

November 5, 20088

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3943 - Stipulation Regarding Reconciliation of Revenues
from Firm and Non-Firm Dual-Fuel Customers**

Dear Ms. Massaro:

Pursuant to representations made at the close of hearings on October 23, 2008, enclosed please find a stipulation entered into between National Grid¹ and the Rhode Island Division of Public Utilities and Carriers that is designed to resolve the issue relating to the effect on revenues of potential migration between the firm and non-firm customer classes. This stipulation has been circulated to all other parties to this proceeding.

Please note that as permitted by Commission Rule 1.2(g) and by R.I.G.L. § 38-2-2(4)(i)(B), the Company is requesting confidential treatment with respect to customer information that is included in attachments 1 and 2 to the stipulation.

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

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3943 Service List

¹ Submitted on behalf of The Narragansett Electric Company d/b/a National Grid, herein referred to as National Grid or the Company.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

_____)	
National Grid)	
Application to Change Rate Schedules)	Docket No. 3943
_____)	
)	

**Stipulation Regarding Reconciliation of Revenues from
Firm and Non-Firm Dual-Fuel Customers**

This Stipulation is agreed to among The Narragansett Electric Company d/b/a National Grid (the “Company”) and the Rhode Island Division of Public Utilities and Carriers (collectively known as the “Stipulating Parties”).

The Stipulating Parties agree that the calculation of the Company’s revenue requirement in this docket assumes the collection of revenues from two groups of commercial and industrial (“C&I”) customers, which are: (1) dual-fuel C&I customers currently taking *firm* service, and (2) dual-fuel C&I customers currently taking *non-firm* service (collectively, the “Dual-Fuel Customers”).

The first group is comprised of eighteen (18) customer accounts that, prior to January 2008, were taking non-firm service under the Company’s rate tariffs, Non-Firm Sales Service Rate 60 or Non-Firm Transportation Service Rate 61, and since January 2008 are taking service as firm-service customers. For the purposes of this Stipulation, these customers are referred to as the “Firm Dual-Fuel Customers.” The revenue associated with the Firm Dual-Fuel Customers is factored into the Company’s revenue

requirement and their usage is incorporated into the Company's billing determinants for purposes of designing firm distribution rates. The list of Firm Dual-Fuel Customers is set forth in Docket No. 3943, NGRID Exhibit 15, on Workpaper PCC-4, which is the Company's initial filing at Volume 5, at page 196. These customers are also listed on Appendix 1 [Confidential] to this Stipulation. The amount of revenue factored into the Company's revenue requirement for the Firm Dual-Fuel Customer group is \$1.2 million annually.

The second group is comprised of forty-six (46) customer accounts that, as of January 2008, were taking non-firm service under the Company's rate tariffs, Non-Firm Sales Service Rate 60 or Non-Firm Transportation Service Rate 61 and one which is under a special contract. For the purposes of this Stipulation, these customers are referred to as the "Non-Firm Dual-Fuel Customers." The list of Non-Firm Dual-Fuel Customers is provided as Appendix 2 [Confidential] to this Stipulation. The usage associated with this customer group is not included in the billing determinants used by the Company to design new base rates. However, the Company's revenue requirement is calculated to include the recovery of \$1.6 million annually from non-firm customers.

Thus, the total amount of revenue factored into the Company's revenue requirement and projected for recovery from the Dual-Fuel Customers is \$2.8 million.

Since January 2008, additional migration of non-firm customers to firm service has occurred and, depending upon the Commission's ruling in this docket on the appropriate non-firm service rate to apply on a going forward basis, the expectation of the

Stipulating Parties is that there could be: (i) a migration of Firm Dual-Fuel Customers from firm service to non-firm service, or (ii) additional migration of Non-firm Dual-Fuel Customers from non-firm service to firm service. In either case, the customer migration would have the effect of causing either an under-recovery or an over-recovery of the revenue amount factored into the revenue requirement calculation in this case. For that reason, the Stipulating Parties agree to establish a reconciliation mechanism to assure revenue neutrality for customers and the Company, regardless of the outcome of the Commission's decision on the establishment of non-firm rates and the impact that it may have on a customer's choice to take firm or non-firm service following the date of the Commission's order.

Reconciliation Mechanism

The Company's existing Distribution Adjustment Charge ("DAC") tariff contains a mechanism through which there is a reconciliation of non-firm margin should non-firm margin fall below the \$1.6 million threshold incorporated into existing rates. In the event that the Company collects less than \$1.6 million in non-firm margin in any year, the Company is allowed to establish a surcharge through the DAC to recover 100 percent of the shortfall. Conversely, to the extent that the Company collects more than \$1.6 million in non-firm margin, the incremental amount is subject to margin sharing between the Company and customers through the DAC with 75 percent due to customers and 25 percent due to the Company. The current reconciliation mechanism takes into account only non-firm margins and does not anticipate the recovery of margin from customers migrating from firm to non-firm service.

The Stipulating Parties agree that revisions to the existing reconciliation mechanism are necessary to account for migration that may occur as a result of a new pricing policy for non-firm service. The revised reconciliation mechanism proposed in this Stipulation will operate differently from the existing mechanism in two respects. First, a new threshold of \$2.8 million will apply (rather than the \$1.6 million threshold currently in effect). Second, in order to determine whether the threshold of \$2.8 million has been reached or exceeded, the actual distribution margin received from the customer accounts listed in Appendix 1 and 2 shall be used (regardless of whether these accounts migrate between firm and non-firm service), as well as any other margin received from non-firm special contracts or any new non-firm customers taking non-firm service that might be added (and not already accounted for in Appendix 1 and 2).

It is acknowledged by the Stipulating Parties that one of the issues relating to non-firm service relates to the question of whether margin sharing would continue when the threshold is exceeded. The Company supports margin sharing, while the Division opposes it. This Stipulation does not resolve this issue, but leaves it to the Commission for resolution, except that the threshold for recovery shall be established at \$2.8 million, regardless of whether margin sharing continues.

By changing the threshold to \$2.8 million and tracking customer accounts from both Firm and Non-firm Dual-Fuel Customers listed in Appendix 1 and 2, the Stipulating Parties agree that this will reasonably assure that the Company is not over-compensated if there is a further migration of non-firm customers to firm service and, conversely, will

reasonably assure that the Company is not under-compensated if there is migration of firm customers to non-firm service.

Respectfully submitted,

NATIONAL GRID

By its attorney,



Thomas R. Teehan, Esq.
National Grid
280 Melrose Street
Providence, RI 02907
(401) 784-7667

Respectfully submitted,

**RI DIVISION OF
PUBLIC UTILITIES &
CARRIERS**

By its attorney,

/S/

Paul R. Roberti, Esq.
RI Division
150 South Main Street
Providence, RI 02903
(401) 274-4400

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

November 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. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com	401-784-7667
	Peter.Czekanski@us.ngrid.com	401-784-4321
	Joanne.scanlon@us.ngrid.com	
Cheryl M. Kimball, Esq. (for NGrid) Keegan Werlin LLP 265 Franklin Street Boston, MA 02110	ckimball@keeganwerlin.com	617-951-1400
	lindas@keeganwerlin.com	617-951-1354
Paul Roberti, Esq. (Division) Dept. of Attorney General 150 South Main St. Providence, RI 02903	Proberti@riag.ri.gov	401-222-2424
	Steve.scialabba@ripuc.state.ri.us	401-222-3016
	David.stearns@ripuc.state.ri.us	
Leo Wold, Special Assistant AG Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov	401-222-2424
	Mtobin@riag.ri.gov	401-222-3016
	Kzelano@riag.ri.gov	
Jerry Elmer, Esq. Conservation Law Foundation 55 Dorrance Street Providence, RI 02903	Jelmer@clf.org	401-351-1102 401-351-1130
James M. Grasso SilentSherpa Consulting Services, Inc.	jgrasso@silentsherpa.com	401-284-4534
John R. Grasso, Esq. (for SilentSherpa) Law Office of John R. Grasso, Inc.	jrg@johngrassolaw.com	401-272-4001 888-525-2096
John Farley, Executive Director The Energy Council of RI One Richmond Square Suite 340D Providence, RI 02906	jfarley316@hotmail.com	401-621-2240 401-621-2260
Michael McElroy, Esq. (for TEC-RI) Schacht & McElroy PO Box 6721 Providence, RI 02940-6721	McElroyMik@aol.com	401-351-4100 401-421-5696

Jean Rosiello, Esq. (for Wiley Ctr.) MacFadyen Gescheidt & O'Brien 101 Dyer St. Providence, RI 02903	jeanrosiello@cox.net	401-751-5090 401-751-5096
Jeremy C. McDiarmid, Esq. Environment Northeast 6 Beacon St., Suite 415 Boston, MA 02108	jmcdiarmid@env-ne.org	617-742-0054
	rkoontz@env-ne.org	
Glenn R. Friedemann, Esq. Rhode Island Hospital The Coro Building, Suite 2B 167 Point St. Providence, RI 02903	gfriedemann@lifespan.org	401-444-3103 401-444-3302
Andrew O. Kaplan, Esq. (for RIH) Rubin and Rudman LLP 50 Rowes Wharf Boston, M 02110	akaplan@rubinrudman.com	617-330-7115 617-330-7550
	dsharkey@rubinrudman.com	
John R. McDermott, Esq. (for OER) The Law Office of John r. McDermott 27 East Street, Unit 2 Providence, RI 02906	JRMcDermott.law@gmail.com	401-269-1198 401-294-4483
Andrew C. Dzykewicz RI Office of Energy Resources One Capitol Hill Providence, RI 02908-5850	adzykewicz@energy.ri.gov	401-574-9123
Richard M. Pierce, Esq James A. Musgrave, Esq Roberts, Carroll, Feldstein, Pierce, Inc. Ten Weybosset St. Providence, RI 02903	rpeirce@rcfp.com	401-521-7000 401-521-1328
	jmusgrave@rcfp.com	
David Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com	603-964-6526
Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	Boliver.rha@verizon.net	703-569-6480
Jim Rothschild 115 Scarlet Oak Drive Wilton, CT 06897	jimrothschild@rothschildfinancial.com	203-762-0685
Aaron Rothschild 15 Lake Road Ridgefield, CT 06877	alr2103@gmail.com	203-241-7824
Jeffrey H. Gladstone, Esq. Robert K. Taylor, Esq. Partridge Snow & Hahn LLP 180 South Main St. Providence, RI 02903	jhg@psh.com	401-861-8242 401-861-8200
	rkt@psh.com	
File original & nine (9) copies w/:	Lmassaro@puc.state.ri.us	401-780-2107

Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02889	Tmassaro@puc.state.ri.us	401-941-1691
	Anault@puc.state.ri.us	