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November 10, 2008

Luly Massaro
Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: National Grid Gas – Docket No. 3943
Reply Brief submitted on behalf of Intervenor The Energy Council of Rhode Island
(TEC-RI).

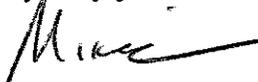
Dear Luly:

As you know, this office represents The Energy Council of Rhode Island (TEC-RI). Enclosed for filing in this matter are an original and seven copies of TEC-RI's Reply Brief.

TEC-RI appreciates the considerations that were extended throughout this difficult hearing process by the Commission and its staff, the Division and its staff, and all parties and their counsel.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: Service List

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NATIONAL GRID : REQUEST FOR A CHANGE OF
RHODE ISLAND GAS : GAS DISTRIBUTION RATES
: DOCKET 3943

REPLY BRIEF OF THE ENERGY COUNCIL OF RHODE ISLAND

1. DECOUPLING

Everyone who has addressed the issue supports the Company's request to withdraw the Large and Extra Large classes, and the Low Income class, from the Company's decoupling proposal.¹

2. DAC

No party has objected to TEC-RI's proposal regarding using class revenues for the DAC allocation.

3. LOW INCOME DISCOUNT

No party has objected to TEC-RI's proposal regarding using the Company's Massachusetts method (i.e., a rate base allocator) for the low income discount allocation.

4. NON-FIRM

The Company's approach to dealing with the issue of the benefits to the Company provided by the ability to interrupt non-firm customers is to ignore them completely. The Company's analysis of the non-firm tariff issue is plainly deficient for this reason.

There can be no dispute that there are operational benefits that accrue from being able to shut off non-firm customers, as well as substantial capital investment savings (\$9 to \$10 million) from denying service to non-firm customers on peak days.

The Division also did not produce a cost of service based rate in their brief.

¹ Company brief, at 63; CLF brief, at 2, 8; ENE brief, at 18-19.

Therefore, the best evidence in the record is that provided by the experts presented by TEC-RI and Rhode Island Hospital. Both have recommended approximately a 40% discount to firm rates that will generate \$1.8 million in revenues.²

No other expert witness or party did the calculation needed to come up with any other numbers for the Commission's consideration as the cost-of-service based non-firm rate.

The Company gave a list of excuses as to why it couldn't figure it out. The Division did not address it in their brief either. It was left to the customers (TEC-RI and RI Hospital) to finish the job.

The Commission issued an order over a year ago asking for a *cost of service based rate* for non-firm service. On the final day of hearings, the Chairman addressed both the Company and the Division. The Chairman said that he wanted more direction from the Division backed up by the cost of service study which the Company needed to correct. (tr. 10/23/08, at 192, lines 6-11; at 195, lines 14-21)

A few moments later, the Chairman directed similar remarks to the Company:

THE CHAIRMAN: In all fairness to the Division, and I should point out that this problem I alluded to in my interesting conversation with Mr. Oliver and Mr. Roberti is a product of National Grid's own creation because they did not pay close enough attention to the last order of this Commission with respect to cost of service. So there's enough blame to go around. [transcript, October 23, 2008, page 203 line 17 to page 204 line 1.]

Given this history, it is astonishing to TEC-RI that the Company did not provide in its brief (or in other evidence) what the Commission and its Chairman have repeatedly asked for,

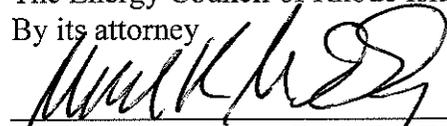
² TEC-RI acknowledges that the position it took in its brief asking for a 40% discount is not exactly the same as the "at least 25%" discount that Mr. Farley testified to on the stand, although it is consistent with it. The reason is that subsequent to Mr. Farley's testimony, TEC-RI received much additional information, including testimony of other parties, several new Exhibits, and most recently (the day before the opening briefs were due) the corrected Cost of Service study from the Company. Given this new information, TEC-RI conducted a fresh analysis that arrived at the 40% discount, as explained in TEC-RI's opening brief. Rhode Island Hospital and its expert witness reached the same conclusion.

beginning with the Order in Docket No. 3887 last year and continuing up to the final day of hearings: a cost of service based rate design for non-firm service.

What the Company with all its resources refused to do - give the PUC what they asked for - two other parties did. TEC-RI and RI Hospital have now put forward for approval the one and only responsive cost of service based non-firm rate proposal – a 40% discount off firm rates.

In docket 3887, the Commission asked for a cost of service based rate design. Two parties have now provided it, and their results agree. We trust that the 40% discount will be found reasonable and fair, and therefore will be adopted by the Commission. And with that, this matter will have been brought to a satisfactory conclusion ... finally!

Respectfully submitted,
The Energy Council of Rhode Island
By its attorney

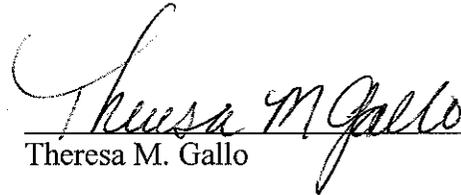


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CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of November, 2008, I sent a true copy of the foregoing to the service list.



Theresa M. Gallo

TEC-RI (3943)/Reply Brief