STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID – ELECTRIC AND GAS : DOCKET NO. 4770
DISTRIBUTION RATE FILING :

COMMISSION'S SECOND SET OF DATA REQUESTS
DIRECTED TO THE DIVISION OF PUBLIC UTILITIES AND CARRIERS
(Issued April 18, 2018)

Multi-year rate plan and Performance Incentive Mechanisms (PIMS)

2-1. Referencing page 43 of Mr. Woolf's testimony, "the Division believes the only practical way that an effective multi-year rate plan can emerge from this rate case is through a negotiated settlement." Please confirm that the Division has not proposed a multi-year rate plan in its testimony. If the Division believes it has proposed a multi-year rate plan, please provide a copy of the Division's proposed three-year rate plan and revenue requirement for each of the three years.

2-2. Please provide a flow chart and Gant chart to explain the mechanics of the Division's envisioned three-year rate plan, including how the PIMS would be incorporated into the PUC's decision in Docket No. 4770, the revenue requirements proposed for the second and third year, the programs from Docket No. 4780 that would be funded, when those revenue requirements would be reviewed by the PUC, and any additional filings that would need to be considered during the review of the rate plan or during the three years of the rate plan.

2-3. In any multi-year rate plan, a utility would need to make compliance filings each year to change the rates, even if the rate is consistent with the negotiated charges. What elements would be reviewed in the Compliance Filings and over what review period? If the proposed period is less than 90 days, explain if the Division recommends public comment in these filings, how the Division would manage public perception that rates are being increased without a thorough review.

2-4. In Mr. Woolf's testimony at page 37, he states that one of the key features of a multi-year rate plan is that it requires the Company to file one with granular data. On page 39 of his testimony, he states that there needs to be a comprehensive revenue requirement for each year of the rate plan. On pages 41-42, he states that modifications, exceptions and specific reopeners could be included. If the PUC approves a multi-year rate plan, how many annual adjustments to the revenue requirement would be made? At what point does the PUC set final rates for the utility for the three-year period?

2-5. Is the Division recommending a three-year rate plan?
(a) If so, would the metrics and targets approved in this rate case have any bearing on the annual PIMS plans described on p. 51 of Woolf and Whited or would the targets and

metrics approved in this order merely be guidance for annual PIMS plans analogous to the effect of the three-year efficiency plans on annual efficiency plans?

(b) Is there an approved budget or spending plan in the PIMS annual plan?

(c) How does measurement of success of failure occur over a three-year period?

(d) How will the Company know what PIM targets they need to achieve and what funding they will have on January 1, 2019 if the plan is not approved until March of 2019?

(e) The Division has recommended an ROE of 8.5% plus the opportunity to earn additional profit through performance based incentives. Please confirm that the review of whether the Company is entitled to the addition profit occurs after the close of the rate year. If so, is the maximum ROE the Company could earn in the rate year 8.5%?

(f) How would measurement of success or failure occur over a three-year period? Consider a generic two-year target where year one is 30MW and year 2 is 50MW. Assume the year one result is 28MW. Confirm that to hit the two-year target in full, the second year performance would have to be 52MW or otherwise explain how this would be addressed in the annual PIMS plan.

(g) How does the Division envision the PIMS plan operating with the Energy Efficiency and System Reliability Procurement Plans? Please explain how the payout of incentives is consistent. Please explain how the measurement of achievement is consistent with Energy Efficiency where achievement of energy efficiency goals is based on actual implementation of measures as reported by the Company.

(h) Will there be a different set of assumptions used in the cost benefit analysis in Energy Efficiency, System Reliability Procurement, and the PIMS included in base rates? If so, please explain.

(i) Has the Division consulted with the EERMC to determine how the Division's proposal to include Energy Efficiency incentives in the ROE calculation would be affected if the EERMC were to propose changes to the incentive structure in the Energy Efficiency Plan?

2-6. How does the System Efficiency PIM create regulatory lag where the ISR is statutorily required to fully reconcile annually?

(a) Please provide an example with illustrative numbers. In the example, please include annual ISR filings and reconciliations. Please also include when the Company would first be allowed to flow that capital spending through in rates.

(b) Does the end of plan performance review occur with the third ISR reconciliation filing or at another time?

2-7. Referring to the capital spending efficiency incentive, in particular the description provided on page 41 of Woolf's testimony:

(a) Does the capital spending incentive apply to both the gas and electric businesses?

(b) Does the Division expect the "three-year capital spending plan," described on line 2, would first be negotiated and approved by the Division in the same manner and to the same extent as annual ISR plans?

(c) Does the Division expect to allow a project cost variance range (e.g. +/- 25%) "three-year capital spending plan" for screening projects proposed for the plan? If so, what level of project planning stage variance will be allowed?

(d) Would the Commission be conditionally approving the total three-year budget, annual budgets, or both?
(e) Would the time value of money be factored into the spending plan and/or the actual three-year spending?
(f) Would the ISR factor in each year be based on the annually filed ISR plan or the three-year capital spending plan?
(g) In the result that the Company exceeds the aggregate budget, please explain how and when the refund would be returned to customers and in what filing
(h) Is the Division proposing "special exemptions" guidance?

2-8. Referring to the capital spending efficiency incentive described above; page 25 of Woolf and Whited's joint testimony describing annual awarding of performance incentives; and page 46 of Kahal's testimony describing performance incentives and an earning sharing mechanism, please describe how any capital spending efficiency savings will be included in the calculation of annual PIMs and the earnings sharing mechanism.

2-9. In addition to the description requested in #2 above, please provide the following examples of how the capital spending efficiency incentive and earning sharing mechanism work:

(a) The capital spending efficiency incentive is worth 100 basis points annually, but the PIM incentive is worth 0, 100, and 200 basis points over the three-year plan.
(b) The capital spending efficiency incentive is worth -100 basis point annually, but the PIM incentive is worth 0, 100, and 200 basis points over the three-year plan.

2-10. Has the Company considered a customer service performance incentive mechanism or service quality metric that focuses on accuracy of customer service responses to customers? If so, what would the proposal look like? If not, why not?

Gas Business Enablement

2-11. (a) Has the Division considered PIMS relative to the IS and GBE investments in lieu of the recommendation to only fund 85% of the projected costs in rates?
(c) Could a PIM be developed that would meet the same goals and address the same

Revenue Requirement/Positions

2-12. Referencing National Grid's response to PUC-4-11, please add a column to reflect the Division's FTE count recommendation.

2-13. Referencing Schedule MPH-1 and National Grid's response to PUC 4-10, please indicate the number of positions the Division proposes funding for in the Rate Year and the two data years.

2-14. Referencing National Grid's response to PUC-3-35 where the projected cost to bring the Dig Safe related work in house is higher than outsourcing, please explain whether the

Division made any adjustment to National Grid's revenue requirement. If not, please explain why it is in the ratepayers' best interest to pay more for the work to be brought in-house.

2-15. Does the Division specifically support the addition of the proposed Consumer Advocates?

2-16. In his testimony, Mr. Booth discusses several measures the Company identified as grid modernization measures that he believes represent the natural evolution of running the utility.

(a) What would be the impact on the Company's business and the ratepayer experience if the Company were not to engage in the evolutionary measures?

(b) What is the risk to the system and investments of not engaging in the evolutionary measures?

(c) Would the Company still be able to meet its core business of providing safe and reliable service at a reasonable cost in light of the impact of state policy goals without engaging in the evolutionary measures?

2-17. Referencing the case pending at the RI Superior Court captioned *Laura Bennett et al. vs. Thomas F. Ahern,* C.A. No. PC 2015-4214:

(a) Please provide the status of the case, any settlements that have been executed between the Division and any or all of the plaintiffs or representatives of any or all of the plaintiff(s).

(b) Please provide copies of all of Judge Vogel's signed orders in that matter.

(c) Please explain how the Division is executing the directives from Judge Vogel's orders.

(d) Please provide any analysis performed by the Division regarding the impact of Judge Vogel's orders on receivables.

(e) Please indicate, without providing litigation strategy, when the Division anticipates the case being resolved.

(f) Please indicate how, if at all, the *Bennett* case has affected the Division's recommendations to National Grid's revenue requirement.