

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 THIRD SET OF DATA REQUESTS
DIRECTED TO THE DIVISION OF PUBLIC UTILITIES AND CARRIERS
(Issued May 4, 2018)

Allocated Cost of Service Study/Rate Design

- 3-1. Referencing Mr. Athos’ supplemental testimony, page 4, he sets forth the changes that have been made to the allocated cost of service study (ACOSS) methodology since the 2012 study and agrees that those changes are appropriate. On page 8 of Mr. Athos’ testimony and page 12 of his supplemental testimony, he notes the increased costs allocated to residential customers based on number of bills in the “secondary system.” In both places he states, “this secondary System cost increase comes in Service Drop-related accounts. This suggests that an increase in monthly fixed charges would be consistent with cost causation principles of a cost of service study.”
 - a. Has National Grid made any other changes to the methodology since the 2012 ACOSS?
 - b. If so, please identify them and explain why Mr. Athos agrees they are reasonable, specifically addressing any demand related costs that may have been allocated differently in the 2017 ACOSS.
- 3-2. In his testimony, Mr. Lebel suggests that the only costs that should be allocated to the customer charge are those related to “the cost of connection for an individual customer, which is limited to the costs of a simple meter, billing expenses, the service drop, and certain elements of customer service.” (Lebel direct at 22). He then disputes several items included in National Grid’s definition of customer-related costs, including those related to the secondary system. (Lebel at 22-23). Please explain why Mr. Athos accepted inclusion of those disputed costs as customer-related costs in the 2017 ACOSS.
- 3-3. Please explain how the increase in the customer charge by the various rate classes per month on the electric bill might affect the Company’s ability to achieve its energy efficiency goals.
- 3-4. Please explain how the increase in the customer charge by the various rate classes per month on the gas bill might affect the Company’s ability to achieve its energy efficiency goals.
- 3-5. Please explain how the increase in the customer charge by the various rate classes per month on the electric bill might affect the growth of net metering adoption in Rhode Island.
- 3-6. Does an increased customer charge affect the Company’s ability to meet demand reduction goals?

- 3-7. Does the ACOSS assume that there are different customer costs associated with residential customers living in single-family or multi-family dwellings or does it assume the costs associated with all A-16 or A-60 customers are the same for purposes of allocating costs?
- 3-8. Is the Division aware of any analysis of whether there are any differences in the cost of connecting the average low-income customer versus other customers? If so, please identify and summarize.
- 3-9. Is the Division aware of any analysis of whether there are different costs of connecting multi-family dwellings versus single family? If so, please identify and summarize and indicate whether the analysis of multi-family dwellings differentiates by overall size (ex: 4 dwelling units versus 50).

Low Income

- 3-10. In his testimony, Mr. Colton seems to suggest that the Company and hence, other ratepayers, receives a greater benefit of having more customers participate in an Arrearage Management Plan, offering more flexible payment plan opportunities, and a larger percentage discount compared to the current structure given the cost of administering the terminations and collections process.
 - a. Please quantify the benefits to all other customers resulting from each of these measures.
 - b. Please specifically quantify how all other ratepayers benefit from Mr. Colton's proposed discount.
- 3-11. Were the analyses performed on pages 7-25 of Mr. Colton's testimony related only to low-income electric customers as is suggested on lines 7-8 of page 14 of his testimony? If so, why? If not, why does he only reference the A-60 customer class?
- 3-12. On page 34, Mr. Colton stated that he only addressed electric bills in his testimony because "National Grid offers more assistance to its natural gas customers than it does to its electric customers. The bill affordability issues would thus appear to be less. In reaching this conclusion, I do not consider the level of LIHEAP which customers receive."
 - a. Please provide the data and analysis Mr. Colton performed to reach the conclusion that the burden on low-income natural gas customers is less than electric.
 - b. Did Mr. Colton conduct any of the same analyses conducted in his testimony for natural gas customers? If so, please provide the results. If not, please explain why not.
- 3-13. Does the Division support a flat discount on the residential rate including the customer charge? If so, is the Division supporting the Company's proposed phase-in proposal (regardless of the ultimate customer charge approved)?
- 3-14. What is the Division's proposal for the low-income gas rate design? Please explain how the Division's proposed discount would work.
 - a. Why is it different from the Division's proposal on the A-60 rate?

- b. Why is this an appropriate discount?
- 3-15. Please confirm that the Division supports increasing the low income customer charge on the gas bills to match the residential non-low income rate. (Reference BRO-7, line10).
- 3-16. Did the Division do any analysis of the impact on low-income gas heating customers resulting from National Grid's proposal to eliminate the tail block pricing structure? If so, what were the results? If not, why not?

Revenue Requirement

- 3-17. On pages 21 and 22 of Mr. Oliver's testimony, he notes that there have been changes made to the Company's revenue requirement since the test year that could affect the necessary rate year revenue requirement. He expresses the concern that "including uncertain future levels of [revenue decoupling mechanism] revenue in Distribution rates in this proceeding increases the likelihood of mismatches between actual RDM revenue during the Rate Year and RDM revenue amounts included in base distribution rates." What is Mr. Oliver's proposal to address this concern?

Performance Incentive Mechanisms

- 3-18. Regarding the regulatory lag created by the Capital Efficiency Incentive:
 - a. Assuming there is a \$1M penalty, please confirm whether National Grid will be allowed to include the penalty in a future (e.g., the subsequent) Infrastructure, Safety, and Reliability (ISR) revenue requirement for one year? If so, please explain how this is consistent with the statutory requirements of ISR rate setting.
 - b. Assuming there is a \$1M penalty that is not subsequently recovered through the following year's (or a future) ISR revenue requirement, please explain whether the Division would still describe this as a regulatory lag or a permanent penalty.
 - c. If the \$1M penalty can be recovered through a mechanism in the fourth year's revenue requirement, is it the Division's position that the Capital Efficiency Incentive is mimicking the value of a one-year regulatory lag rather than true regulatory lag?
 - d. Assuming National Grid is entitled to a \$1M incentive, please indicate in what year and through what mechanism the \$1M is recovered in the revenue requirement.
- 3-19. How will the three-year budget set in the Capital Efficiency Incentive be designed to ensure that the efficiencies were caused by National Grid's achievements and not by third parties (fewer customer requirements, for example) or through deferral of projects, timing of CIAC payments, etc.?
- 3-20. For all programs and sub-programs proposed by the Division that are associated with a performance incentive (excluding the Capital Efficiency Incentive), and that propose a range of achievement levels and associated incentives:
 - a. Provide the \$/metric value for each proposed achievement level;
 - b. For any responses in part a that do not have a uniform \$/metric value for all achievement levels, please provide a justification for the variation.