



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

September 25, 2018

Luly Massaro, Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02889

Docket Nos. 4816 and 4872

Dear Ms. Massaro,

Enclosed for filing with the Commission in the above two dockets, please find correspondence from the Division dated September 24, 2018.

Very truly yours,

Leo J. Wold
Assistant Attorney General



September 24, 2018

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

RE: Dockets 4816 and 4872

Dear Ms. Massaro:

On September 13, 2018, the Commission issued a "Notice of Technical Record Session" in Docket 4816, regarding National Grid's "Gas Long-Range Resource and Requirements Plan" ("Long-Range Plan"). The Division looks forward to participating in the Technical Session. However, there are many issues that arise out of the Division's review of the Long-Range Plan that overlap with issues relating to the Company's Gas Cost Recovery filing in Docket 4872 ("GCR"). The Division believes it important to recognize the link between decisions made in long-range planning and the costs that flow through the GCR. The purpose of this letter is to briefly identify those overlapping issues and request that the Commission establish a procedural schedule that opens a formal follow-up proceeding for the review of the Long-Range Plan.

As the Commission is aware, the filing of the Long-Range Plan was made pursuant to R.I. Gen. Laws § 39-24-2. The statute itself does not require any specific process nor require the Commission to approve the Plan. As far as the Division has been able to determine, it does not appear that any past Commission has ever issued any orders with respect to any Long-Range Resource and Requirements Plans that have been filed since the statute was apparently enacted in 1987. However, the absence of a statutory directive and the absence of any prior formal actions taken by past Commissions on prior Long-Range Resource and Requirements Plans does not preclude this Commission requiring a more granular review of the Long-Range Plan this year. The Commission has extensive and broad supervisory authority over all aspects of the Company's business, including procurement decisions that affect gas costs paid by ratepayers. Given the evolving gas markets and many other issues that impact costs and quality of service, the Division believes it would be important for the Commission to conduct a more formal proceeding this year. The upcoming Technical Session is a good starting point, but the Division recommends that it be followed by a more extensive review because of the significant issues raised by the Long-Range Plan with implications for the GCR.

Specifically, the Division's initial review of the Long-Range Plan and the recently filed GCR has identified several important overlapping issues that require further, in-depth evaluation. These issues include:

- (1) A substantial increase in fixed cost commitments made by the Company without an appropriate analysis with respect to alternatives. The total of fixed costs net of capacity release credits for the 2018-19 GCR are over \$27 million higher than the fixed costs net of capacity release credits reflected in the Company's 2017-2018 GCR filing, a 52% increase.¹
- (2) Application of what appear to be questionable planning criteria for assessing the costs of shortages under design day conditions, giving rise to the potential over-commitment of expensive fixed-cost commitments.
- (3) The absence of any explanation in the Long-Range Plan about how the Company intends to address the "Unserved Gas Supply Requirements" identified in the Long-Range Plan.
- (4) The absence of any consideration of demand-side resource potential, including such initiatives as interruptible service offerings, direct load control programs, and curtailment plans.

There is a significant link between the decisions that are made in the context of long-range planning and the annual gas costs that flow through the GCR. In fact, the GCR is the cost recovery mechanism established to provide cost recovery to the Company relating to significant commitments that stem from the Long-Range Plan. Specifically, Section 1.0 of the "Gas Cost Recovery Clause" in the Company's gas tariffs states:

"The purpose of this clause is to establish procedures that allow the Company, subject to the jurisdiction of the PUC, to annually adjust its rates for firm sales and the weighted average cost of upstream pipeline transportation capacity in order to recover the costs of gas supplies, pipeline and storage capacity, production capacity and storage, purchased gas working capital, and to credit supplier refunds, capacity credits from off-system sales and revenues from capacity release transactions. The Gas Cost Recovery Clause shall include all costs of firm gas, including, but not limited to, commodity costs, demand charges, hedging and hedging related costs, local production and storage costs and other gas supply expense incurred to procure and transport supplies, transportation fees, inventory finance costs, requirements for purchased gas working capital, all applicable credits, taxes, and deferred gas costs. Any costs recovered through the application of the Gas Charge shall be identified and explained fully in the annual filing."

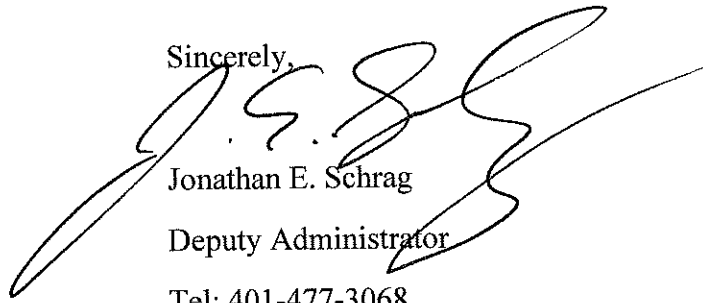
The Division is concerned that the current schedule of the GCR docket does not allow for meaningful review of the issues it presents without prior consideration of the underlying planning decisions contained within the Long-Range Plan. While the reconciliation schedules in the annual GCR docket are filed by July 1 of each year, the testimony is not typically filed until the beginning of September, leaving very little time for a thorough review of all the factors that impact the cost of gas.

¹ Compare Attachment NGC/EDA-1 in the 2018-2019 filing to Attachment NGC-1S in the 2017-2018 filing.

It is apparent from the Company's Long-Range Plan that decisions the Company has already made have materially affected the current GCR. For that reason, the Division respectfully requests the Commission open a more formal process to address the long-range planning issues. The Division has not had enough time to determine whether there should be any adjustments to the GCR that arise out of any of the overlapping issues identified above and many responses to data requests are still pending. However, in the event any adjustments are deemed appropriate after review is completed, the new GCR rates should be subject to adjustment in next year's GCR reconciliation based on the Commission's findings in an extended docket evaluating the Long-Range Plan. This presents no ratemaking obstacle. The GCR is a tariff-based reconciliation which does not preclude adjustments being made from one year to the next. Thus, there are no retroactive ratemaking implications because the GCR is an annual reconciliation that looks across past and future periods.

Accordingly, the Division respectfully requests a scheduling conference (either following the Technical Session or on another day) that establishes a formal procedural schedule extending the review of the Long-Range Plan. In doing so, the process should recognize the link between the review of the Long-Range Plan in this docket to the potential for adjustments that might be appropriate in the GCR reconciliation at a later date.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'J. Schrag', is written over the typed name and title.

Jonathan E. Schrag

Deputy Administrator

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