nationalgrid

Raquel J. Webster
Senior Counsel

October 14, 2020

BY ELECTRONIC MAIL

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

RE: Docket 5040 - 2020 Distribution Adjustment Charge (DAC)
<u>Responses to Record Requests</u>

Dear Ms. Massaro:

I have enclosed an electronic version of National Grid's[1] responses to the record requests that were issued at the Public Utilities Commission's Evidentiary Hearing in the above-referenced docket.[2]

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,

Raquel J. Webster

Enclosures

cc: Docket 5040 Service List
Leo Wold, Esq.
John Bell, Division
Al Mancini, Division

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

[2] Per Commission counsel's update on October 2, 2020, concerning the COVID-19 emergency period, the Company is submitting an electronic version of this filing. The Company will provide the Commission Clerk with five (5) hard copies of the enclosures.

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Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

Joanne M. Scanlon

October 14, 2020
Date

Docket No. 5040 – National Grid –2020 Annual Distribution Adjustment Charge Filing (DAC) - Service List as of 9/9/2020

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Record Request No. 1

Request:

Why does the Company believe it is reasonable to put into effect the entire rate increase on November 1 in both the DAC and the GCR given the current pandemic and the economic effect the population in Rhode Island, in light of the statements contained in the public comments?

Response:

The Company recognizes that this is a difficult time in many respects for all of its customers, especially lower income customers and those most effected by economic challenges resulting from the ongoing COVID-19 Pandemic ("Pandemic"). The hardships many Rhode Islanders are facing and the sacrifices they are making to make ends meet are real and unavoidable.

The public comments on October 6 made it clear that many customers are worried about having their gas service turned off, especially as the colder months approach. The Company continues to implement its multi-channel outreach campaign to help inform residential and commercial customers of the variety of bill payment options and assistance programs to utilize during these challenging times.

Although the proposed GCR and DAC factors are higher than last year's factors and together result in a bill increase for customers, most of the increase is driven by the termination of one-time credits and prior year over-recoveries in the DAC and not by increases in the recovery of costs. Approximately $16.8 million of the $21.1 million DAC increase is driven by non-cost items such as the $12.3 million change in the balance to be reflected in the DAC factor associated with the revenue decoupling mechanism (from an over-recovery of $10.3 million to an under-recovery of $2.0 million) and the expiration of one-time credits resulting from the reduction of corporate federal income tax rate[1] of $3.3 million and the final $1.2 million credit balance of the Low Income Assistance Program fund previously recovered through base distribution rates that was terminated in Docket R.I.P.U.C. 4770. The two one-time credits were provided to customers through the DAC this past year and are expiring on October 31, 2020. The increase is the result of credits currently being provided to customers over the past year that are set to expire, not for costs incurred or estimated to be incurred by the Company and proposed to be reflected in the DAC.

[1] The Tax Cuts and Jobs act lowered the Federal Corporate Tax rate from 35 percent to 21 percent effective January 1, 2018.

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The Company believes that postponing the recovery of the full amount requested to be recovered through the DAC and GCR factors (i.e., deferring revenue recovery for future increases) is not in the best interest of its customers or the Company. Any revenue not recovered will be deferred and would accrue carrying charges, creating a larger amount to be recovered from customers and resulting in larger bill impact for all customers in the future, which is still uncertain.

The concerns raised during the comments focused on those customers who are most economically challenged. The Company believes that there may be other opportunities to address the concerns shared during the public comments rather than implementing DAC and GCR factors that are not at a level to recover the amount the Company has requested as reflected in its second revised filings. The Company encourages the Rhode Island Public Utilities Commission ("PUC") to consider ways in which the existing low-income discount rate schedules and Arrearage Management Program may be temporarily enhanced to provide additional assistance to those customers who receive assistance through these two programs to help them manage and pay their utility bills. This would provide the necessary support to those customers in Rhode Island who would need it the most.

In addition, the Company believes that it is more important than ever for customers to take advantage of the Company's programs designed to help manage paying their bills and how customers use energy. All customers have access to the Company's flexible payment options, including the Company's Residential Budget Billing Plan, which is designed to help customers mitigate bill fluctuations by estimating an annual bill amount based on prior usage and smoothing out bill payments over the course of a year. Commercial and Industrial customers can also enroll in a zero down, no interest deferred payment arrangement. Additionally, customers have access to the Company's Energy Efficiency programs, which are designed to help reduce customer gas usage, which would result in lower bills.

Furthermore, as shown in Attachment RR-PUC-1, the Company estimates that qualifying gas customers who receive service on the Company's low-income discount rate schedules and receive LIHEAP grants achieve bill support of approximately 70%, on average.

The Company has conducted additional outreach to customers to increase awareness of these options for bill support during this trying time.

Prepared by or under the supervision of:
Bill Malee, Michael J. Pini, David Moreira, Melissa A. Little, and Amy Vavak

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In conclusion, the Company acknowledges the hardships many of its customers are facing due to the ongoing Pandemic and agrees that the right thing to do is provide relief for customers struggling to pay their bills. The Company believes that this can best be achieved with targeted solutions for affected customers by utilizing new and/or existing programs offered by the Company rather than applying an over-arching deferral of rate increases for all customers, which would compound into even larger bill impacts in the future.

Prepared by or under the supervision of:
Bill Malee, Michael J. Pini, David Moreira, Melissa A. Little, and Amy Vavak

Benefits Received by Low Income Rate Gas Customers FY 2020

		Rates 11 and 13
		(a)
	Internal Sources:*	
(1)	Low Income Discount	$5,835,691
(2)	LIHEAP Enhancement	$6,026,617
(3)	Total	$11,862,308
	External Sources:	
(4)	LIHEAP Grant 2019-20	$4,368,751
(5)	Total Benefits	$16,231,058
	Effective Energy Burden	
(6)	Annual Revenues billed to Low Income Customers	$23,290,786
(7)	Total Benefits	$16,231,058
(8)	Annual Low Income Billing After Benefits	$7,059,727
(9)	Effective Energy Burden	30%
(10)	Effective Total Bill Discount	70%

*The Company also provided gas customers with $1.1 million in Arrearage Management credits in FY20 to help reduce overdue balances

(1) Company Records
(2) Company Records
(3) Ln (1) + Ln (2)
(4) Company Records
(5) Ln (3) + Ln (4)
(6) Company Records
(7) Ln (5)
(8) Ln (6) - Ln (7)
(9) Ln (8) ÷ Ln (6)
(10) Ln (7) ÷ Ln (6)

Record Request No. 2

Request:

Please illustrate how the growth capital-related revenue requirement grew, as explained in Exhibit MAL-1. (RDM Filing)

Response:

Please see the illustration in Attachment RR-2.

Lines 1 through 6 of Attachment RR-2 detail the forecasted and actual growth capital invested during the 26-month period after the test year and through the end of the first rate-year in Docket No. 4770 (July 1, 2017 through August 31, 2019). Cumulatively, the Company invested $48.5 million in growth-related capital during that time (Line 4, Column (c)) as compared to the forecasted growth-related capital investment of $43.6 million (Line 2, Column (c)) included in base distribution rates for that same period, resulting in incremental growth capital investment of $4.8 million (Line 6, Column (c)). The increased level of investment resulted in an increased revenue requirement of approximately $85,000 for revenue decoupling mechanism ("RDM") customer classes in Rate Year 1 and approximately $360,000 in Rate Years 2 and 3 (Line 21, Columns (c), (d), and (e)). Attachment RR-2 illustrates why the revenue requirement impact on this cumulative incremental investment is higher in Rate Year 2 and 3 compared to Rate Year 1.

The timing of the incremental $4.8 million investment has an impact on the revenue requirement in the first rate-year. As shown on Lines 5 and 6, most of the incremental investment occurred during Rate Year 1. The period in which an investment occurs is referred to as the investment's "vintage" period. Lines 7 through 21 of the Attachment compare the revenue requirement on actual growth capital investment to the revenue requirement on forecasted growth capital forecasted that was included in base distribution rates, separately by vintage period. The Company's standard revenue requirement calculation on capital investment employed in this docket assumes a half-year convention in the year of investment. The result is a lower average rate base upon which the approved pre-tax return on investment is applied and a half-year's amount of depreciation expense. When looking at a single vintage year's revenue requirement, it is typical to see the revenue requirement in the second year of recovery close to double that of the first year of recovery due to this half-year convention.

For investment made during the 12-months ended June 30, 2018, actual investment was lower than forecasted by $3.7 million (Line 5, Column (a)). The decremental revenue requirement impact was a half-year in the year of investment ($263,187) and ($501,866) in its second year of recovery (Line 17, Columns (a) and (c), respectively). Conversely, in the 12-months ended

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August 31, 2019 or Rate Year 1, actual investment exceeded forecasted investment by $5.1 million (Line 5, Column (c)). With its year of investment being Rate Year 1, the impact to the revenue requirement on this incremental $5.1 million of growth capital is an increase of $265,775 in Rate Year 1 and $524,762 in its second year of recovery or Rate Year 2 (Line 19, Columns (c) and (d), respectively).

Combined with the $501,866 decrease in revenue requirement on vintage June 30, 2018 investment, as well as the increase in revenue requirement of $333,355 on incremental investment in the two-months ended August 31, 2018 vintage period, the net increase to the Rate Year 1 revenue requirement is $97,263, of which $85,592 was applied to customers in rate classes applicable to RDM (Lines 17 – 21, Column (c)). However, the impact of incremental investment is lessened in Rate Year 1 because it includes a half-year revenue requirement on investments made in Rate Year 1. Rate Year 2 is the first rate-year where a full-year's revenue requirement is to be recovered on all three vintage periods of investment. Therefore, there is an additional incremental impact to the Rate Year 2 revenue requirement as compared to Rate Year 1 of approximately $275,000 of which $228,00 can be explained by the half-year convention on Rate Year 1 investment (see Line 19, Columns (c) and (d)).

Prepared by or under the supervision of: Melissa A. Little

	Growth Capital Investment	(a)	(b)	(c)	(d)	(e)
	Forecasted Growth Capital Investment in Base Rates	Twelve Months Ended June 30, 2018	Two Months Ended August 31, 2018	Rate Year Ending August 31, 2019	Rate Year Ending August 31, 2020	Rate Year Ending August 31, 2021
1	Investment in period	$20,364,199	$3,325,333	$19,952,000		
2	Cumulative Investment	$20,364,199	$23,689,532	$43,641,532	$43,641,532	$43,641,532
	Actual Growth Capital Investment					
3	Investment in period	$16,666,415	$6,778,857	$25,039,075		
4	Cumulative Investment	$16,666,415	$23,445,272	$48,484,348	$48,484,348	$48,484,348
	Increase/(decrease) in Growth Capital Investment					
5	Investment in period	($3,697,784)	$3,453,524	$5,087,075		
6	Cumulative Investment	($3,697,784)	($244,260)	$4,842,815	$4,842,815	$4,842,815

	Revenue Requirement on Growth Capital Investment	Revenue Requirement Period				
	Investment Period	Twelve Months Ended June 30, 2018	Two Months Ended August 31, 2018	Rate Year Ending August 31, 2019	Rate Year Ending August 31, 2020	Rate Year Ending August 31, 2021
	Forecasted Revenue Requirement in base rates					
7	Twelve Months Ended June 30, 2018	$1,148,999	$382,047	$2,187,443	$2,124,446	$2,063,080
8	Two Months Ended August 31, 2018		$32,386	$332,219	$365,920	$355,320
9	Rate Year Ending August 31, 2019			$1,126,535	$2,220,136	$2,155,222
10	Total Revenue Requirement	$1,148,999	$414,433	$3,646,197	$4,710,502	$4,573,622
11	Allocation to RDM rate classes (Line 10 at 88%)[1]	$1,011,119	$364,701	$3,208,653	$4,145,242	$4,024,788
	Actual Revenue Requirement					
12	Twelve Months Ended June 30, 2018	$885,812	$294,584	$1,685,576	$1,640,398	$1,596,076
13	Two Months Ended August 31, 2018		$65,027	$665,574	$734,963	$714,178
14	Rate Year Ending August 31, 2019			$1,392,310	$2,744,898	$2,666,531
15	Total Revenue Requirement	$885,812	$359,611	$3,743,460	$5,120,259	$4,976,784
16	Allocation to RDM rate classes (Line 15 at 88%)	$779,515	$316,458	$3,294,245	$4,505,828	$4,379,570
	Increase/(decrease) in Revenue Requirement					
17	Twelve Months Ended June 30, 2018	($263,187)	($87,463)	($501,866)	($484,048)	($467,004)
18	Two Months Ended August 31, 2018		$32,641	$333,355	$369,043	$358,858
19	Rate Year Ending August 31, 2019			$265,775	$524,762	$511,308
20	Total Revenue Requirement	($263,187)	($54,822)	$97,263	$409,756	$403,162
21	Allocation to RDM rate classes (Line 20 at 88%)	($231,605)	($48,244)	$85,592	$360,585	$354,783

22	Increase in Rate Year (RY) 2 revenue requirement on RY1 investment (Line 19 Col d - Col c)	$258,987
23	Amount allocated to RDM rate classes at 88% (Line 22 * 88%)	$227,908
24	Increase in RY 2 revenue requirement on cumulative investment applicable to RDM rate classes (Line 21 Col d - Col c)	$274,994