

September 3, 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 2**

Dear Ms. Massaro:

On behalf of National Grid,¹ enclosed is an electronic version of the Company's response to data request PUC 2-4 in the above-referenced docket.²

The Company's response to PUC 2-6 is pending.

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 practice during the COVID-19 emergency period, the Company is providing a PDF version of this response. The Company will provide the Commission Clerk with a hard copy and, if needed, additional hard copies of this transmittal at a later date.

PUC 2-4

Request:

Please describe the process (including general system inquiries, employee hand-offs, and checking processes) that was used for the preparation of the original 2019 earnings report. Please identify all departments/functions involved in the initial review and creation of the original report before it was filed, and all departments/functions involved in reviewing the causes of the error and making the correction in the revised report.

Response:

The annual regulated distribution earnings reports are compiled by the New England (NE) Revenue Requirements team. Support is provided as needed by the Company's finance, external reporting and tax teams responsible for the financials of the Company's electric business. Inputs are also provided by the Credit & Collections department as well as the FERC Revenue Performance team. The earnings report is prepared by a NE Revenue Requirements analyst; a first review is completed by a lead NE Revenue Requirements analyst, and a final review is performed by the Director of NE Revenue Requirements for Rhode Island. Our checking processes include:

- Check of inputs back to source data;
- Comparison of inputs and results to prior year's filing; identify and explain any significant fluctuations;
- Inquire with Finance of any potential out-of-period or exceptional adjustments reflected in the current year's financial results; and
- Comparison of resulting regulatory ROE for the calendar year against projected financial ROE for the fiscal year.

The Electric business financial results are taken from the annual FERC Form 1. These results are then adjusted to reflect the treatment of certain costs in the current electric distribution rate plan. For example, regulated electric distribution earnings include an adjustment to bad debt expense to reflect the level of net write-offs for the calendar year, which mirrors the recovery of these costs through base rates. The source of these adjustments can be general ledger queries or supporting documentation provided by the departments noted above.

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4770
In Re: Electric and Gas Earnings Reports
Twelve Months Ended December 31, 2019
Responses to Commission's Second Set of Data Requests
Issued on July 30, 2020

PUC 2-4, page 2


On May 18, 2020, the Division of Public Utilities and Carriers submitted informal requests to the Company regarding the CY 2019 Electric and Gas Earnings Reports. Division Informal Request 1-1 asked the Company to perform an analysis comparing the CY 2019 earnings report results against the current rate allowances in a cost of service line item format. In performing this analysis, the NE Revenue Requirements team began to suspect that the treatment of the BITS surcharge in the initial CY 2019 earnings filing may have been erroneous. The NE Revenue Requirements team held a meeting with the FERC Revenue Requirements team, which confirmed this suspicion. It was through this discussion where the NE Revenue Requirement team came to the understanding that the BITS surcharge is developed in a manner dissimilar to the other transmission billing items included in the IFA, and that the \$9 million in operating expense included in the BITS surcharge during CY 2019 was not based on actual costs incurred in the calendar year.

Going forward, the Company would like to perform an analysis similar to that in the response to Division Informal 1-1 on its earnings filings, which took the Company roughly one month to complete. However, the availability of vetted calendar year FERC financial information in comparison to the earnings report due date to the PUC on May 1 does not leave enough time for the NE revenue requirements team to perform this analysis prior to the filing date. Therefore, this analysis would need to be performed on a preliminary basis, by either developing a cost of service analysis on the 12-months ending September 30 earnings results or by using unadjusted calendar year ending data.

The FERC and NE Revenue Requirements teams were involved in reviewing the causes of the error and the development of the revised 2019 earnings report. The NE Revenue Requirements team made the correction in the revised report.

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.



Joanne M. Scanlon

September 3, 2020

Date

**National Grid Docket No. 4770 (Rate Application) & Docket No. 4780 (PST)
Combined Service list updated 7/20/2020**

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