



April 19, 2019

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Dockets 4872, 4893, 4816, and 4755
National Grid's Initial Response to Division's April 1, 2019 Memorandum

Dear Ms. Massaro:

This letter provides National Grid's¹ initial response to the April 1, 2019 memorandum (the Memorandum) filed by the Rhode Island Division of Public Utilities and Carriers (Division) regarding the above-referenced dockets. The Company reserves its right to rebut the Division's Memorandum in more detail, if necessary, with a supplemental response to the Memorandum.

The Company disagrees with the content and unsupported conclusions set forth in the Division's Memorandum. The Memorandum is, effectively, yet another request by the Division for more time to review materials the Company produced to the Division many months ago, and, in some cases, more than one year ago. The Division does not proffer any actual facts or information to support its view that a further review is necessary. The Company respectfully requests that the PUC reject the Division's request for additional time to continue to review these issues and provide closure to these issues for the Company, the PUC, the Division, and, most importantly, customers.

In Docket No. 4872, the PUC requested the Division to file two reports of its findings regarding: (1) the Company's operation and maintenance practices of the decommissioned Cumberland LNG tank; and (2) the increase in the supplier demand charges. Rhode Island has a well-established standard of review in a challenge to the prudence of costs incurred by a public utility: The public utility is entitled to a presumption of prudence, and reviewing prudence with the benefit of hindsight is improper. *See In re: City of Newport Water Division Application to Change Rate Schedules*, 2010 WL 1383720 (R.I.P.U.C.). Rather, prudence is evaluated based on "whether the decisions made were reasonable based on the information available at the time of the decision." *Id.* The Division's Memorandum suggests that certain past decisions of the Company were not prudent but fails to provide any factual support or evidence for those suggestions and fails to satisfy its burden of proof to meet the requisite standard of review that governs any finding of imprudence.

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

In its Memorandum, the Division fails to provide its evaluation of whether the Company's decisions were reasonable based on the information available at the time of the decisions. Instead, the Division offers generic opinions, in hindsight, regarding the prudence of the Company's actions and decisions. In particular, the Memorandum includes inflammatory remarks regarding the inspection and maintenance practices of the Cumberland LNG facility and the procurement of supplier demand charges. For example, after conducting a review of materials the Division has had in its possession as far back as 2017² and January 2018, the Division merely states that "there were significant and material deficiencies in the maintenance and inspection programs of the Company that contributed to the failure of the facility." Division Memorandum at 4. The Division provides no evidence as to what was so significantly and materially deficient, such that the Company's decisions and actions were not reasonable based on the information available at the time of the decisions. Similarly, after having materials from Docket No. 4872 in its possession since September and October 2018, the Division simply states that up to four supply contracts³ were not well-structured or managed. The Division, however, provides no support for that statement. The Division fails to point out the specific contractual provisions it deems deficient and fails to explain what actions the Company should have taken, in hindsight, to better manage those contracts. Finally, the references to the Long-Range Plan filed in Docket No. 4816 more than one year ago, the notification of an energy efficiency incentive greater than \$3,000,000 related to a 7 MW Combined Heat and Power system filed in Docket No. 4755, and the ongoing summary investigation into the Aquidneck Island gas service interruption are unrelated to the Division's two specific tasks of reporting to the PUC its findings regarding the Cumberland LNG facility and the supplier demand charges. The Company submits that the Division included these unrelated items only to further disguise its Memorandum from its true purpose: to request, yet again, more time to perform these two specific tasks the PUC directed the Division to perform by April 1, 2019.

The PUC should reject the Division's request for additional time to continue its review. The Division has had more than ample time to perform the two specific tasks the PUC directed the Division to perform by April 1, 2019. Moreover, the Division should be held to a higher standard to show cause that additional review is necessary regarding these issues.

² The Division has had ample opportunity to review a plethora of materials related to the Cumberland LNG facility, including in the Company's Fiscal Year (FY) 2018 Gas Infrastructure, Safety, and Reliability (ISR) Plan filing in Docket No. 4678 submitted on December 1, 2016; 2017-18 supplemental Gas Cost Recovery (GCR) filing in Docket No. 4719 submitted on September 29, 2017; FY 2019 Gas ISR Plan filing in Docket No. 4781 submitted on December 19, 2017; Long-Range Plan filing in Docket No. 4816 submitted on March 30 2018; and 2018-19 GCR filing in Docket No. 4872 submitted on August 31, 2018, in addition to several occasions outside of any docketed proceeding where the Company cooperated with the Division's informal requests to provide additional information.

³ It is not clear from the Memorandum whether the Division wants additional time to further review three contracts or four contracts.

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Thank you for your attention to this matter. If you have any questions, please contact Robert Humm at 401-784-7415 or Raquel Webster at 781-907-2121.

Very truly yours,

A handwritten signature in blue ink, appearing to be "RH", with a long horizontal flourish extending to the right.

Robert J. Humm

A handwritten signature in blue ink, appearing to be "Raquel Webster", written in a cursive style.

Raquel Webster

cc: Docket 4872, 4893, 4816, and 4755 Service Lists
Kevin Lynch
Jonathan Schrag
John Bell
Al Mancini
Leo Wold, Esq.