

January 11, 2018

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 4770 - Application of The Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric and Gas Base Distribution Rates
Responses to Division Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed is an original and one copy of the Company's¹ responses to the third set of data requests issued by the Division of Public Utilities and Carriers (Division) in the above-referenced docket. At the request of the Public Utilities Commission (PUC), the Company is also enclosing a USB Flash Drive containing the public version of this filing and a table of contents indicating where each response can be found in the set.

This filing includes a Motion for Protective Treatment of Confidential Information in accordance with Rule 1.2(g) of the PUC's Rules of Practice and Procedure and R.I. Gen. Laws § 38-2-2(4)(B) for the Company's response to data request Division 3-54. The Company seeks protection from public disclosure of certain confidential information contained in Attachment DIV 3-54. Accordingly, the Company has provided the PUC with one complete, unredacted copy of the confidential document in a sealed envelope marked "**Contains Privileged and Confidential Information – Do Not Release,**" and has included redacted copies of this document for the public filing.

The enclosed responses complete the Division's third set of data requests, as indicated in the enclosed discovery log.

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

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January 11, 2018
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Thank you for your attention to this transmittal. If you have any questions, please contact me at 781-907-2153.

Very truly yours,

A handwritten signature in blue ink that reads "Celia B. O'Brien". The signature is written in a cursive, flowing style.

Celia B. O'Brien

Enclosures

cc: Docket 4770 Service List
Macky McCleary, Division
Jonathan Schrag, Division
Steve Scialabba, Division
John Bell, Division
Leo Wold, Esq.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE PUBLIC UTILITIES COMMISSION**

IN RE: THE NARRAGANSETT ELECTRIC COMPANY)
d/b/a NATIONAL GRID – ELECTRIC AND GAS)
DISTRIBUTION RATE FILING)

Docket No. 4770

**THE COMPANY’S MOTION
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION**

The Company¹ respectfully requests that the Rhode Island Public Utilities Commission (PUC) provide confidential treatment and grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by PUC Rule 1.2(g) and R.I. Gen. Laws. § 38-2-2(4)(B). The Company also requests that, pending entry of that finding, the PUC preliminarily grant the Company’s request for confidential treatment pursuant to Rule 1.2(g)(2).

I. BACKGROUND

On January 11, 2018, the Company filed responses to the Rhode Island Division of Public Utilities and Carriers’ (the Division) Third Set of Data Requests of the Division of Public Utilities and Carriers to National Grid dated December 21, 2017 (Division Set 3). Division Set 3 includes Data Request Division 3-54 (seeking a copy of presentations or memos used in or around November 2015 to bring the “conceptual basis” of the Gas Business Enablement Program to the executive committee for review). The Company’s response to Division 3-54 includes Attachment DIV 3-54. This attachment contains confidential and proprietary commercial and financial information that it ordinarily

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

would not share with the public. Therefore, the Company requests that, pursuant to Rule 1.2(g), the PUC afford confidential treatment to the information contained in the confidential Attachment DIV 3-54.

II. LEGAL STANDARD

PUC Rule 1.2(g) provides that access to public records shall be granted in accordance with the Access to Public Records Act (APRA), R.I. Gen. Laws § 38-2-1, *et seq.* Under the APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a “public record,” unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I. Gen. Laws § 38-2-2(4). Therefore, to the extent that information provided to the PUC falls within one of the designated exceptions to the public records law, the PUC has the authority under the terms of the APRA to deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I. Gen. Laws § 38-2-2(4)(B) provides that the following types of records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would be likely either to (1) impair the Government’s ability to obtain necessary information in the future; or (2) cause substantial harm to the competitive position of the person from whom the information was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I. 2001).

The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47.

III. BASIS FOR CONFIDENTIALITY

The information contained in confidential Attachment DIV 3-54 should be protected from public disclosure. The attachment contains confidential and proprietary commercial and financial information relating to the Company's business operations. It is the type of information that the Company ordinarily would not disclose to the public. Public disclosure of this information would negatively impact the Company's ability to effectively operate. Therefore, the Company is providing confidential Attachment DIV 3-54 to the PUC on a voluntary basis to assist the PUC with its decision-making in this proceeding, but respectfully requests that the PUC provide confidential treatment to this attachment.

IV. CONCLUSION

Accordingly, the Company respectfully requests that the PUC grant protective treatment to confidential Attachment DIV 3-54.

WHEREFORE, the Company respectfully requests that the PUC grant this Motion for Protective Treatment.

Respectfully submitted,

**THE NARRAGANSETT ELECTRIC
COMPANY**

By its attorneys,



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Dated: January 11, 2018

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically transmitted and/or hand delivered to the individuals listed below.



Najat Coye

January 11, 2018
Date

Docket No. 4770 - National Grid – Rate Application
Service list updated 1/3/2018

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Docket No. 4770
Third Set of Data Requests of the
Division of Public Utilities and Carriers to National Grid
December 21, 2017

New Hires and Labor Costs

- 3-1 Referring to the testimony of Horan, p. 6 of 44 (lines 9-11), when did the Company first perform an analysis to determine whether and when it would be facing operating challenges as a result of electric and gas workers reaching retirement age?

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

- 3-2 When was the “analytical tool” referenced in the testimony of Rosario, Amaral, and Constable (p. 29 of 75) first developed? Please also describe the analytical tool and how it provides estimates.

Response can be found in Book 1 on Bates page(s) 2.

- 3-3 Prior to the development of the analytical tool referenced in the testimony of Rosario, Amaral, and Constable (p. 29 of 75), did the Company perform any other type of analysis to predict workforce capacity and retirement rates? If so, please provide a copy and explain the analysis. If not, please explain why not.

Response can be found in Book 1 on Bates page(s) 3.

- 3-4 Referring to the testimony of Horan, p. 6 of 44 (lines 13-16), when did the Company first come to the conclusion that if the Company did not begin to take steps to hire, train, and qualify workers to replace employees that retire, it will be impossible to keep up with system maintenance and construction activities to serve customers? Please provide documentation for this timeframe, if any exists.

Response can be found in Book 1 on Bates page(s) 4.

- 3-5 Please provide copies of any memos, emails, reports, presentations, or other communications at the Company or at the National Grid USA Service company that reference, discuss, or identify that the Company would be confronting a retirement problem, as described in the testimony of Horan at p. 6 of 44?

Response can be found in Book 1 on Bates page(s) 5-77.

- 3-6 Referring to the testimony found in Book 4 of 17, please provide 25 readable color copies of Schedule OPEX-1.

Response can be found in Book 1 on Bates page(s) 78-103.

- 3-7 How many employees proposed by the Company to be hired during the Rate Year will need two to four years of training before they are fully qualified? In addition,
- Please provide a job title and job description for each of the positions that would be filled by these employees who will be in training during the Rate Year.
 - Please identify whether each position will be for electric or gas work.
 - Please estimate the annual labor cost for each of the positions.
 - For each position, please identify whether the individual hired will be an employee of the Narragansett Electric Company or National Grid USA Service Company.

Response can be found in Book 1 on Bates page(s) 104-161.

- 3-8 Referring to the testimony of Horan (p. 32 of 44) and the testimony of Little (p. 29 of 128), please reconcile and explain the difference between Horan's count of 87 new electric and gas workers, with the count of Little that states there will be 204 new hires (58 for electric, 39 for gas, and 107 for the Service company).

Response can be found in Book 1 on Bates page(s) 162-163.

- 3-9 Please provide a list of all 204 positions referenced in the testimony of Little (p. 29 of 128) in a sortable excel spreadsheet that includes the following information for each:
- Title,
 - Concise job description,
 - Employer (i.e., Narragansett Electric Company or National Grid USA Service Co.),
 - The primary work location for the position,
 - The estimated annual labor cost in the rate year, including the total labor cost plus the estimated hourly billing rate,
 - The estimated split (if any) between O&M expense and hours charged to capital projects,
 - The number of hours estimated that will be worked during the rate year by the employee,
 - The percentage of hours identified in (g) above that are estimated to be billed annually to the gas and electric businesses of Narragansett Electric Company in Rhode Island, as opposed to other affiliates in the National Grid system.

Response can be found in Book 1 on Bates page(s) 164.

- 3-10 Referring to the testimony of Little (p. 32 of 128), please explain why the Company is proposing the Commission grant an allowance for a wage increase that is higher for non-union employees than union employees, and why the Company believes that is reasonable.

Response can be found in Book 1 on Bates page(s) 165.

Customer Affordability Program and Energy Innovation Hub

- 3-11 Referring to the testimony of Isberg, p. 15 of 43, please quantify the annual benefits and cost savings from the Customer Affordability Program.

Response can be found in Book 1 on Bates page(s) 166-167.

- 3-12 Referring to the testimony of Isberg, pp. 35-43, has the Company already made a legal commitment or obtained rights in the form of a lease or other occupancy rights with the Dunkin' Donuts Center for the Energy Innovation Hub? If so, please provide a copy of the lease or other legal right.

Response can be found in Book 1 on Bates page(s) 168-176.

- 3-13 How many customers does the Company estimate will visit the Energy Innovation Hub during each year? Please provide an explanation for the basis of any estimates.

Response can be found in Book 1 on Bates page(s) 177.

- 3-14 Has the Company attempted to quantify the benefits to ratepayers for funding the Energy Innovation Hub at an annual cost of \$500,000 per year? If so, please provide the quantification. If not, why not?

Response can be found in Book 1 on Bates page(s) 178.

- 3-15 Does the Company anticipate that it will obtain any corporate branding benefits from the Energy Innovation Hub? If so, please explain the benefits. If not, please explain why not?

Response can be found in Book 1 on Bates page(s) 179.

Service Company Employee Charges

- 3-16 Please provide a sortable excel spreadsheet listing all National Grid USA Service Company employees (by title) who charged \$10,000 or more of their time during the test year to the Narragansett Electric gas and/or electric businesses. In the list, please provide the following:
- a. Title,
 - b. Concise description of job,
 - c. Union or Non-union status,
 - d. Band level,
 - e. Primary job location,
 - f. Number of hours worked by the Service Company employee during the test year,
 - g. Total amount of hours charged to Narragansett Electric electric business during the test year,
 - h. Total amount of hours charged to Narragansett Electric gas business during the test year,

- i. Total dollar amount charged to the Narragansett Electric electric business during the test year,
- j. Total dollar amount charged to the Narragansett Electric gas business during the test year,
- k. Total dollar amount (if any) charged for Storm Restoration that was eligible for inclusion in the Storm Fund,
- l. Total dollar amount (if any) charged to energy efficiency programs included for recovery through the energy efficiency fund. Please distinguish between the gas and electric energy efficiency programs.

NOTE: At this time, this request is not asking for the Company to identify any employees by name.

Response can be found in Book 1 on Bates page(s) 180-212.

Service Company Rents

- 3-17 Referring to MAL workpaper 6d, please explain the criteria applied by the Company to determine whether any particular facilities item and/or category of items should be capitalized (as opposed to being expensed). Please provide copies of any accounting guidance used.

Response can be found in Book 1 on Bates page(s) 213-214.

- 3-18 Referring to MAL workpaper 6d, please provide a description of each of the bill pools identified in the workpaper.

Response can be found in Book 1 on Bates page(s) 215.

- 3-19 Referring to MAL workpaper 6d, for each “facility” on the list that (i) resulted in a test year expense of \$1,000 or more, and (ii) fell in any of the following “account description” categories: “Tools Shop and Garage Equipment,” “Laboratory Equipment,” and “Office Furniture and Equipment,” please state the original cost of the facility and a brief description of its use.

Response can be found in Book 1 on Bates page(s) 216-219.

- 3-20 Referring to MAL workpapers 6a through 6c, please provide the basis and an explanation for the Service Company earning a return of 10.29% when charging the rental expense for the items listed in these workpapers. If the Company believes that return is reasonable, please explain why.

Response can be found in Book 1 on Bates page(s) 220-221.

- 3-21 Referring to page 1 of MAL workpaper 6d through 6f, please provide the basis and an explanation for the Service Company earning a return of 10.23% when charging the rental expense for the items listed in these workpapers. If the Company believes that return is reasonable, please explain why.

Response can be found in Book 1 on Bates page(s) 222-223.

Technology Modernization Program

- 3-22 Please provide the total annual dollar amount of Information Systems investments over the last three fiscal years made by National Grid USA Service Company. Please also identify the total dollar amount of Information Systems investments made during the historical test year. Of these totals, please also provide separately the dollar amounts allocated to the Narragansett Electric gas and electric businesses from these investments. For each of these periods, please separately state the amounts categorized as part of the so-called “USFP” (or “SAP”) project.

Response can be found in Book 1 on Bates page(s) 224-276.

- 3-23 Please provide copies of all studies, reports, presentations, and authorization papers justifying or questioning the need to invest in the projects identified in the Technology Modernization Program in Schedule ISP-2.

Response can be found in Book 2 on Bates page(s) 1-44.

- 3-24 Referring to the testimony of Bhargava, DeMauro, and Rapiaty (p. 8, line 18 through p. 9, line 2), please identify the “expenditure targets” against which the investments were prioritized.

Response can be found in Book 2 on Bates page(s) 45-48.

- 3-25 Referring to Schedule ISP-2, please list these projects in order of priority, based on those projects that are most urgent to be completed down to those that are least urgent.

Response can be found in Book 2 on Bates page(s) 49.

- 3-26 Referring to the testimony of Bhargava, DeMauro, and Rapiaty, p. 9, lines 1-2, please explain the sanctioning process.

Response can be found in Book 2 on Bates page(s) 50-67.

- 3-27 Regarding the “annual” process identified in the testimony of Bhargava, DeMauro, and Rapiaty, p. 8, lines 17-18, please provide copies of the three-year plans (if any) that identified the needs of the business when such annual processes took place in 2014, 2015, and 2016. Please provide a list of all the projects that were identified for implementation in each of the three-year planning processes and state whether such projects were implemented.

Response can be found in Book 2 on Bates page(s) 68-70.

- 3-28 Referring to the testimony of Bhargava, DeMauro, and Rapiaty, p. 7, lines 14-15:
- a. Please identify each of the “external partners” utilized in the delivery model.

- b. Describe the role of each such partner during the test year.
- c. State how much was paid to each of the partners during the test year.
- d. Please provide an estimate of how much will be paid to each external partner during the Rate Year.
- e. Please provide an estimate of how much will be paid to each external partner during the Rate Year solely in connection with implementation of the Technology Modernization Program.

Response can be found in Book 2 on Bates page(s) 71-78.

- 3-29 Referring to the testimony of Bhargava, DeMauro, and Rapiaty (p. 18, lines 9-12), regarding expiration of the external partner contracts, please explain how National Grid will manage its IT services after the expiration of the current external partner contracts over the next two years. How will the Company insure that it obtains new services at reasonable cost? How has the Company taken into account the expiration of the contracts in its three-year estimate of costs filed in this case?

Response can be found in Book 2 on Bates page(s) 79.

- 3-30 With respect to the Technology Modernization Program projects identified in Schedule ISP-2, please explain how the Company assures the projects will be developed at reasonable cost. Did or will the Company conduct competitive bidding processes to award contracts for each of the individual projects? If so, please describe. If not, please explain why not.

Response can be found in Book 2 on Bates page(s) 80.

- 3-31 For each project identified in Schedule ISP-2, please identify the role of any external partners and how much is estimated to be paid to each external partner for work performed on each project.

Response can be found in Book 2 on Bates page(s) 81-112.

- 3-32 With respect to each of the Technology Modernization Program projects identified in Schedule ISP-1, please provide the allocator used to estimate the cost to Narragansett Electric's distribution businesses for each of the projects. Please also explain why the chosen allocator is reasonable for each.

Response can be found in Book 2 on Bates page(s) 113-114.

- 3-33 Referring to Schedules ISP-1 and ISP-2,
- a. When did the project identified INVP 4307 US Win 7 Refresh Ph3 first commence?
 - b. Please explain why the project identified as INVP 4307 US Win 7 Refresh Ph3 involving the transition of 6000 users of Windows to Windows 7 was not completed prior to 2017.

- c. Please provide the number of users who had already transitioned to Windows 7 prior to the commencement of the project to transition the last 6000 users to Windows 7.
- d. Please provide a timeline of how the transition of the National Grid organization has been implemented, with number of users fully transitioned.
- e. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.

Response can be found in Book 2 on Bates page(s) 115-116.

- 3-34 Referring to Schedules ISP-2, and the project identified as WAP Density Deployment - INVP 4680, please identify the location of each of the 30 U.S. sites referenced in the description.

Response can be found in Book 2 on Bates page(s) 117-118.

- 3-35 Referring to Schedules ISP-1, and the project identified as Wireless Network - INVP 4364, please identify the location of the National Grid sites identified as a “priority” in the description that states: “replace end of life equipment, decommission legacy wireless networks, and install or expand the current coverage and capacity of the Wireless Local Area Network (WLAN) at various National Grid sites that have been identified as a priority.”

Response can be found in Book 2 on Bates page(s) 119-137.

- 3-36 Referring to Schedule ISP-1, p. 1 of 23, and the project identified as Regulatory Mandates, it states: “This investment is for Regulatory Mandates of a project size that may not be known at the beginning of the fiscal year. The funding will be used to comply with walk-in Mandates and will be used for substitution based on a priority assessment with the business.” Please provide a more complete description of this project, its purposes, and how it relates to regulatory mandates in Rhode Island. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.

Response can be found in Book 2 on Bates page(s) 138-139.

- 3-37 Referring to Schedule ISP-1, and the project identified as INVP 3932 Call Center Customer Contact Center/SDC Technology Upgrade Implement Solution, the description states in part: “National Grid also has multiple vendors supporting the technology and is seeking to consolidate support to one vendor with this project.” Please explain the procurement process that will be used to consolidate to one vendor and quantify the annual cost savings that will result from the consolidation. Please also explain why this project was not commenced in earlier years than is now proposed.

Response can be found in Book 2 on Bates page(s) 140-141.

- 3-38 Referring to Schedule ISP-1, and the project identified as INVP 4914 US CNI-EMS Lifecycle Hardware and Software Upgrade, please explain what risks are present to Rhode Island because the current systems are 8 years old. Please identify the method and

reasoning for the allocation of the costs of this project, half of which is located in the electric control centers in New York.

Response can be found in Book 2 on Bates page(s) 142-144.

3-39 Referring to Schedule ISP-1, and the project identified as “Regulatory Mandates” on page 2 of 23, the description states: “This investment is for the identified regulatory mandated projects that scheduled to be completed during the Rate year. The following have been identified as mandated projects of:

- INVP 4400 Annual HR & Payroll Mandatory Service Pack Upgrade (HRSP) - FY18
- INVP 4421 - New Arrearage Forgiveness Plan
- INVP 4411AB Distributed Generation Portal
- INVP 4411C New Electric Connections
- INVP 4411D New Gas Connections
- INVP 4124 Auto Remote Net Meter
- INVP 4479 US Control-Gas Electronic Bulletin Board (EBB) Upgrade”

For each of these “mandated projects,” please explain how each relates to regulatory mandates or other requirements in each of the National Grid jurisdictions across New York and each of the New England states, in addition to Rhode Island. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.

Response can be found in Book 2 on Bates page(s) 145-149.

3-40 Referring to Schedule ISP-1, and the project identified as Physical Security Replacements, the description states: “This is annual capital replacement program for Physical Security. Physical Security is responsible for protecting National Grid’s personnel and assets, and incorporates a security system as part of the overall security plan. To fulfill this responsibility, it is necessary to ensure that all security related equipment and assets in New England are in good condition. This project replaces assets that are at or near end of life and/or assets that are no longer under vendor warranty.”

- a. Please identify each of the assets being replaced, where they are located, and the purposes each serves.
- b. Please explain why the expiration of a vendor warranty should be a main reason for commencing the project at this time.
- c. Please also explain what is meant by the statement that the assets “are at or near end of life.”
- d. Of the assets identified in (a) above, please indicate which assets are “at end of life,” which assets are “near end of life,” and which assets have had vendor warranties expire (and the date the applicable warranty expired).

Response can be found in Book 2 on Bates page(s) 150-151.

- 3-41 Referring to Schedule ISP-1, and the project identified as INVP 4395 US Mobile Device Refresh, the description states: “This policy-driven project will implement 750 mobile devices previously purchased as part of INVP 4671 – Mobile device refresh FY17 project. In addition, the project will purchase 200 new mobile devices and mounting accessories to continue the effort of eliminating old devices from the field. A majority of mobile devices used in the field are more than 5 years old and these devices impact day to day productivity. These old devices break down frequently and can’t be easily repaired due to unavailability of parts and accessories (in some cases manufacturers have stopped supporting the devices). The replacement of old mobile devices with latest tough books will allow field technicians to have the reliable equipment and data required to perform their work in a safe and efficient manner.”
- a. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.
 - b. How many of the 750 mobile devices previously purchased are used in Rhode Island?
 - c. Please explain the cost incurred and quantify the cost of “implementing” a mobile device that has already been purchased.
 - d. How many of the 200 new mobile devices being purchased will be used in Rhode Island?
 - e. Please provide a count of the total number of mobile devices used by field technicians in Rhode Island and the age of each of those devices.
 - f. Please provide an itemized breakdown of the costs of this project, distinguishing between the purchase price of the new phones, the cost of implementing phones already purchased, and any other costs reflected in the estimate. Please also indicate which costs are being capitalized to rental expense and those that will be expensed during the year incurred.

Response can be found in Book 2 on Bates page(s) 152-154.

- 3-42 Referring to Schedule ISP-1, and the project identified as INVP 4489 Active Directory Improvements, the description states: “Active Directory (AD) is a key service that supports core authentication for all National Grid computers and servers logging onto the corporate network in both the United States (US) and United Kingdom (UK). Therefore, AD provides access to all Information Systems (IS). The scope of this initiative is to implement a refreshed global AD infrastructure and support services. The new AD environment will unify all global applications that use the AD service. It is critical that National Grid can ensure that the AD service is reliable and supports core authentication requirements to all current and proposed applications.”
- a. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.
 - b. Please explain how Rhode Island ratepayers benefit from a refreshed “global AD infrastructure.”
 - c. Are any of the costs being allocated to shareholders? If yes, please quantify. If not, please explain why not.

- d. Are any of the costs being allocated to any National Grid entities in the UK? If yes, please quantify. If not, please explain why not.

Response can be found in Book 2 on Bates page(s) 155-156.

3-43 Referring to Schedule ISP-1, and the project identified as INVP 4707 Business Innovation Projects 1, the description states: “The Business Innovation project provides a funding base and governance structure that allows the Information Services (IS) organization to improve the IS experience for our employees and customers who will experience improved reliability, use ability, speed and efficiency across all functions. The program will also reduce the risk of system failure which have customer, brand and cost implications.”

- a. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.
- b. Please explain how this project will improve the IS experience for customers.
- c. Please describe the nature of the “system failure” referenced in the last sentence of the description.
- d. Please explain what the “brand” implications will be for risk of system failure.
- e. Please explain how the project provides a governance structure for the IS organization.
- f. Please explain what the “funding base” means, and how these funds will be utilized.
- g. Please provide an itemized breakdown of the costs of this project.

Response can be found in Book 2 on Bates page(s) 157-160.

3-44 Referring to Schedule ISP-1, and the project identified as INVP 4706 1327 Interfaces - 523 FTS, 340 RDX, 245 MQSI, 253 JCAPS, 44 PM4D, 7 VB, the description contains, in part, the following statement: “In the event of failure National Grid IS will be unable to meet the agreed Service Level Agreements (SLAs) for many key applications once the middleware infrastructure goes out of support. The majority of these applications currently have Gold or Platinum SLA's.”

- a. Please identify the method and reasoning for the allocation of the total cost of this project to Rhode Island.
- b. Please describe and explain the nature of the referenced Service Level Agreements, who are the parties to the agreement, and what the contractual consequences will be for an “event of failure.”
- c. Please explain the significance of Gold and Platinum SLAs.
- d. Please provide copies of the referenced SLAs.

Response can be found in Book 2 on Bates page(s) 161-189.

- 3-45 Referring to the testimony of Bhargava, DeMauro, and Rapivaty (p. 17, lines 18-19), please explain why 64 full-time equivalent employees are needed now, but were not needed over the past few years? Please explain the time period over which the 64 employees will be hired. Will the hiring of these 64 employees result in lower cost to the company from third party partner/vendors? If so, please quantify.

Response can be found in Book 2 on Bates page(s) 190-191.

Gas Business Enablement Program

- 3-46 Referring to the testimony of Little, p. 65-66,

- a. Please confirm whether the \$1.5 million was Narragansett Electric's allocated share of a larger cost incurred by National Grid USA Service Company, or whether the amount of \$1.5 million represented costs for "development of the business case, assessment of processes and applications, and high-level design" charged only to Narragansett Electric.
- b. In either case applicable from (a) above, please provide an itemization of all the costs comprising the \$1.5 million that was removed from the cost of service or, if \$1.5 million was an allocation of costs, the itemization of the total cost from which the allocation was derived.
- c. If the \$1.5 million was an allocation of costs, please indicate the amount allocated to each of the other jurisdictions and indicate whether cost recovery is being allowed in those jurisdictions for these past non-recurring costs.

Response can be found in Book 2 on Bates page(s) 192-195.

- 3-47 Referring to the testimony of Little, pp. 107-108, please explain (i) why allowing the Company to recover \$1.5 million of one-time operating (non-capital) costs already incurred prior to the filing of this rate case (without prior regulatory approval) would not constitute retroactive ratemaking, (ii) why the deferral would benefit Rhode Island ratepayers and, (iii) why this cost should not simply be treated as a one-time expense incurred in that year that is not eligible for recovery.

Response can be found in Book 2 on Bates page(s) 196-197.

- 3-48 Referring to the testimony of Johnston & Connolly, p. 10 (lines 4-5), please explain what impact and relevancy, if any, the "different timelines for rate cases and rate-recovery mechanisms in each jurisdiction" had on the timing and sequencing of the phases for the Gas Enablement Program.

Response can be found in Book 2 on Bates page(s) 198.

- 3-49 Referring to the testimony of Johnston & Connolly, p. 10 (lines 15-19) stating: “Implementation of the systems within the Gas Business Enablement Program on an integrated basis in all three jurisdictions to establish the three major capabilities will cost customers less than implementing the same systems one at a time by jurisdiction because it will avoid costs that would arise with work completed on different timelines, with potentially different vendors.” Please explain how beginning solely in Rhode Island is consistent with the statement that the systems will cost less if implemented on an integrated basis. Please explain how this sequence will result in lower implementation costs to Rhode Island. Please quantify the savings to Rhode Island from sequencing the project in this manner.

Response can be found in Book 2 on Bates page(s) 199-200.

- 3-50 Referring to the testimony of Johnston & Connolly, pp. 35-36, when the first phase of the Gas Business Enablement Program is implemented in Rhode Island, does the Company expect to gain knowledge and experience with the new initiative that will help National Grid implement more efficiently in Massachusetts and New York at the later dates? If so, please explain. If not, explain why not.

Response can be found in Book 2 on Bates page(s) 201.

- 3-51 Referring to the testimony of Johnston & Connolly, pp. 24-31, regarding the “well-defined management structure” and Schedule GBE-3, please explain why there has been no representation of any officers or high-level operations personnel from Rhode Island involved in the Gas Business Enablement Government Framework of the project. Please explain how the interests of Rhode Island customers has been and will be protected in this management structure.

Response can be found in Book 2 on Bates page(s) 202.

- 3-52 Referring to the testimony of Johnston & Connolly, p. 25, the testimony references a “rigorous procurement process to identify third party partners,”
- a. Please describe the process used to decide who to hire as third-party partners for the project and how much would be paid for the services.
 - b. If there were competitive bidding processes, please describe the processes and summarize the outcomes. If there was no competitive bidding process, please explain why not.
 - c. Please provide an estimate of how much of the multi-year Gas Business Enablement program costs will be charges from these third-party partners.

Response can be found in Book 2 on Bates page(s) 203-205.

- 3-53 Referring to the testimony of Johnston & Connolly, p. 29, please provide copies of all sanctioning documents, corporate committee approvals, meeting minutes, presentations, and memos relating to the business case analysis and internal approval of the project.

Response can be found in Book 3 on Bates page(s) 1-115.

- 3-54 Referring to the testimony of Johnston & Connolly, p. 31, please provide a copy of any presentations or memos used on or around November 2015 to bring the “conceptual basis” of the Gas Business Enablement Program to the “Group Executive Committee for review, approval, and initial funding.”

Response can be found in Book 3 on Bates page(s) 116-117.

- 3-55 Referring to the testimony of Johnston & Connolly, p. 31, please indicate whether any portion of the \$25 million authorized “to perform and assessment of program alternatives and commence program planning” was charged to Narragansett Electric. If so, please state the amount and the fiscal year in which the costs were incurred. If not charged to Narragansett Electric, please explain why not.

Response can be found in Book 3 on Bates page(s) 118.

- 3-56 Referring to the testimony of Little, pp. 66-67, and MAL-36, please provide an itemized description of all the components of cost that result in charges of \$619,618 to the electric business and \$4,133,125 to the gas business in the Rate Year. If these amounts are allocations of costs that are allocated across jurisdictions, please provide the amounts allocated across all jurisdictions.

Response can be found in Book 3 on Bates page(s) 119.

- 3-57 Referring to MAL-36, p. 6, please state the rate of return used in line 1 and the basis for using that rate of return, including without limitation any embedded return on equity.

Response can be found in Book 3 on Bates page(s) 120-121.

- 3-58 Referring to the testimony of Little, p. 107, please explain why it is reasonable for the Commission to approve of the creation of a regulatory asset for the deferral of program costs that will grant full recovery for all of the forecasted one-time operating Gas Business Enablement Program expenses where most of the costs have not yet been incurred, none of the assets have been placed in service, and the Commission does not know whether the proposed program actually will bring all of the benefits until the program is fully implemented.

Response can be found in Book 3 on Bates page(s) 122-125.

- 3-59 Referring to the testimony of Little, p. 108 (lines 12-14), please provide an explanation for the assumption that the useful life of the capital investments would be ten years.

Response can be found in Book 3 on Bates page(s) 126.

- 3-60 Referring to Schedule MAL-36, p. 6 of 16, please provide a similar schedule that shows the total costs by the same components for the aggregate multi-jurisdictional project, breaking down estimated costs for each of the companies by the same components of cost.

Response can be found in Book 3 on Bates page(s) 127.

- 3-61 Referring to the testimony of Johnson and Connolly, p. 8, please provide an itemized breakdown of the multi-year cost of \$478.3 million by cost type. Please also show the forecasted expenses to be incurred by each of the companies across all the jurisdictions by year through completion of the project. (Include all project costs, including without limitation O&M, Service Company Rental expenses, and any capital projects charged solely to the applicable distribution company).

Response can be found in Book 3 on Bates page(s) 128-134.

- 3-62 In implementing the Gas Business Enablement Program, did the Company assume that all non-recurring one-time expenses would be deferred and recovered from all jurisdictions? Would the Company have implemented the program if it thought all one-time expenses would not be recoverable?

Response can be found in Book 3 on Bates page(s) 135-136.

- 3-63 To the extent regulators in New York or Massachusetts do not allow recovery of the one-time implementation expenses allocated to those jurisdictions for the Gas Business Enablement Program, will National Grid modify the program to reduce its scope and costs, or will National Grid move forward with the multi-jurisdictional project as planned?

Response can be found in Book 3 on Bates page(s) 137.

- 3-64 Referring to the testimony of Johnson and Connolly, p. 31, when performing a business case analysis and examining alternatives, did the Company perform any analysis comparing a stand-alone Rhode Island solution to the multi-jurisdictional solution? If yes, please provide a copy of the analysis. If not, please explain why not.

Response can be found in Book 3 on Bates page(s) 138-141.

- 3-65 Referring to the testimony of Johnson and Connolly, p. 35, it states that in Rhode Island, the Company is “highly reliant upon paper-based operation.”
- a. Please describe the paper-based operation in Rhode Island.
 - b. Does this paper-based operation differ from the operations in Massachusetts and New York? If yes, please explain the differences.

Response can be found in Book 3 on Bates page(s) 142.