jennifer Hutchinson	Internal Counsel	Approver
Patrick Tarmey	Internal Counsel	Approver
Michael Artuso	Manager	Approver
Sean Atkins	External Counsel	Reviewer

(f) Please see the response to subpart (d) which explains that, at the time Mr. Artuso made the representation he made in the response to PUC 3-11, the Company still believed that classifying the BITS assets as transmission posed a risk of double recovery.

(g) The Company first concluded that classifying the BITS assets as transmission would result in double recovery around the first quarter of 2017. As described above, the Company subsequently became satisfied that classifying the BITS assets as transmission would not result in double recovery if the credits were accounted for consistent with existing revenue credits.

Prepared by or under the supervision: Michael Artuso

PUC 5-4, page 5

(h) Please see the list of people involved at the time in evaluating the decision to classify the assets as distribution. The decision was made in the 1st quarter of 2017.

Name	**Title**
William Malee	Vice President
James Holodak	Vice President
William Richer	Director
Kathryn Cox	Director
Tiffany Forsyth	Director
Carol Sedewitz	Director
Terry Schwennesen	Internal Counsel
Polina Demers	Analyst
George Maximovich	Engineer

PUC 5-5

Request:

Referring to the response to PUC 4-6, in which Mr. Arturo states: "The Company does not believe that New England Power Company and/or Narragansett Electric receive double recovery of costs through FERC tariffs for any transmission assets they own."

(a) Please explain why Mr. Arturo answered the question in PUC 4-6 as a matter of belief rather than a matter of certainty. To the extent the Company is not completely certain there is no double recovery, please explain.
(b) Does the Company or New England Power Company receive double recovery for any distribution assets used for transmission?

Response:

(a) There is no significance to the use of the word "belief" in response to PUC 4-6 other than that Mr. Artuso answers all questions according to the best of his information, knowledge and belief. For the reasons stated in the Company's response to PUC 5-4, at this time, the Company can say that New England Power Company and Narragansett Electric are not double recovering on any transmission assets.

(b) No, neither Narragansett Electric nor New England Power Company receive double recovery for any distribution assets used for transmission.

Prepared by or under the supervision: Michael Artuso

PUC 5-6

Request:

In responding to this question, the Company should refer to the following:

(i) the response to PUC 3-12, where Mr. Artuso and the legal department make the representation that "the asset classification used to describe the BITS facilities as distribution is contained in the service agreements filed and approved by FERC in 2014 and 2015;"

(ii) the response to part "a" of PUC 4-2 in which Mr. Artuso makes the representation: "BITS was included in the 'exception' section of the New England Transmission-Distribution Classification of Assets Rules Document (the Asset Rules Document") because, at that time, it was not clear what classification of the BITS assets would ultimately be. Following that version of the Asset Rules Document, the decision was made to classify the BITS assets as Distribution;"

(iii) the response to PUC 3-10 which is sponsored by Mr. Artuso, showing in Attachment PUC 3-10 that "Version 3" of the Classification of Assets Rules Document was updated on 4/17/2017;

(iv) the response to part "b" of PUC 4-2, where Mr. Artuso makes the representation that "[the reference to the BITS exception] was added in version 3 of the Asset Rules Document;"

Referencing the above, the Company is directed by the Commission to answer each of the questions below:

(a) Please explain why Mr. Artuso represented to the Commission that the decision to classify the BITS assets as Distribution was made after version 3 was created (in 2017), while at the same time representing that the asset classification was included in agreements filed at FERC in 2014 and 2015.
(b) Please identify all employees and consultants that reviewed Mr. Artuso's response to PUC 4-2 and gave their approval to the response.

Prepared by or under the supervision: Michael Artuso

Response:

Please note that the reference to PUC 3-12 in PUC 5-6 (i) is related to PUC-13.

(a) The 2014-2015 rate filings reflected the classification of the BITS assets. Those filings correctly represented that the BITS assets were distribution assets, the costs for which were being recovered in transmission rates. The decision in 2017, on the other hand, was to also classify the BITS assets as distribution for internal accounting purposes. The BITS assets, while under construction, were originally classified as transmission for accounting purposes. Since these assets were under construction and not included in rate base, there was no rate impact of this classification. Once the assets went into service and billing began, the accounting decision was made to classify the BITS assets as distribution to align with the classification in the FERC filings. In other words, as Mr. Artuso represented in his response to the Commission in PUC 4-2 (b), the decision around internal record classification of the BITS assets as distribution made in 2017,which was consistent with the legacy classification of assets as per the asset classification documents, brought the internal accounting classification of the assets in line with the 2014-2015 FERC filings.

    The decision in 2017 that was reflected in version 3 of the asset classification documents in essence reconciled the segmentation of Company's internal record keeping with what was filed and approved by FERC.

(b) Please see the list of employees and consultants that reviewed the response to PUC 4-2:

Name	**Title**	**Role**
William Malee	Vice President	Approver
James Holodak	Vice President	Reviewer
Tiffany Forsyth	Director	Approver
Melissa Little	Director	Approver
Jennifer Hutchinson	Internal Counsel	Approver
Patrick Tarmey	Internal Counsel	Approver
Michael Artuso	Manager	Approver
Sean Atkins	External Counsel	Reviewer

Prepared by or under the supervision: Michael Artuso

PUC 5-7

Request:

In responding to this question, the Company should refer to the following:

(i) the response to PUC 1-2, in which Ms. Little provides an annual repair cost range of $93,200 - $398,000 for the BITS; and
(ii) the response to PUC 4-14, in which Mr. Artuso does not provide any evidentiary support (as requested in the data request) for his representation that the carrying charge is expected to be fairly in line with the actual O&M costs incurred over the life of the asset;

Referencing the above, the Company is directed by the Commission to answer each of the questions below:

(a) Who was the source for Ms. Little's estimate in PUC 1-2?
(b) Was Mr. Artuso consulted in the preparation of the response to PUC 1-2?
(c) Given that Mr. Artuso did not provide any estimate of O&M costs in PUC 4-14 and in light of the estimates provided in response to PUC 1-2, please explain the basis for Mr. Artuso's representation to the Commission (in PUC 4-14) that O&M costs are expected to be in line with the carrying charge.
(d) Please identify all employees and consultants that reviewed Mr. Artuso's response to PUC 4-14 and gave their approval to the response.

Response:

(a) During the preparation of PUC 1-2, the following engineers were consulted with respect to the annual repair cost estimates provided in subparts (i) through (iii) of the response:

Daniel Falla, Lead Engineer, Substation O&M Services
David Campilii, Consulting Engineer, Transmission Line Engineering

(b) Mr. Artuso was consulted in the preparation of the response to PUC 1-2 (iv) which is a schedule itemizing the imputed cost components in the BITS formula rate revenue requirement.

(c) The Company's statement in response to PUC 4-14 that actual O&M expenses were expected to be in line with the carrying charge was not based on the estimates provided in the response to PUC 1-2 (i) through (iii), or on any other forecast or other analysis. The response to PUC 4-14 was to explain the rationale for using average cost ratemaking as the basis for the BITS Surcharge, which is that it is difficult to predict substantial costs in the future; hence the reason for using such an approach. The Company's intent was not to deflect or mislead the Public Utilities Commission, but rather to explain why the Company believes average cost ratemaking is appropriate in the context of the BITS assets. The BITS assets are associated with the first offshore wind farm in the United States and it is therefore reasonable to expect that there could be significant O&M and A&G costs at some point during the useful life of the assets. Under these circumstances, while there may not be a direct match between actual and imputed costs every year, and while in certain years the imputed costs may significantly exceed the actual costs, average cost ratemaking assumes that over time the revenue recovered through the application of the carrying charge would be fairly in line with the actual O&M and A&G costs incurred over the life of the asset. Please also see the Company's response to PUC 3-24 (b), wherein the Company stated that:

> The application of the carrying charge is meant to represent the average cost of service of an asset placed into service. Over the life of the asset it is expected that the revenue recovered through the application of the carrying charge is fairly in line with the actual O&M and A&G costs incurred over the life of the asset. **The Company is, however, unable to predict when certain substantial costs associated with the BITS facilities will occur in future years**. [Emphasis added]

While the actual O&M expenses have recently come in lower than the imputed amounts from the carrying charge, it is, nonetheless, difficult to predict when substantial costs will occur in the future. In the Company's response to PUC 1-2, the Company provided "[t]he routine inspection and maintenance as well as possible repair costs" in the respective table. These costs represent the Company's then current best estimate of O&M expenses at the time of the response. This was not meant to conflate with the Company's response in PUC 4-14 regarding average cost rate making, for which it would be difficult to forecast future O&M and A&G costs over the life of the asset. As a result, the Company was unable to provide the quantitative evidentiary support requested in PUC 4-14.

(d) The follow employees reviewed and approved PUC 4-14:

> Jennifer Brooks Hutchinson, Acting Assistant General Counsel, RI Regulatory -Legal
> William Malee, Vice President, Regulation & Pricing (NE)
> Melissa Little, Director, New England Revenue Requirements
> Patrick Tarmey, Senior Counsel, Legal Regulatory FERC
> Tiffany Forsyth, Director, FERC Revenue Requirements
> Michael Artuso, Manager, FERC Revenue Requirements

PUC 5-8

Request:

Was Mr. Artuso involved in any way or consulted in the drafting or reviewing of the wording of the footnote contained in the Revised 2019 Earnings Report (Attachment PUC 1-1, page 5, footnote 2) which stated, in part: "The operation and maintenance expense of Block Island Transmission System (BITS) is the reserve for future repairs." If yes, please describe his involvement. If not, please explain why he was not consulted.

Response:

While Mr. Artuso was consulted about the BITS surcharge calculation during the process of compiling the Revised 2019 Earnings Report, Mr. Artuso was not tasked with reviewing the Revised 2019 Earnings Report as submitted on June 24, 2020, nor was he consulted in the drafting or reviewing of the wording of the footnote included on Page 5 of Attachment PUC 1-1 as quoted above.

The process in place at the time when the Revised 2019 Earnings Report was created did not require the FERC Revenue Requirements team to review the complete filing. The filing was developed and reviewed by the New England Revenue Requirements team. Commencing with the calendar year 2020 earnings report, the revised distribution earnings report process will include a review by an appropriate subject matter expert over the FERC-jurisdictional items impacting the earnings of the electric business.