

September 19, 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
National Grid Extension of Time Proposal**

Dear Ms. Massaro:

The purpose of this letter from National Grid (“Company”) is to propose a means of extending the period of time for the Commission to issue a final order in this rate case by an additional 30 days. As will be explained, below, this proposal is contingent upon no party in the case objecting to the proposal, and no appeal of the order effectuating the proposal.

As a matter of background, there appears to be no disagreement among the parties that Section 39-3-11 requires the Commission to issue an order on this rate change filing within seven months of the filing, or as of November 1, 2008. For a number of reasons, it appears that additional time for the Commission’s consideration and resolution of the issues raised in this proceeding would be beneficial to all interested parties. Thus, the Chairman at the September 12 hearing asked the Company to consider whether there was a means to extend the schedule. The Company has considered the request and has a proposal that we believe would achieve the objective of allowing a one-month extension of the case.

Before describing the mechanics of the proposal, however, it is important to provide some background regarding the original filing and expected effective date. When the Company chose to file on April 1, 2008, it was well aware of the seven month suspension period and timed the filing to assure that it would have rate relief effective for consumption in November 2008. This was important because November is the first month of the heating season and, thus, a financially significant month. For that reason, the Company’s primary concern about extending the date has related to the lost incremental revenue from the month of November. Therefore, in considering the Commission’s interest in extending the schedule, the Company has sought a solution that would leave it financially unharmed from any delay.

Specifically, the Company proposes the following:

- (1) The Commission would render a final decision on the Company's proposal to extend this proceeding for a 30-day period as soon as possible.
- (2) If no appeal from that decision is taken within the seven-day time period allowed by R.I.G.L. 39-5-1, the Commission would have until November 30, 2008 to render a final decision on matters involved in this case;
- (3) The Commission's decision allowing the 30-day extension as proposed by the Company would recite the Company's proposal that the proposed rate tariffs on file with the Commission would be effective as of December 1, 2008, rather than November 1, 2008 as originally proposed by the Company. The order also would need to recite the other components of the proposal set forth in this letter.
- (4) Following the Commission's decision on the rate-case matters, the Company would submit a compliance filing at the earliest possible date implementing the Commission's ratemaking decisions.
- (5) Upon the Commission's approval of the compliance filing, the Company would be authorized to charge the new approved rates for usage occurring on and after December 1, 2008, which is fully consistent with the process routinely followed by the Commission in rate-case proceedings.
- (6) In addition, after the Commission's decision on the rate case is rendered, the Company would be allowed to calculate the incremental revenue (above the revenue actually received) that the Company would have received from customers had the approved rates been in effect for consumption on and after November 1, 2008 through November 30, 2008; and
- (7) To achieve this recovery, the Company would make a supplemental compliance filing no later than December 15, setting forth a lost revenue adjustment factor based on therm consumption ("Lost Revenue Adjustment"). This Lost Revenue Adjustment would be designed to allow the Company to recover the lost incremental revenue in the period November 1 through November 30, 2008 from all customers over twelve months, with interest at the same rate applied to the GCR deferred gas cost account balance (the Bank of America prime rate minus 200 basis points). After review by the Commission for accuracy and approval, the Lost Revenue Adjustment would become effective for consumption on and after February 1, 2009.

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This proposal would allow another full month for hearings while at the same time holding the Company relatively harmless from the delay. However, the Company's proposal is contingent upon no appeal of the Commission's order being taken regarding the extension. As such, the filing of an appeal would render the proposal ineffective and the case would essentially have to proceed under the original schedule, with a final order issued by the end of October.

Anticipating that the Commission may have a question about the potential impact of the proposed Lost Revenue Adjustment, the Company has estimated the impact. In order to assure fairness in presentation and not presume any particular outcome of this case, the Company has taken the mid-point between the Division's position on the revenue deficiency in this case of \$8.7 million and the Company's position of \$18.4 million as of the commencement of the hearings, for illustrative purposes. Assuming a rate increase at this mid-point of \$13.5 million was granted, this would hypothetically result in lost revenue of approximately \$1.2 million in November, based on the sales forecast in this case.

Should the Commission agree with the proposal of the Company, the Company believes it would be necessary for the Commission to issue a final order approving the proposal as outlined in this letter as soon as possible.

We hope the Commission finds this proposal responsive to the Commission's request and that other parties to this proceeding will find this proposal to be a fair and reasonable approach to allow further participation by all parties on the important issues raised in this proceeding.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald T. Gerwatowski". The signature is fluid and cursive, with the first name "Ronald" being the most prominent.

Ronald T. Gerwatowski
Deputy General Counsel

Docket 3943 Service List

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.



Joanne M. Scanlon
National Grid

September 19, 2008
Date

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

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