

September 25, 2020

VIA ELECTRONIC MAIL

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

**RE: Docket 4915 - Fiscal Year 2020 Electric Infrastructure, Safety, and Reliability Plan
Reconciliation Filing
Responses to Record Requests**

Dear Ms. Massaro:

On behalf of National Grid,¹ enclosed is an electronic version of the Company's responses to the record requests that were issued at the Public Utilities Commission's Evidentiary Hearing on September 22, 2020 in the above-referenced matter.²

Thank you for your attention to this filing. If you have any questions, please contact me at 401-784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4915 Service List
Leo Wold, Esq.
John Bell, Division

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

² Per practice during the COVID-19 emergency period, the Company is providing a PDF version of these responses. The Company will provide the Commission Clerk with a hard copy and, if needed, additional hard copies of this transmittal at a later date.

Docket No. 4915 - National Grid's Electric ISR Plan FY 2020
Docket No. 4857 - Performance Incentives Pursuant to R.I.G.L. §39-1 27.7.1(e)(3)

Service List as of 8/15/2019

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4915
In Re: 2020 Electric Infrastructure, Safety, and Reliability
Annual Reconciliation
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Record Request No. 1

Request:

Please explain how the timing of the RIDOT reimbursement is handled relative to when the spending referenced in the Company's response to PUC 2-1 occurs and when equipment is placed into service. Please provide an example to show the net result, using an illustrative \$1M and assuming a one-year delay in reimbursement, including how the reimbursement is treated for rate-making purposes.

Response:

Equipment is placed into service when it is used and useful. The reimbursement is invoiced after the work is completed, which currently lags completion of the work by approximately 6 months. The reimbursement is reflected in capital when the invoice is submitted.

Using similar assumptions to the Rhode Island ISR revenue requirement calculation, a \$1 million lag in RIDOT reimbursements for a year would impact two years of revenue requirements, such that over those two years, customers would pay approximately \$110,000.

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Record Request No. 2

Request:

RR-2. Please explain how the RIDOT request and reimbursement process works. Please explain how the cost of the work is determined, i.e., does the Company bill RIDOT and is that bill paid or does RIDOT pay less than the amount billed by the Company. Also explain whether there is a process for handling billing disputes.

Response:

Work done in the Public Requirements category associated with the Rhode Island Department of Transportation (RIDOT) starts with the agreements made between the Company and RIDOT. There are two agreements, one for any early design costs incurred, which is called the Preliminary Engineering agreement and the other for costs directly related to the construction, which is called the Construction and Maintenance agreement. These agreements are signed by both RIDOT and National Grid to authorize the submission of purchase orders from RIDOT to National Grid. If there is a need for an increase in costs over the amount in the agreement, a Report of Change (ROC) is submitted to RIDOT. The ROC will include the new total estimate of the work along with a description of what caused the change. Before an invoice is sent to RIDOT, costs are reviewed to ensure accuracy, and are then reviewed with RIDOT. Any disputes with RIDOT related to costs are resolved before an invoice is sent to RIDOT.

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Record Request No. 3

Request:

RR-3. How much of the \$5.2 million for the purchases of Transformers, Capacitors, Regulators, and Network Protectors referenced in the Company's response to PUC 2-2 was still in the warehouse at the end of FY2020?

Response:

The inventory system reflects the following activity in the Warehouse related to Narragansett Electric Inventory balances for items in the Transformer Blanket project. The inventory system does not include Overheads.

Type	Balance March 2019	Receipts to Warehouse	Issuances to Field	Balance March 2020
Transformers	\$ 3,448,185	\$ 3,727,026	\$ 3,127,821	\$ 4,047,390
Capacitors	\$ 152,907	\$ 62,386	\$ 50,357	\$ 164,936
Protectors	\$ -	\$ 304,473	\$ -	\$ 304,473
Regulators	\$ 121,982	\$ 109,488	\$ 49,583	\$ 181,887
Total	\$ 3,723,074	\$ 4,203,373	\$ 3,227,761	\$ 4,698,686

Record Request No. 4

Request:

RR-4. Referencing the Company's response to PUC 2-2, what were the reasons for the increased issuances out of the stock room that drove the increased purchases of transformers/related equipment resulting in the \$1.6 million overspend? Was this specific to Rhode Island or was there a change in engineering policy?

Response:

The inventory items in this category primarily include transformers, but also include regulators, capacitors and network protectors. Having adequate inventory of these items in the stock rooms is critical to maintaining safe and reliable service to customers. The Company purchases these items so that there is an adequate inventory available to respond to emergency and unexpected events, as well as on blue-sky days to supply equipment needed for projects and programs. Please also see the Company's response to Record Request No. 3, which shows the inventory activity in fiscal year (FY) 2020.

There are 253 different inventory types in this category, and of those, 221 are transformers. Below is an outline of the method used for determining purchases. These methods are continually evolving incorporating up-to-date information on usage by the Company and type of asset.

- Inventory Management has two Material Requirements Planning (MRP) types for this inventory
 1. Capacity Planned MRP type
 - a. Higher volume usage units (average use of 10 or more per month)
 - b. Units have consistent usage patterns
 - c. Units have less variability and volatility of use
 - d. Future needs are predictable based on historical usage data
 2. Manual Stocking Point MRP type
 - a. Lower volume usage units (average usage less than 10 per month)
 - b. Usage patterns have more variability and volatility
 - c. Future needs can be hard to predict based on historical usage data

- Calculation of Stocking Points
 1. Transformer lead times average minimum 12 weeks
 2. Stocking Point = 3 x average monthly usage (cycle stock) plus Safety Stock plus Emergency Spares
 - a. Additional considerations when setting stocking points:
 1. Historical usage records and trending information
 2. Product lead-time
 3. Regional Engineering and Operations Line of Business Subject Matter Experts (SME's) system knowledge contributes to desired stocking requirements, including Emergency Spares.
 4. Transformers can be issued in banks of Qty. of 3, not necessarily Qty. of 1; therefore, some stocking points must accommodate multiples of 3.
 5. By nature, transformers can have variable and volatile usage patterns and the desire is to avoid stockouts.
 6. Many voltages are unique to the RI region only and NGrid must have stock in RI to support these needs.
 7. Customer reliability expectations.
 8. Maintenance requirements, changing business needs, growth
- Management and ordering
 1. Capacity Planned MRP types are reviewed monthly by Planner
 - a. Planner creates orders as needed to achieve desired stocking levels
 2. Manual Stocking Point MRP types are reviewed daily by Planner for movement and ordering needs
 - a. As a unit is issued from stock, Planner reorders replacement to bring inventory back to desired stocking level
 - b. Planner reviews stocking points and adjusts for changing business needs
 3. Knowledge of upcoming programs may increase ordering to project requirements

Purchases are, therefore, highly dependent upon installations. The Company does not have an automated method for identifying installations by project so its obtains installation information on an as-requested basis. In reviewing the FY 2019 purchases, the Company compared the FY 2019 transformer installations to the FY 2018 transformer installations and noted an increase from 1,583 to 2,006 (included in Docket 4995, Attachment DIV 3-5-2). In FY 2020, the Company purchased 2,370 transformers, slightly less than the 2,446 transformers purchased in FY 2019. Since the transformer purchase activity in FY 2020 looked similar to the transformer purchase activity in FY 2019, the Company did not review detail related to the FY 2020 installations.

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The other item impacting FY 2020 purchases relates to network protectors. In FY 2020, the Company purchased 13 network protectors, five different types driven by 3 required for emergency needs and the remainder for 10 minimum stock levels. There were no network protector purchases made in FY 2019 or FY 2018 and, therefore, would not have been reflected in the derivation of the budget. Network Protectors currently have at least at 42-week lead time.

To the best of the Company's knowledge the increase in issuances did not result from a change in Engineering Policies but rather usage specific to Rhode Island. As noted in PUC 2-2, the actual spending for this category was \$1.6 million over budget and budget is based on an analysis historical trending information with input related to future expectations, which is done the time the Electric Infrastructure, Safety and Reliability ("ISR") Plan is developed, approximately 18 months before the year begins. As noted above in comparing FY 2018 transformer installations to FY 2019 installations, historic trending information does not necessarily align with future needs. In addition, prior to FY 2019, transformers that are utilized in both Massachusetts and Rhode Island with common requirements were managed in one common inventory pool. Because that created challenges specifically identifying individual company requirements, the method for assigning to individual companies was refined to be specific to each Company to more accurately reflect each Company's requirements.

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Record Request No. 5

Request:

RR-5. Referencing the Company's response to PUC 2-3, please confirm whether the net book value for streetlight sales is updated at the time of the sale to reflect repairs made prior to sale.

Response:

The Company's street light asset sale pricing methodology was formulated to align with R.I. Gen. Laws § 39-30-3(b), and was approved by the Public Utilities Commission (PUC) in Docket No. 4442. It is based on the undepreciated values of the active and inactive lighting assets. Therefore, if the Company has installed, replaced, or removed equipment used for the function of street and area lighting within the geographical boundaries of the city or town prior to the sale price calculation, those amounts would impact the values passed to the customer in the asset sale price.

The Company offers a non-binding price upon request to assist a customer in their decision-making process. The Company refers to this as a "pricing inquiry". Then, if the customer chooses to move ahead with the purchase of the assets, they provide a written notice to purchase to the Company and the PUC. The pricing calculation utilizes the same methodology of allocating the net book values across the lighting quantities regardless of the request type (inquiry or notice to purchase).

If the sale price provided for the "pricing inquiry" is no greater than 6 months old and the municipality decides to purchase the street lights, the closing documents are drafted using the initial price. However, many municipalities have waited longer than that, some up to 4 years later, to complete the sale. In those situations, through FY20 the pricing would be updated for the most recent undepreciated value at the time of the sale and include the cost of any repairs made up until the sale.