

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

**IN RE: THE NARRAGANSETT ELECTRIC CO. :**  
**D/B/A NATIONAL GRID'S PROPOSED : DOCKET No. 4780**  
**POWER SECTOR TRANSFORMATION (PST) :**  
**VISION AND IMPLEMENTATION PLAN :**

**THE NORTHEAST CLEAN ENERGY COUNCIL'S FIRST SET OF DATA REQUESTS  
TO THE NARRAGANSETT ELECTRIC CO. D/B/A NATIONAL GRID  
(Issued March 29, 2018)**

1. Please provide functioning spreadsheet versions, with formulae intact, of all charts and tables contained in:
  - a. National Grid Joint Pre-Filed Direct Testimony;
  - b. National Grid Joint Direct Testimony, Book 1 of 3;
  - c. National Grid Joint Direct Testimony, Book 3 of 3; and
  - d. Appendices 10.1 to 10.11 of National Grid Joint Direct Testimony, Book 2 of 3.

**Response can be found in Book 1 on Bates page(s) 1-7.**

2. Refer to National Grid Joint Direct Testimony, page 83 of 102, lines 9-14:

*Although today's regulatory framework supports cost-recovery and earnings on investment deemed prudent by regulators, it is not sufficient to drive innovative utility performance in delivering these new objectives. To best encourage utilities to innovate and to align their financial interests with broader policy goals and customer outcomes that expand beyond core performance obligations, new compensation mechanisms are needed.*

- a. What is meant by "new compensation mechanisms?"
- b. Would "new compensation mechanisms" include rate base rate of return regulation? Why or why not?
- c. Would "new compensation mechanisms" include cost of service regulation? Why or why not?
- d. (For witnesses McGuinness and Roughan). Please state each and every reason that supports the statements in this quoted testimony.
- e. If not addressed in response to the previous question, what are the shortcomings of the current "compensation mechanisms?"

**Response can be found in Book 1 on Bates page(s) 8-22.**

3. Refer to National Grid Joint Direct Testimony, page 84 of 102, lines 14-17:

*The Company's proposal for two capital efficiency performance incentives represents an initial step toward a framework that provides a more equal incentive for the delivery of operating and capital cost-savings.*

- a. Illustrate with at least one example what such a "framework" would be.
- b. After this "initial step," what is the next step toward such a "framework?"
- c. Will the Company's proposals for "capital efficiency" in this case provide incentives for the Company to substitute non-capital solutions for capital solutions? Why or why not?
- d. Will the Company's proposals for "capital efficiency" in this case provide incentives for the Company to evaluate "non-wires alternatives?" Why or why not?

**Response can be found in Book 1 on Bates page(s) 23-24.**

4. Refer to National Grid Joint Direct Testimony, page 94 of 102, lines 14-17.

- a. Will the revenue requirement associated with the "eligible investments" be net of any cost savings realized by the Company due to the investment? Why or why not?
- b. If the answer is "yes," where in the cost recovery process will the savings offset be calculated?

**Response can be found in Book 1 on Bates page(s) 25.**

5. The Company has described its capital efficiency incentive as applying to complex capital investment projects. For each year of incentive plan,
  - a. Please state the Company's total projected capital investment in each year.
  - b. Please estimate of the amount of the capital investment budget in each year that would be considered "complex" and eligible for the incentive plan.

**Response can be found in Book 1 on Bates page(s) 26-27.**

6. For each year of the incentive plan, please state the amount of total expenditures that are projected to be considered in the Construction Costs per Mile Productivity Incentive.

**Response can be found in Book 1 on Bates page(s) 28.**

7. Refer to National Grid Joint Direct Testimony, page 95 of 102, beginning on line 17 and continuing to line 10 on page 96.
  - a. Is the Company representing that the proposed categorization of costs is the same as the categorization approved by the Commission in the Company's last rate case involving cost allocation? Explain any differences.

- b. What are the implications, if any, of the proposed categorization for rate design in residential and small commercial customer classes?

**Response can be found in Book 1 on Bates page(s) 29.**

8. The PST Phase 1 report contained the following recommendation:

***1.5 Assess the existing split-treatment of capital and operating expenses.***  
*The Division should convene a collaborative of stakeholders to consider opportunities for a total expenditure approach for future implementation to remove capital bias of the regulatory framework that currently drives cost increases.*

Please explain in detail whether the Company's incentive proposals advance or retard a movement toward a "total expenditure approach" addressed in the report.

**Response can be found in Book 1 on Bates page(s) 30-38.**

9. The UK subsidiary of National Grid is regulated under a system called RIIO in Britain.
  - a. Does the UK subsidiary of National Grid have experience with investment programs for network modernization?
  - b. Please describe how a program such as PST would be evaluated, authorized, paid for and monitored under the UK regulatory regime.

**Response can be found in Book 1 on Bates page(s) 39-107.**

10. Refer to Bates page 165 of Book 1 of 3 and the following quoted language:

*For each portfolio of closed projects, the Company will report to the PUC, as part of its annual PST Reconciliation Filing, as well as its ISR Reconciliation Filing, its actual capital expenditures relative to the total capital cost estimate, with a calculation of the value of the incentive payment the Company has earned. The Company proposes that any positive incentives earned in a given fiscal year would be collected through the PST Provision in the following fiscal year.*

- a. What occurs if the actual capital expenditures exceed the total cost estimate?
- b. Will the Company have recourse to include capital cost overruns in future rates through a rate case or other cost recovery mechanism such as ISR?

**Response can be found in Book 1 on Bates page(s) 108.**

11. Refer to Schedule PST-1, Table 9-1, Bates page 168 of Book 1 of 3.
- a. Please state the value of 75 basis points of ROE in terms of pre-tax revenues and post-tax operating income using the rate year ending August 2019. Please provide details of the calculation.
  - b. State the current earnings per share of common equity attributed to National Grid's electricity operations in Rhode Island. Please provide details of the calculation.
  - c. Please state the value of 75 basis points of ROE in terms of earnings per share of common equity attributed to National Grid's electricity operations in Rhode Island. Please provide details of the calculation.

**Response can be found in Book 1 on Bates page(s) 109-110.**

12. The National Grid website contains a discussion of the regulatory regime used by Ofgem to regulate National Grid UK. The Company's compensation is determined in part by its production of seven outputs, three of which are as quoted:

- v. customer satisfaction*
- vi. timely connections*
- vii. connection works and wider works*

See: <https://www.nationalgrid.com/uk/about-grid/how-we-are-regulated/rrio-regulatory-framework>

- a. Please describe the "consultation process" used by the regulator to assess the Company's performance on these output measures.
- b. Is it correct to say that Ofgem "surveys" the customers of each Transmission Grid Operator as part of the assessment of each operator's performance?"
- c. Please provide copies of the most recently-used assessment forms ("response templates") used by Ofgem to gather customers' opinions about the performance of transmission grid operators.
- d. Does Ofgem use a similar regulatory process for the evaluation of the performance on interconnection of Distribution Network Operators (DNOs)?
- e. Would National Grid support the use of surveys of customers and interconnecting parties as part of the assessment of its performance on Network Support Services and Distributed Energy Resources? If no, why not?

**Response can be found in Book 2 on Bates page(s) 1-217.**