**Thomas R. Teehan**
Senior Counsel

September 5, 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**
**Response to Commission Data Requests**

Dear Ms. Massaro:

Enclosed please find eight (8) copies of National Grid's[1] responses to Data Requests COMM 2-3, 2-4 and 2-7, issued in the above-referenced proceeding. Attached is a listing of the outstanding data requests for which the Company has not yet provided a response. The Company is endeavoring to file these responses as soon as possible.

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

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

Outstanding Responses to Information Requests as of September 5, 2008

Data Request RIH-JS-3
Data Request COMM 2-1
Data Request COMM 2-2
Data Request COMM 2-5
Data Request COMM 2-6
Data Request COMM 2-9
Data Request DIV 13-4
Data Request DIV 13-7
Data Request DIV 14-5
Data Request COMM 3-1
Data Request COMM 3-2
Data Request COMM 3-3
Data Request COMM 3-4
Data Request COMM 3-5
Data Request COMM 3-6
Data Request COMM 3-7
Data Request COMM 3-8
Data Request COMM 3-9
Data Request COMM 4-1
Data Request COMM 4-2

## Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and mailed to the individuals listed below.

___/S/______________________________
Linda Samuelian

September 5, 2008
Date

**National Grid (NGrid) – Request for Change in Gas Distribution Rates**
**Docket No. 3943 - Service List as of 9/2/08**

| Name/Address | E-mail Distribution | Phone/FAX |
|---|---|---|
| Thomas R. Teehan, Esq.<br>National Grid<br>280 Melrose St.<br>Providence, RI 02907 | Thomas.teehan@us.ngrid.com<br>Peter.Czekanski@us.ngrid.com<br>Joanne.scanlon@us.ngrid.com | 401-784-7667<br>401-784-4321 |
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| Leo Wold, Special Assistant AG<br>Dept. of Attorney General<br>150 South Main St.<br>Providence, RI 02903 | Lwold@riag.ri.gov<br>Mtobin@riag.ri.gov<br>Kzelano@riag.ri.gov | 401-222-2424<br>401-222-3016 |
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| | | |
|---|---|---|
| Jean Rosiello, Esq. (for Wiley Ctr.)<br>MacFadyen Gescheidt & O'Brien<br>101 Dyer St.<br>Providence, RI 02903 | jeanrosiello@cox.net | 401-751-5090<br>401-751-5096 |
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| Jim Rothschild<br>115 Scarlet Oak Drive<br>Wilton, CT 06897 | jimrothschild@rothschildfinancial.com | 203-762-0685 |
| Aaron Rothschild<br>15 Lake Road<br>Ridgefield, CT 06877 | alr2103@gmail.com | 203-241-7824 |
| Jeffrey H. Gladstone, Esq.<br>Robert K. Taylor, Esq.<br>Partridge Snow & Hahn LLP<br>180 South Main St.<br>Providence, RI 02903 | jhg@psh.com<br>rkt@psh.com | 401-861-8242<br>401-861-8200 |

| | | |
|---|---|---|
| **File original & nine (9) copies w/:**<br>Luly E. Massaro, Commission Clerk<br>Public Utilities Commission<br>89 Jefferson Blvd.<br>Warwick, RI 02889 | Lmassaro@puc.state.ri.us<br>Tmassaro@puc.state.ri.us<br>Anault@puc.state.ri.us | 401-780-2107<br>401-941-1691 |

## Data Request COMM 2-3

Request:

With regard to the Revenue Requirement and Cost of Service, please identify each line item test year adjustment which resulted in an adjusted test year amount that varies by 3% or more from the unadjusted test year and BOTH the Company and the Division agree that the adjustment is appropriate. Please be sure to include the test year amount, the adjustment amount and the adjusted test year amount. A joint response from the Company and Division would be acceptable for this request.

Response:

Please see Attachment COMM 2-3, which identifies the issues of dispute among the parties to this proceeding relating to the proposed revenue requirement. Please note that none of the normalizing adjustments to test year data were contested by any of the parties in this proceeding.

Also, please note that the attached analysis represents the Company's position on rebuttal and does not include certain additional adjustments that Mr. Laflamme plans to cover during his testimony on Monday, September 8, 2008 relating to the Division's surrebuttal testimony.

Prepared by or under the supervision of: Mike Laflamme

**National Grid - RI Gas**
**Revenue Requirement For The Twelve Months Ended September 30, 2009**
**Total Revenue Requirement**

| Line | | (A) Unadjusted Test year COS | (B) Normalizing Adjustments | (C) Percentage Change (B) / (A) | (D) Adjusted Test Year COS | (E) Proforma Co. Adjustments (Incl. Co. Rebuttal) | (F) Percentage Change (E) / (D) | | (G) Rebuttal Cost of Service |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Rate Base | $252,407,902 | $0 | 0.0% | $252,407,902 | $33,623,801 | 13.3% | (a) | $286,031,702 |
| 2 | | | | | | | | | |
| 3 | Weighted Cost of Capital | | | | 4.50% | 4.69% | | | 9.19% (b) |
| 4 | | | | | | | | | |
| 5 | Return on Rate Base | 5,987,567 | 5,365,881 | 89.6% | 11,353,448 | 14,932,865 | | | 26,286,313 |
| 6 | | | | | | | | | |
| 7 | Income taxes | 1,217,428 | (628,280) | -51.6% | 589,148 | 7,462,825 | 1266.7% | (c) | $8,051,973 |
| 8 | | | | | | | | | |
| 9 | Total return and Income taxes | 7,204,995 | 4,737,601 | | 11,942,596 | 22,395,691 | | | 34,338,287 |
| 10 | | | | | | | | | |
| 11 | Operating Expenses | | | | | | | | |
| 12 | Operation and Maintenance Expenses | $394,829,233 | ($312,000,898) | -79.0% | $82,828,335 | ($626,942) | -0.8% | (d) | $82,201,393 |
| 13 | | | | | | | | | |
| 14 | Depreciation | $20,981,392 | $0 | 0.0% | $20,981,392 | ($911,576) | -4.3% | (d) | $20,069,816 |
| 15 | | | | | | | | | |
| 16 | Amortization | $1,407,587 | $130,587 | 9.3% | $1,538,174 | $135,805 | 8.8% | (d) | $1,673,979 |
| 17 | | | | | | | | | |
| 18 | Taxes Other Than Income Taxes | $24,113,301 | ($14,117,666) | -58.5% | $9,995,635 | $25,382 | 0.3% | (d) | $10,021,017 |
| 19 | | | | | | | | | |
| 20 | Total Operating Expenses | 441,331,513 | (325,987,977) | | 115,343,536 | (1,377,331) | | | 113,966,205 |
| 21 | | | | | | | | | |
| 22 | Total Cost of Service | 448,536,508 | (321,250,376) | | 127,286,132 | 21,018,360 | | | 148,304,491 |
| 23 | | | | | | | | | |
| 24 | Revenues From Current Rates | 448,536,508 | (321,250,366) | | 127,286,142 | 2,563,050 | 2.0% | | 129,849,192 |
| 25 | | | | | | | | | |
| 26 | Revenue Deficiency | | | | | | | | 18,455,299 |

Notes:
(a) See Page 2 of 4 for details of rate base differences
(b) See page 4 of f 4 for details of weighted average cost of capital differences.
(c) Income taxes are a function of the equity return component of the cost of capital.
(d) See Page 3 of 4 for details of operating expense differences.

**National Grid - RI Gas**
**Revenue Requirement For The Twelve Months Ended September 30, 2009**
**Rate Base**

| Line | | (A) Unadjusted Test year COS | (B) Normalizing Adjustments | (C) Percentage Change (B) / (A) | (D) Adjusted Test Year COS | (E) Proforma Co. Adjustments (Incl. Co. Rebuttal) | (F) Percentage Change (E) / (D) | | (G) Rebuttal Cost of Service |
|---|---|---|---|---|---|---|---|---|---|
| | Rate Base | | | | | | | | |
| 1 | Gas Plant In Service | $533,296,185 | | | $533,296,185 | $56,472,774 | 10.6% | (a) | $589,768,959 |
| 2 | CWIP | $4,758,681 | | | 4,758,681 | $4,222,850 | 88.7% | (b) | $8,981,531 |
| 3 | Less: Contribution in Aid of Construction | $631,168 | | | 631,168 | ($531,695) | -84.2% | (b) | $99,473 |
| 4 | Less: Accumulated Depreciation | $260,096,166 | | | 260,096,166 | $24,305,479 | 9.3% | (a) | $284,401,645 |
| 5 | | | | | | | | | |
| 6 | Net Plant | 277,327,532 | 0 | | 277,327,532 | 36,921,840 | | | 314,249,372 |
| 7 | | | | | | | | | |
| 8 | Materials and Supplies | $2,151,455 | | | 2,151,455 | $75,095 | 3.5% | (b) | $2,226,550 |
| 9 | Prepayments | $190,479 | | | 190,479 | ($144,077) | -75.6% | (b) | $46,402 |
| 10 | Deferred Debits - Y2K | $1,920,000 | | | 1,920,000 | ($480,000) | -25.0% | (b) | $1,440,000 |
| 11 | Cash Working Capital | $10,292,546 | | | 10,292,546 | $1,642,283 | 16.0% | (b) | $11,934,829 |
| 12 | | | | | | | | | |
| 13 | Subtotal | 291,882,011 | 0 | | 291,882,011 | 38,015,142 | | | 329,897,153 |
| 14 | | | | | | | | | |
| 15 | Accumulated Deferred FIT | ($96,320) | | | (96,320) | $9,048,674 | -9394.4% | (b) | $8,952,354 |
| 16 | Merger Hold Harmless Adjustment | $35,145,486 | | | 35,145,486 | ($4,808,143) | -13.7% | (b) | $30,337,343 |
| 17 | Customer Deposits | $3,616,943 | | | 3,616,943 | $118,810 | 3.3% | (b) | $3,735,753 |
| 18 | Injuries and Damages Reserve | $808,000 | | | 808,000 | $32,000 | 4.0% | (b) | $840,000 |
| 19 | | | | | | | | | |
| 20 | Subtotal | 39,474,110 | 0 | | 39,474,110 | 4,391,341 | | | 43,865,451 |
| 21 | | | | | | | | | |
| 22 | Rate Base | $252,407,902 | $0 | | $252,407,902 | $33,623,801 | 13.3% | | $286,031,702 |

(a) Based on actual data for the months of October 2007 through May 2008, The Division has proposed to reduce the Company's projected capital investments for the October 2007 - September 2008 period by $5,282,000 and to reduce the Company's projected capital investments for rate year by $9,954,000. This reduces average plant inservice for the rate year by $10,259,000 and average accumulated depreciation accordingly. The Company disputes the Division's adjustment. In addition, the Company has added $709,244 to rate base to correct an error discovered in responding to Div 1-6. The Division's response to this adjustment, if any, would be contained in their surrebuttal. The impact of these two rate base items on the revenue deficiency assuming the Division's weighted average cost of capital is $1,139,492

**National Grid - RI Gas**
**Revenue Requirement For The Twelve Months Ended September 30, 2009**
**Operating Expenses**

| Line | | (A) Unadjusted Test year COS | (B) Normalizing Adjustments | (C) Percentage Change (B) / (A) | (D) Adjusted Test Year COS | (E) Proforma Co. Adjustments (Incl. Co. Rebuttal) | (F) Percentage Change (E) / (D) | | (G) Rebuttal Cost of Service |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Gas Costs | $300,428,013 | ($300,428,013) | -100.0% | 0 | | | | 0 |
| 2 | GCR Related O&M | 884,359 | (884,359) | -100.0% | 0 | | | | 0 |
| 3 | Labor | 34,433,130 | | | 34,433,130 | (2,132,259) | -6.2% | (a) | 32,300,871 |
| 4 | Health Care | 4,409,371 | | | 4,409,371 | 907,456 | 20.6% | (b) | $5,316,827 |
| 5 | Empl Thrift - Co. match | 1,461,301 | | | 1,461,301 | (90,491) | -6.2% | (a) | $1,370,810 |
| 6 | Group Insurance | 197,002 | | | 197,002 | (12,199) | -6.2% | (a) | $184,803 |
| 7 | Pensions | 5,499,102 | | | 5,499,102 | (447,100) | -8.1% | (a) | $5,052,002 |
| 8 | OPEB's | 4,719,718 | | | 4,719,718 | (151,846) | -3.2% | (a) | $4,567,872 |
| 9 | Postage | 1,130,957 | | | 1,130,957 | 40,130 | 3.5% | (a) | $1,171,087 |
| 10 | Marketing Program Expenses | 0 | | | 0 | 1,377,000 | N/A | (c ) | $1,377,000 |
| 11 | New Programs | 0 | | | 0 | 278,000 | N/A | (d) | $278,000 |
| 12 | LIAP Expense | 1,548,343 | 30,184 | 1.9% | 1,578,528 | 6,472 | 0.4% | | $1,585,000 |
| 13 | Energy Eff. - Weather Program | 195,287 | 3,897 | 2.0% | 199,183 | 817 | 0.4% | | $200,000 |
| 14 | AGT Expenses | 292,286 | 5,712 | 2.0% | 297,998 | 2,002 | 0.7% | | $300,000 |
| 15 | Energy Efficiency Expenses | 168,151 | (168,161) | -100.0% | | | | | |
| 16 | Rate Case Cost Amortization | 0 | | | 0 | 265,750 | N/A | (a) | $265,750 |
| 17 | AMR Labor Savings | 0 | | | 0 | (433,257) | N/A | (a) | ($433,257) |
| 18 | AMR Non-labor Savings | 0 | | | 0 | (21,420) | N/A | (a) | ($21,420) |
| 19 | Costs to Achieve- SU Transaction | 2,742,502 | (2,742,502) | -100.0% | 0 | 157,637 | N/A | (e) | $157,637 |
| 20 | Costs to Achieve- Keyspan Transaction | | | | | 1,500,000 | N/A | (f) | $1,500,000 |
| 21 | All Other | 25,666,070 | 146,181 | 0.6% | 25,812,251 | 477,136 | 1.8% | (g) | $26,289,387 |
| 22 | Donations | 0 | 236,428 | N/A | 236,428 | | | | $236,428 |
| 23 | NGRID/Keyspan Total Synergies | 0 | | | 0 | (6,400,000) | N/A | (f) | ($6,400,000) |
| 24 | Company Share of Synergies - NEGas | 2,049,000 | (2,049,000) | -100.0% | 0 | 896,971 | N/A | (e) | $896,971 |
| 25 | Company Share of Synergies - KeySpan | 0 | | | 0 | 2,450,000 | N/A | (g) | $2,450,000 |
| 26 | | | | | | | | | |
| 27 | Uncollectibles | 9,004,641 | (6,151,265) | -68.3% | 2,853,376 | 702,259 | 24.6% | (h) | $3,555,635 |
| 28 | | | | | 0 | | | | |
| 29 | | | | | | | | | |
| 30 | Total Operating Expenses | 394,829,233 | (312,000,898) | | 82,828,345 | (626,942) | | | 82,201,403 |
| 31 | | | | | | | | | |
| 32 | Depreciation | 20,981,392 | | | 20,981,392 | (911,576) | -4.3% | (i) | 20,069,816 |
| 33 | Amortization | 1,407,587 | 130,587 | 9.3% | 1,538,174 | 135,805 | 8.8% | (j) | 1,673,979 |
| 34 | Taxes Other Than Income Taxes | 24,113,301 | (14,117,666) | -58.5% | 9,995,635 | 25,382 | 0.3% | (k) | 10,021,017 |
| 35 | | | | | | | | | |
| 36 | Total Operating Expenses | 441,331,513 | (325,987,977) | | 115,343,546 | (1,377,331) | | | 113,966,215 |
| | | 442,548,941 | | | 115,932,694 | | | | 122,018,188 |

**National Grid - RI Gas**
**Revenue Requirement For The Twelve Months Ended September 30, 2009**
**Operating Expenses (Page 3 of 5) Footnotes**

(a) Division did not contest.

(b) Division proposed elimination of the Company adjustment, based on post test year expense experience, limiting health care costs to test year amount. While Company disagrees with Division adjustment and feels that a 7 month period is an inadequate sample from which to accurately estimate actual health care claims over the long term, the Company proposes an offsetting adjustment for incremental FAS112 expense resulting in no adjustment to rebuttal cost of service. See Laflamme Rebuttal testimony.

(c) Division proposes to reduce marketing expenses by $1,229,000 to $148,000. The Company disputes the Division adjustment. See Mongan Rebuttal testimony.

(d) Division proposes to reduce the Company's originally proposed new program expenses by $1,229,000 to $278,000 based on post test year expense experience. The Company concurs.

(e) Division proposes to eliminate the Company share of Southern Union transaction savings claiming no synergies were produced by the merger. Company disputes Division claim. See Laflamme Rebuttal testimony.

(f) Division accepts Company proposal to accelerate the customers’ share KeySpan transaction synergies as proposed by the Company by proposing to subject Company to future savings proof. If subjected to future savings proof, Company proposes to limit rate year customer share to estimated savings expected to occur in rate year. This would increase the requested rate adjustment by $1,150,000.

(g) Includes inflation adjustment of $1,203,359, increased GCR related O&M of $41,321 and elimination of $224,013 of O&M related to the Providence office facility which is in the process of being sold. These adjustments were not disputed by the Division. An additional O&M reduction of $4,531 was proposed by the Company in its rebuttal case. The Division proposes a $539,000 reduction of maintenance expense based on post test year expense experience. The Company concurs.

(h) Division proposes to reduce uncollectible costs by $415,000 equal to 50% of the cost of the Company's proposed low income discount assuming that the low income discount will result in such a reduction to uncollectibles. The Company disputes this claim. Uncollectible cost adjustment for any ultimate change in the cost of service level is not disputed by the Company.

(i) The Company proposes a reduction in depreciation rates resulting in a $911,576 reduction in depreciation expense. The Division did not contest the depreciation rate reduction. However, the Division's adjustment to Plant in Service causes an incremental reduction in depreciation expense. The Company disputes the Division's Plant in Service adjustment and consequently this related adjustment.

(j) The Company inadvertently excluded $133,979 of legacy IT amortization that the Company is authorized to recover. This adjustment was included in the Company's rebuttal filing.

**National Grid - RI Gas**
**Revenue Requirement For The Twelve Months Ended September 30, 2009**
**Weighted Average Cost of Capital**

| Line | | (A) Company Original Filing | (B) Company Rebuttal Adjustments | (C) Company Rebuttal Filing | (D) Division Original Position | (E) Difference |
|---|---|---|---|---|---|---|
| 1 | Capital Structure | | | | | |
| 2 | | | | | | |
| 3 | Long Term Debt | 40.63% | | 40.63% | 59.06% | 18.43% |
| 4 | | | | | | |
| 5 | Short Term Debt | 11.66% | | 11.66% | 3.17% | -8.49% |
| 6 | | | | | | |
| 7 | Common Equity | 47.71% | | 47.71% | 37.77% | -9.94% |
| 8 | | | | | | |
| 9 | Cost of Capital | | | | | |
| 10 | | | | | | |
| 11 | Long Term Debt | 7.99% | | 7.99% | 7.99% | 0.00% |
| 12 | | | | | | |
| 13 | Short Term Debt | 4.59% | -0.68% | 3.91% | 2.58% | -1.33% |
| 14 | | | | | | |
| 15 | Common Equity | 11.50% | | 11.50% | 9.95% | -1.55% |
| 16 | | | | | | |
| 17 | Weighted Cost | | | | | |
| 18 | | | | | | |
| 19 | Long Term Debt | 3.25% | | 3.25% | 4.72% | 1.47% |
| 20 | | | | | | |
| 21 | Short Term Debt | 0.54% | | 0.46% | 0.08% | -0.37% |
| 22 | | | | | | |
| 23 | Common Equity | 5.49% | | 5.49% | 3.76% | -1.73% |
| 24 | | | | | | |
| 25 | | 9.27% | | 9.19% | 8.56% | -0.63% |

Note: The Division has proposed the use of the Company's UK parent company capital structure and has proposed lower costs of short term debt and common equity. The combined effect of the Divisions adjustments total $4,446,495. The company disputes the Division use of the UK parent company capital structure and believes the use of a proxy group of gas companies is a more appropriate proxy and also disagrees with the Division's costs of capital as supported by witness Moul.

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Data Request COMM 2-4

Request:

With regard to the Revenue Requirement and Cost of Service, please identify each line item rate year adjustment which resulted in a rate year amount that varies by 3% or more from the adjusted test year and BOTH the Company and the Division agree that the adjustment is appropriate. Please be sure to include the test year amount, the rate year adjustment and the rate year amount. A joint response from the Company and Division would be acceptable for this request.

Response:

Please see Attachment COMM 2-3 for the requested information.

Prepared by or under the supervision of: Mike Laflamme

Data Request COMM 2-7

Request:

Referring to the table on page 4 of Ms. Fleck's direct testimony, for each category of pipe/service, please identify the number of years that will be required for replacement under the company's proposed ARP.

Response:

The table presented on page 4 of Ms. Fleck's testimony is intended to provide a summary of the delivery infrastructure in place to serve these customers and is comprised of all system components. As an initial matter, the type of mains and services included in the Accelerated Replacement Program would be limited to (1) unprotected steel main, (2) small diameter cast-iron main, and (3) high pressure, bare-steel inside services. In that regard, please note that the small diameter cast-iron main that would be replaced through the Accelerated Replacement Program represents a subset of the total amount of cast-iron main listed in the table (i.e., 395 of 900 miles).

The Company is currently replacing leak-prone pipe at a rate of approximately 13 miles per year of unprotected steel and cast iron (versus a total of 1,185 miles existing on system). The Company is proposing to increase replacement to approximately 18 miles per year for these two categories of pipe combined. This would result in a total replacement period of approximately 68 years for unprotected steel and cast-iron main combined (excluding small diameter cast-iron main).

The Company is also proposing to replace an additional 5 miles per year of small diameter cast iron (4" and smaller), for a total of 23 miles per year (i.e., 18 plus 5). For small diameter cast-iron, the five miles per year is incremental because the Company does not currently have a specific program in place to systematically replace these small diameter cast-iron mains or high pressure, bare-steel inside services. At this rate, it would take approximately 80 years to replace the 395 miles of small diameter cast-iron main.

Lastly, the Company is proposing to start a program that would have all remaining high-pressure, bare steel inside services (8,261) eliminated within five years.

Prepared by or under the supervision of: Susan Fleck