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November 4, 2013

Members of the Board
Energy Facility Siting Board
89 Jefferson Boulevard
Warwick, RI 02888

Re: National Grid - E-183 Relocation Project (SB 2003-01)

Dear Board Members:

The purpose of this letter is to respond to the question that the Board asked at the status conference on Wednesday, October 23:

Whether an EFSB order would be sufficient for National Grid's internal purposes to allow the costs associated with the development of a revised estimate for the E-183 Underground Project (the "Project") to be charged against the accrued interest on customer refunds from the rate settlement in PUC Docket Nos. 2930/3617, currently being held by National Grid for the benefit of the electric distribution customers in the City of Providence and the City of East Providence (collectively, the "Cities").

The answer to this question is yes. Upon issuance of the order, National Grid will proceed with an updated estimate and will reconcile the cost of preparing that estimate against the accrued interest on the customer refund money.

For ease of reference and for the benefit of the parties and the new members of the EFSB, National Grid proposes the following sequence of tasks in order to move the Project forward. As the Company explained at the status conference, the Company proposes to update the 2007 cost estimate by performing physical investigations (borings and other geotechnical work) and undertaking research as to the locations of underground utilities and other obstructions along the route of the Project. Based on this, the Company will advance the design of the underground transmission system, which will enable the Company to develop an estimate ($\pm 25\%$) which is based on a better understanding of the actual physical conditions along the Project route. This effort will take approximately nine (9) months to complete so the Company proposes a September 1, 2014 target date for completion of the estimate, following which the Company will provide a copy of the completed estimate to the parties and to the EFSB. As suggested by Mayor Taveras in his October 22, 2013 letter to the Board, National Grid would provide an opportunity for the parties to



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review the estimate and decide whether to move forward with the Project. Assuming the Project moves forward, the Company will include the incremental costs of the Project above the committed funds in its distribution rate base and will calculate a surcharge through the revenue requirement that will be included on the monthly bills of the customers of the City of Providence and the City of East Providence as provided for by the 2008 amendment to the Siting Act (codified in R.I. Gen. Laws §42-98-1.1(d)).

The Company also proposes to develop and circulate for review and discussion among the parties a task list and schedule for the design, property acquisition, and construction of the Project by January 31, 2014. There is still an outstanding issue regarding acquisition of the property rights that needs to be addressed. It would be helpful if the Board could encourage the City of Providence to consult with the owner of the “Revens Parcel”, so-called, as to the availability of the parcel for purchase by Providence, and for the City of East Providence to consult with the owners of the Tockwotton property to discuss the transfer of property and easement rights for the transition station and relocated Phillipsdale tapline, respectively, and for the release of the existing easement. As the Company indicated during the status conference, National Grid is willing and able to advance this Project, but believes that the overall success of this Project is dependent upon the cooperation and support of all parties.

The Company would also like to address a couple of other issues that were raised during the October 23, 2013 status conference. First, several speakers offered public comment which raised the question of whether the incremental cost of the Project in excess of the funds that have been committed could be spread across all electric distribution customers in Rhode Island. While the Company can support the principle of socializing the costs of a public policy initiative across all customers, the Company believes that in this instance it is constrained by the 2008 amendment to the Siting Act. That law, codified in R.I. Gen. Laws §42-98-1.1(d), provides that the incremental cost of the Project would be paid by the electric distribution customers in the Cities, subject to approval by the respective city councils. Both city councils approved this proposal. Thus, absent further legislative action, the Company does not believe that it has the authority to spread these costs across all customers.

Second, there was public comment that raised the question of whether the customers in the New England states could pay a greater share of the underground costs. By way of background, the 2004 amendment to the Siting Act (R.I. Gen. Laws §42-98-1.1(c)) required that National Grid apply to ISO – New England (“ISO-NE”) “for approval to charge the New England regional network service customers for the



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capital costs associated with the construction of Phase II overhead configuration labeled the 'North Bridge Alignment' as defined by the Settlement Agreement that was approved by the Energy Facility Siting Board in Docket 2003-1." National Grid did so and ISO-NE approved a contribution of one million five hundred thousand dollars (\$1,500,000) by letter dated February 6, 2006, a copy of which is attached as Attachment 1. It is the Company's recollection that this funding level was based on the cost of the "North Bridge Alignment" at the time the request was made. The Settlement Agreement provides for a number of overhead options for crossing the Seekonk River in addition to the North Bridge Alignment, should that alignment not be feasible, so the Company believes that it would be premature, at this time, to suggest that there are no feasible overhead options for crossing the Seekonk River. Based on this, and coupled with the fact that the law pertaining to this project provides that these costs should not be socialized to all Rhode Island customers, the Company does not think it is likely that ISO-NE would approve regionalization of the cost of constructing the Seekonk River crossing underground. In addition, there are some very specific rules about which costs can be regionalized and which costs are local. For the Board's convenience, the Company is attaching a copy of excerpts of ISO-NE Planning Procedure No. 4 Procedure For Pool-Supported PTF Cost Review as Attachment 2 (See Section 1.6 and Attachment A).

Lastly, the Company notes that there were some questions raised regarding whether National Grid had provided the estimate that it was required to do under the 2004 Settlement Agreement. For reference, the Company is enclosing a copy of the November 15, 2004 transmittal letter to the parties with the estimates that the Company provided at that time. In 2007, the Company updated this estimate which was presented to the parties at a meeting on January 17, 2007. This estimate updated the original estimate and examined several additional underground routes at the request of the City of Providence. Copies of the 2004 and 2007 estimates are attached as Attachment 3.

Thank you for your attention to this matter.

Sincerely,



Peter V. Lacouture

Enclosures



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Enclosures

Cc: Mr. Nicholas Ucci
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Rhode Island Public Utilities Commissioners
Service List

