

August 14, 2008

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 3943 – National Grid Request for Change of Gas Distribution Rates  
Responses to Requests for Admissions by Conservation Law Foundation**

Dear Ms. Massaro:

Enclosed please find eight (8) copies of the responses of National Grid<sup>1</sup> to the Request for Admissions of Conservation Law Foundation.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3943 Service List

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("Company").

STATE OF RHODE ISLAND  
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID GAS --  
APPLICATION TO IMPLEMENT NEW  
RATES

Docket No. 3943

**RESPONSE OF NATIONAL GRID**  
**TO REQUESTS FOR ADMISSIONS BY CONSERVATION LAW FOUNDATION**

Pursuant to Public Utility Commission Rule of Practice and Procedure 1.18(a)(2) and Superior Court Rule of Civil Procedure 36, National Grid (“NGrid”) hereby responds to the request of Conservation Law Foundation for Admissions as follows:

Responses to Requests for Admission

Part I: General Background

**Request No. 1.**

On or about April 1, 2008, NGrid transmitted to the PUC certain materials in response to which the PUC opened this docket, Docket No. 3943.

**Response No. 1.**

Admitted.

**Request No. 2.**

One of the matters addressed in Docket 3943 is a gas-distribution rate increase.

**Response No. 2.**

Admitted.

**Request No. 3.**

Another one of the matters addressed in Docket 3943 is revenue decoupling (decoupling).

**Response No. 3.**

Admitted.

Part II: Gas-Distribution Rate Increase

**Request No. 4.**

NGrid's total annual revenue requirement included in Docket 3943 is comprised of recovery of projected operating expenses and a return on approximately \$285 million of investments in the gas delivery system, or rate base.

**Response No. 4.**

Admitted.

**Request No. 5.**

With regard to the gas-distribution rate increase, NGrid is seeking to recover an annual revenue deficiency of approximately \$20.04 million based on an aggregate annual revenue requirement of \$150 million and current revenues of \$130 million.

**Response No. 5.**

Admitted.

**Request No. 6.**

NGrid's profitability from gas-distribution charges is measured by the "Return on Equity" (ROE), a component of NGrid's overall rate of return on rate base.

**Response No. 6.**

Admitted.

**Request No. 7.**

NGrid's rate of return for the normalized test year ended September 30, 2007 was 4.5%.

**Response No. 7.**

Admitted.

**Request No. 8.**

NGrid's requested rate of return going forward contained in Docket 3943 is 9.27%.

**Response No. 8.**

Admitted.

Part III: Decoupling

**Request No. 9.**

NGrid's gas decoupling proposal is designed to facilitate the expansion of NGrid's gas efficiency programs.

**Response No. 9.**

Admitted.

**Request No. 10.**

NGrid's gas decoupling proposal is designed to, among other things, facilitate the expansion of Grid's gas efficiency programs by removing a disincentive that now exists for NGrid to expand those efficiency programs.

**Response No. 10.**

Admitted.

**Request No. 11.**

In fact, decoupling is an essential element moving forward to successful implementation of gas-efficiency programs.

**Response No. 11**

Admitted.

Part IV: Gas-Distribution Rates and Decoupling

**Request No. 12.**

NGrid's proposal for a gas-distribution rate increase is a different public policy issue (which will be decided on a different factual record) than NGrid's proposal for decoupling, although both issues are addressed in Docket 3943.

**Response No. 12.**

Admitted.

**Request No. 13.**

It would be possible to have a gas-distribution rate increase without decoupling.

**Response No. 13.**

Admitted.

**Request No. 14.**

The PUC could effect a gas-distribution rate increase by approving a total revenue requirement greater than NGrid's current recoveries of \$130 million.

**Response No. 14.**

Admitted.

**Request No. 15.**

It would also be possible to have a gas-distribution rate increase with decoupling.

**Response No. 15.**

Admitted.

**Request No. 16.**

Similarly, it would be possible to have a gas-distribution rate decrease either with or without decoupling.

**Response No. 16.**

Admitted.

**Request No. 17.**

The PUC could effect a gas-distribution rate decrease by approving a total revenue requirement less than NGrid's current revenues of \$130 million.

**Response No. 17.**

Admitted.

**Request No. 18.**

The reason that the preceding five paragraphs are all true is that NGrid's proposed gas-distribution rate increase presents a different public policy issue (that will be decided on a different factual record) than NGrid's decoupling proposal.

**Response No. 18.**

Admitted.

**Request No. 19.**

NGRID's profitability will be affected by the Commission's determinations on the proper level of recoverable expenses and allowed rate of return.

**Response No. 19.**

Admitted.

**Request No. 20.**

In contrast, decoupling is aimed at removing a disincentive to achieving greater gas efficiency.

**Response No. 20.**

Admitted.

Respectfully submitted,

**NATIONAL GRID**

By its attorney,



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Thomas R. Teehan, Esq.  
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## Certificate of Service

I certify that a copy of the cover letter and materials accompanying this certificate were hand delivered to RIPUC and electronically transmitted and also mailed to the individuals listed below.



Date: August 14, 2008

**Joanne M. Scanlon**  
National Grid

**National Grid (NGrid) – Request for Change in Gas Distribution Rates  
Docket No. 3943 - Service List as of 8/7/08**

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