

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF RHODE ISLAND
AND PROVIDENCE PLANTATIONS**

2008 JUN 20 7:12
PROVIDENCE RI

IN THE MATTER OF

**The National Grid Annual
Gas Cost Recovery Charge
Filing**)
)
)

Docket No. 3961

**DIRECT TESTIMONY OF WITNESS
BRUCE R. OLIVER**

On Behalf of

The Division of Public Utilities and Carriers

June 20, 2008

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I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive, Fairfax Station, Virginia, 22039.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by Revilo Hill Associates, Inc., and serve as President of the firm. I manage the firm's business and consulting activities, and I direct its preparation and presentation of economic, utility planning, and policy analyses for our clients.

Q. ON WHOSE BEHALF DO YOU APPEAR IN THIS PROCEEDING?

A. My testimony in this proceeding is presented on behalf of the Division of Public Utilities and Carriers (hereinafter "the Division").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. This testimony addresses issues relating to the May 23, 2008 National Grid (or hereinafter "the Company") Interim Gas Cost Recovery (GCR) filing. This testimony reviews and comments on the testimony filed on behalf of the Company by

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1 witnesses Peter C. Czekanski and Gary Beland, including the attachments to those
2 pre-filed testimonies.

3

4 **Q. WHAT EXHIBITS ARE YOU SPONSORING AS PART OF THIS TESTIMONY?**

5 A. Attached to this testimony are six exhibits. They include:

6

7 Exhibit BRO-1 National Grid's Proposed Changes in GCR Charges

8 Exhibit BRO-2 Comparison of NYMEX Natural Gas Commodity Prices

9 Exhibit BRO-3 Forecasted Design Winter Sales & Throughput

10 Exhibit BRO-4 Forecasted Normal Weather Annual Sales & Throughput

11 Exhibit BRO-5 Forecasted Normal Weather Sales and Throughput for
12 Winter Months

13 Exhibit BRO-6 Division Recommended GCR Charges

14

15 **II. DISCUSSION OF ISSUES**

16

17 **Q. HOW IS YOUR DISCUSSION OF ISSUES RELATING TO THE COMPANY'S GCR**
18 **FILING IN THIS PROCEEDING ORGANIZED?**

19 A. This discussion is presented in three parts. Part A discusses the changes in GCR
20 charges by rate class that National Grid proposes and analyzes the changes in gas

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1 costs that underlie the proposed GCR increases. Part B addresses the Division's
2 concerns regarding the forecasted Design Winter Sales and Throughput data that
3 National Grid has used in its computations. Part C provides the Division's
4 assessment of National Grid's proposal to compute GCR adjustments based on a
5 16-month period.

6
7 **A. Proposed Changes in GCR Charges**

8
9 **Q. IS NATIONAL GRID PROPOSING TO INCREASE ITS GCR CHARGES?**

10 A. Yes. The Company's May 23, 2008 filing proposes to increase its GCR charges for
11 all firm sales service rate classifications.

12
13 **Q. WHAT ARE THE MAGNITUDES OF THE INCREASES IN GCR CHARGES THAT
14 NATIONAL GRID PROPOSES?**

15 A. The percentage increases in GCR charges that result from National Grid's proposed
16 GCR increases by rate class are shown in **Exhibit BRO-1**. For Residential and
17 Small C&I customers, the GCR charge would **increase 14.6%** from \$1.0844 per
18 therm to \$1.2429 per therm. For medium, large and extra large C&I customers,
19 **Exhibit BRO-1** indicates that the GCR charges resulting from the Company's
20 proposals in this proceeding would yield **increases** ranging from **11.8% to 15.2%**.

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1 The Company also seeks a **22.2% increase** in its rate for Natural Gas Vehicle
2 Service, **4.2% reduction** in its FT-2 Firm Transportation Marketer Gas Charge, and
3 a **7.1% reduction** in its Pool Balancing Charge.

4
5 **Q. WHY ARE THE PERCENTAGE INCREASES IN GCR CHARGES SHOWN IN**
6 **EXHIBIT BRO-1 NOT UNIFORM ACROSS RATE CLASSES?**

7 **A. Three basic factors contribute to the differences in percentage increases in GCR**
8 **charges by rate class that National Grid proposes. Those are:**

- 9
10 1. Differences in the direction and magnitude of cost
11 changes for the major components of National Grid's
12 GCR costs;
13
14 2. Differences in the magnitude of over- or under-collec-
15 tions of costs by GCR component;
16
17 3. Differences in the manner in which the five components
18 of GCR costs are allocated among classes; and
19
20 4. Differences by rate class in the Company's projected
21 growth rates in Design Winter Sales and Design Winter
22 Throughput.
23

24 **Q. ARE THE INCREASES THAT NATIONAL GRID SEEKS IN ITS GCR CHARGES**
25 **REASONABLY COMPUTED AND APPROPRIATE FOR IMPLEMENTATION AT**
26 **THIS TIME?**

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1 A. Although I agree with the Company that an adjustment to its GCR charges should
2 be implemented to reflect significant increases in anticipated costs of gas, I **cannot**
3 support : (1) the specific levels of the charges by rate class for which National Grid
4 seeks approval or (2) the implementation of the requested increase based on a 16-
5 month period ended October 31, 2009.

6
7 **Q. ON WHAT BASIS DO YOU CONCLUDE THAT AN ADJUSTMENT TO NATIONAL**
8 **GRID'S GCR CHARGES IS APPROPRIATE AT THIS TIME?**

9 A. The increases in gas cost in recent months have been dramatic. As illustrated
10 graphically in **Exhibit BRO-2, page 1 of 2**, the NYMEX futures prices for natural
11 gas as of the time National Grid prepared its last GCR filing averaged approximately
12 \$8.00 per Dth (Green Line). The Red Line in **Exhibit BRO-2, page 1 of 2**,
13 indicates that the final NYMEX commodity prices for the first three months of the
14 current GCR period were somewhat below the levels presumed when the
15 Company's current GCR rates were established. However, since January 2008
16 NYMEX prices for natural gas have risen sharply, and as of April 29, 2008 pricing
17 for the remainder of the current GCR period are in the range of \$11.00 per Dth. In
18 other words, as of the time of the Company's preparation of its filing in this Docket
19 prices for the summer of 2008 were about \$3.00 per Dth (or roughly 37%) above the
20 levels projected when the Company's current GCR charges were established in the

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1 Fall of 2007. Furthermore, as of June 12, 2008 the NYMEX prices for summer
2 2008 gas use had risen to nearly \$13.00 per Dth. (See the Brown Dashed Line in
3 **Exhibit BRO-2, page 1 of 2**). Thus, NYMEX natural gas prices for the summer of
4 2008 are now about \$5.00 per Dth or roughly 60% above the levels assumed for
5 those months when the Company's current GCR charges were first computed.
6

7 To provide further perspective regarding the increases in natural gas prices
8 that National Grid's customers are likely to face, **Exhibit BRO-2, page 2 of 2**
9 compares the NYMEX commodity costs for natural gas that were used by the
10 Company in the development of its current GCR charges (Green Line 8/17/07 data)
11 with the NYMEX commodity costs for natural gas for the **Nov 2008 - Oct 2009**
12 period. The Yellow Line depicts the NYMEX natural gas commodity prices for the
13 months of November 2008 – October 2009 **as of April 29, 2008**. Those NYMEX
14 natural gas prices are used in the development of the National Grid's proposed 16-
15 month GCR charges in this proceeding. The Blue Line portrays the NYMEX natural
16 gas prices for the months of November 2008 – October 2009 that prevailed on
17 **June 12, 2008**. The most recent data suggests that NYMEX commodity prices for
18 the winter months of the November 2008 – October 2009 will average more than
19 \$5.00 per Dth (i.e., more than 60%) above the prices for last winter that were used
20 in the determination of the Company's current GCR charges.

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It is possible that natural gas prices are near a peak and may ebb somewhat in the second half of 2008, particularly as higher prices force customers to restrain their energy use. However, there is also the potential that continued increases in world oil prices, international turmoil, and/or significant disruptions of natural gas supplies (e.g., hurricanes) will push natural gas prices even higher. At this point, it is highly probable that National Grid's **Summer 2008** costs of natural gas supply will be significantly above the presumed level when current GCR rates were set last fall. As a result, gas use over the remainder of the current GCR period are likely to add noticeably to the Company's current deferred gas cost balance if GCR charges are not adjusted at this time.

B. Forecasted Design Winter Sales and Throughput

- Q. WHAT ARE YOUR CONCERNS REGARDING THE SPECIFIC LEVELS OF THE GCR CHARGES BY RATE CLASS THAT NATIONAL GRID PROPOSES?**
- A. Following accepted practice, the Company's proposed charges reflect allocations of Supply Fixed Costs and Storage Fixed Costs among rate classes using estimated class contributions to total Design Winter Sales and total Design Winter Throughput. However, my examination of the data upon which the National Grid constructed

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1 those allocations has identified what I consider substantial anomalies in the
2 Company's forecasted Design Winter Sales and Throughput for the winter of 2008-
3 2009. Compared to the forecast that the Company submitted for Design Winter
4 Sales for the winter of 2007-2008, its estimates of Design winter sales for the
5 coming winter (2008-2009) are up by **11.4%**. Similarly, the Company's estimated
6 Design Winter Throughput for the winter of 2008-2009 is **11.2%** above the level the
7 National Grid used in its last (September 2007) GCR filing. (**See Exhibit BRO-3**).
8 These increases contrast sharply with the Company's forecast of only **1.0%**
9 increase in Normal Weather Annual Sales and Throughput for the 2008-2009 GCR
10 year as shown in **Exhibit BRO-4**.

11
12 I find this difference between the forecasted increase in annual weather-
13 normalized sales and the forecast increases in Design Winter requirements
14 inexplicable. I have discussed this matter with Mr. Czekanski of National Grid, but
15 to date I have not received an explanation of the sharply different growth rates for
16 Design Winter Requirements and Normal Weather Annual Sales and Throughput
17 that fully explains the observed differences in growth rates. Mr. Czekanski has
18 suggested that the difference might be related to changes in the billing cycles used
19 by the Company and/or changes in the number of days included in the winter
20 season (i.e., November through March). However, such variations do not appear to

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1 be sufficient to explain more than a 10% difference in the growth rates for annual
2 throughput and design winter requirements.

3
4 As a further check I compared the growth in Normal Weather Sales and
5 Throughput for just the months of November through March with the Company's
6 projected increases in Design Winter requirements for those months. That analysis
7 indicates the increase in Normal Weather Sales and Throughput for the November
8 through March period of 2008-2009 that National Grid projects is less than its
9 forecasted increase in Annual Normal Weather Sales and Throughput. **(See**
10 **Exhibit BRO-5)**. In other words, the Company's forecast of Normal Weather sales
11 projects greater growth in non-winter month usage than winter month usage. This
12 finding suggests that the much higher growth in Design Winter Requirements that
13 National Grid forecasts results from changes in the methods the Company has used
14 to estimate its Design Winter Sales and Throughput. Without a better
15 understanding of the methods the Company has employed to estimate Design
16 Winter Sales and Throughput for the coming winter and greater comfort that those
17 methods are reasonable and appropriate, I cannot support either: (a) National Grid's
18 allocations of Supply Fixed Costs and Storage Fixed Costs; or (b) the resulting GCR
19 charges that the Company proposes.

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1 **Q. HOW DO THE ANOMALIES IN THE COMPANY'S FORECAST OF DESIGN**
2 **WINTER REQUIREMENTS AFFECT THE RESULTING GCR CHARGES?**

3 A. Those anomalies appear to shift responsibilities for fixed costs from Medium, Large
4 and Extra Large C&I service classifications to Residential Heating and Small
5 Commercial customers. That, in turn, causes the proposed GCR charges for
6 Residential Heating and Small Commercial customers to be overstated. In addition,
7 those anomalies appear to lead to an inappropriate lowering of the Company's
8 proposed FT-2 Firm Transportation Marketer Gas Charge and its Pool Balancing
9 Charge as those charges are computed in witness Czekanski's Attachment PCC-5.

10

11 **C. National Grid's Request To Set GCR Charges For 16-Months**

12

13 **Q. WHY DO YOU QUESTION THE APPROPRIATENESS OF THE COMPANY'S**
14 **PROPOSAL TO ESTABLISH GCR CHARGES AT THIS TIME ON A 16-MONTH**
15 **BASIS?**

16 A. In addition to the problem noted above and the limited time available to review this
17 filing given the desire for a timely adjustment to charges, I disagree with the
18 Company's arguments for spreading the current GCR adjustment over a 16-month
19 period.

20

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1 **Q. WHAT RATIONALES DOES THE COMPANY OFFER IN SUPPORT OF ITS**
2 **PROPOSAL TO ESTABLISH ITS GCR CHARGES AT THIS TIME ON A 16-**
3 **MONTH BASIS?**

4 **A.** In support of the Company's proposal, witness Czekanski offers four arguments.
5 Those are:

6
7 1. An increase in GCR charges to recover the entire under-collection
8 between July and the normal end of the normal gas year (i.e., October
9 31st) would unduly burden summer gas users.

10
11 2. Revenue shortfalls that have occurred during the winter months of the
12 current GCR year should be more appropriately collected from
13 heating customers who have the majority of their gas use during
14 winter months.

15
16 3. Increasing rates now to collect only the Company's currently projected
17 shortfall for the remainder of the GCR year (i.e., July through October)
18 would leave a deferred balance that will have to be added to the
19 calculation of rates for the next GCR year.

20

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1 4. The Company's proposal to spread recovery of the current GCR
2 under-recovery over a 16-month period better spreads the recovery of
3 that under-collection.

4
5 **Q. HOW DO YOU RESPOND TO MR. CZEKANSKI'S ARGUMENTS REGARDING**
6 **THE NEED FOR, AND APPROPRIATENESS OF, A 16-MONTH GCR PERIOD?**

7 **A. My response is as follows:**

- 8
9 ✓ Given the very large differences in gas use between summer and
10 winter months, it is rarely reasonable or appropriate to recover the
11 "entire" revenue shortfall associated with winter month usage through
12 a GCR adjustment that would apply only to the remaining summer
13 months of a GCR year. Any effort to do so in this instance would be
14 in direct conflict with the Commission's efforts to limit volatility in
15 National Grid's charges for natural gas service. However, that
16 realization, in and of itself, does not provide a compelling case for use
17 of a 16-month GCR.
18
19 ✓ Accepting for argument's sake Mr. Czekanski's suggestion that
20 revenue shortfalls associated with winter month usage should be
21 recovered from heating customers, the Company's proposal for use of
22 a 16-month GCR period would actually place a disproportionate share
23 of the current revenue shortfall on summer usage. The proposed 16-
24 month GCR period includes **two** summer periods, and that would
25 effectively double the portion of the under-collection that summer gas
26 users would bear.
27
28 ✓ At this point, there is no reasonable plan for recovery of the current or
29 projected revenue shortfalls that avoids adding a deferral balance to
30 National Grid's gas charges for the 2008-2009 GCR year.
31

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1 ✓ Use of a 16-month GCR period does not assure a better or more
2 equitable distribution of gas cost responsibilities between summer and
3 winter gas users or between rate classifications.
4

5 **Q. ARE THERE OTHER FACTORS RELATING TO THE COMPANY'S PROPOSAL**
6 **TO COMPUTE RATES FOR A 16-MONTH PERIOD WITH WHICH YOU HAVE**
7 **CONCERNS?**

8 **A. Yes. I have at least three additional areas of concern.**

9 First, the Company has entered into a contract for the management of its gas
10 supply assets with a new third-party asset manager, Merrill Lynch. Given the limited
11 time available for the review of this filing, I have not had adequate time to undertake
12 a review and assessment of: (1) the competitive procurement process through
13 which Merrill Lynch was selected, (2) the terms of Merrill Lynch agreement and (3)
14 gas cost implications of that contract. Moreover, it is my understanding that the
15 current Merrill Lynch agreement is a one-year contract that will expire prior to the
16 end of the 16-month period for which the Company seeks to set GCR charges, yet
17 there is no explicit explanation of what the Company expects will follow the current
18 Merrill Lynch contract.

19
20 Second, the testimony of witness Beland discusses changes in the
21 Company's contract for LNG liquid supply. Mr. Beland notes in his May 23, 2008

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1 testimony that the Company's current contract with Distrigas expires October 31,
2 2008. Although National Grid perceives that the Company will continue to have
3 requirements for LNG liquids over and above those that can be satisfied through
4 other existing supply arrangements, as of this time no replacement contract has
5 been negotiated. For now, National Grid has assumed that its Rhode Island oper-
6 ations will be able to obtain LNG liquid supply for the coming winter at prices com-
7 parable those recently negotiated by other National Grid affiliates. However, given
8 recent dramatic increases in prices for natural gas, there does not appear to be any
9 assurance that the Company will be able to obtain needed LNG liquid supplies at
10 the prices assumed in gas cost estimates set forth in Mr. Beland's Attachment GLB-
11 2. When a contract for LNG liquid supply is finalized, the pricing under that
12 agreement will affect all of the Company's GCR charges, as well as the FT-2 Firm
13 Transportation Market Gas Charge, the Pool Balancing Charge, and the System
14 Pressure Adjustment include in the Company's Distribution Adjustment Clause.

15
16 Finally, substantial volatility in gas prices has been experienced in recent
17 months, including further increases in NYMEX commodity prices for natural gas
18 that have been experienced since the Company made its May 23, 2008 filing. In the
19 context of such price volatility and the still unknown cost of LNG liquid for the
20 coming winter, the Commission should recognize the substantial likelihood that a

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1 further adjustment to the Company's GCR charges will be necessary prior to the
2 start of the coming winter season. As indicated by the graphical analysis presented
3 in **Exhibit BRO-2**, NYMEX natural gas commodity prices for the winter of 2008-
4 2009 now average **more than \$1.80 per Dth** above the levels used by the
5 Company in the preparation of its May 23, 2008 filing. Likewise, NYMEX natural
6 gas prices for the summer months of 2009 are presently averaging about \$1.50 per
7 Dth more than the levels assumed in the Company's computation of its proposed
8 GCR charges.

9
10 **III. DIVISION RECOMMENDATIONS**

11
12 **Q. DO YOU RECOMMEND APPROVAL OF THE COMPANY'S PROPOSED GRC**
13 **CHARGES AS FILED?**

14 **A.** No, I do not.

15
16 **Q. HOW SHOULD THE COMMISSION RESPOND TO NATIONAL GRID'S**
17 **REQUESTS FOR AN INTERIM INCREASE IN ITS GCR CHARGES?**

18 **A.** I recommend that the Commission adopt an increase in the Company's GCR
19 charges which reflects only the increase in NYMEX natural gas commodity prices
20 that has been observed as of the most recent data available at the time of

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1 preparation of this testimony (i.e., the close of trading on June 12, 2008). Moreover,
2 I recommend that the Commission approve that increase only for the remainder of
3 the current GCR period (i.e., through October 31, 2008). Although it may appear
4 convenient to implement a 16-month GCR at this time, the likelihood that a further
5 adjustment to the Company's GCR charges in the Fall of this year can be avoided
6 appears small. Moreover, the anomalies I have identified in the Company's
7 forecasted Design Winter requirements suggest that any determination regarding
8 the allocation of fixed cost responsibilities among rate classes for the November
9 2008 – October 2009 period should await a resolution of concerns regarding the
10 unexpected large increase in Design Winter Sales and Throughput requirements
11 that National Grid has forecasted and used in the computation of its proposed GCR
12 charges. Furthermore, the Division believes that more time should be permitted for
13 review and examination of the Merrill Lynch asset management agreement that
14 National Grid has negotiated.

15
16 **Q. HAVE YOU COMPUTED A SET OF RECOMMENDED GCR CHARGES FOR**
17 **NATIONAL GRID FOR THE REMAINING MONTHS OF THE CURRENT GCR**
18 **PERIOD?**

19 **A.** Yes, I have. The development of those charges is shown in **Exhibit BRO-6.**

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1 **Page 1 of Exhibit BRO-6** details the components of the Division's proposed
2 GCR charges for each rate class. The only change that the Division proposes at
3 this time is to increase the Supply Variable Costs for the months of July – October
4 2008. All other cost components are maintained at the levels the Company
5 computed in Schedule PCC-1, page 1, attached to witness Czekanski's September
6 4, 2007 testimony in Docket No. 3868. The computed increase in Supply Variable
7 Costs is \$1.395 per Dth prior to adjustment for uncollectibles and \$1.425 per Dth
8 after adjustment for uncollectibles. Those computations are based on June 12,
9 2008 NYMEX prices for the months of July – October 2008 and assumes new rates
10 will become effective for the remainder of the current GCR period on July 16, 2008.

11
12 **Page 2 of Exhibit BRO-6** indicates the dollars per therm and percentage
13 increases that would result for each rate class under the Division proposal. As
14 demonstrated therein, the Division proposed increases in terms of dollars per therm
15 charges are uniform for all classes of service for which Supply Variable Costs are
16 assigned. However, percentage increases in GCR charges vary somewhat across
17 classes. The NGV percentage increase is the greatest since the current rate for
18 that class is well below the current rates for other classes.

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1 **Q. ARE THERE ANY OTHER MATTERS THAT YOU WISH TO BRING TO THE**
2 **COMMISSION'S ATTENTION AT THIS TIME?**

3 A. Yes. Subsequent to its initial filing in this proceeding, National Grid filed the
4 supplemental testimony of witness Beland which address the determination of
5 weighted average charges and surcharges and credits for pipeline capacity
6 assigned to marketers. As of this date I have not had the opportunity to complete
7 my review of the rate determinations in that supplemental testimony.

8

9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 A. Yes, it does.

11

12

13

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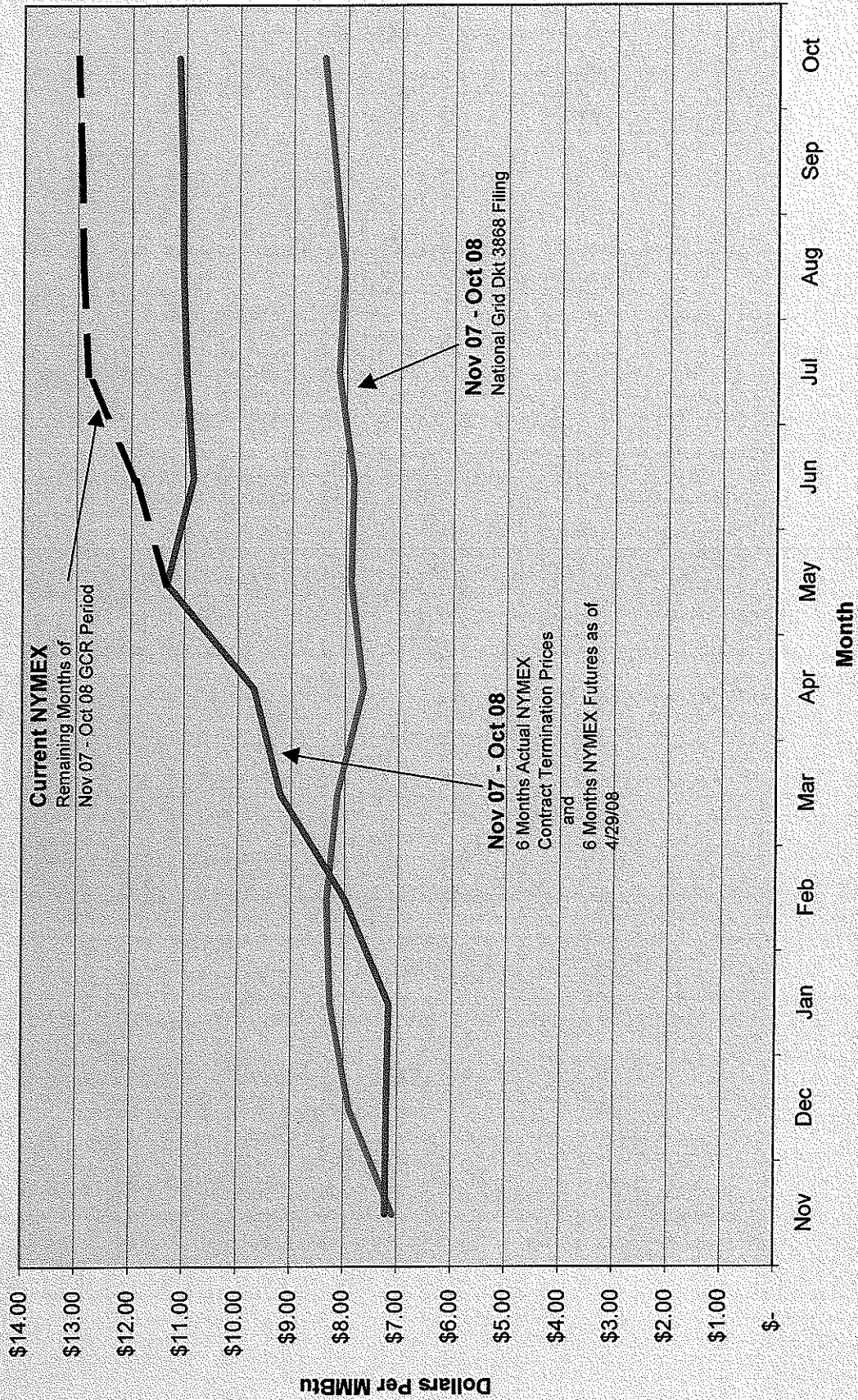
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Company Proposed Changes in GCR Charges by Rate Classification
Based on National Grid's May 23, 2008 Filing

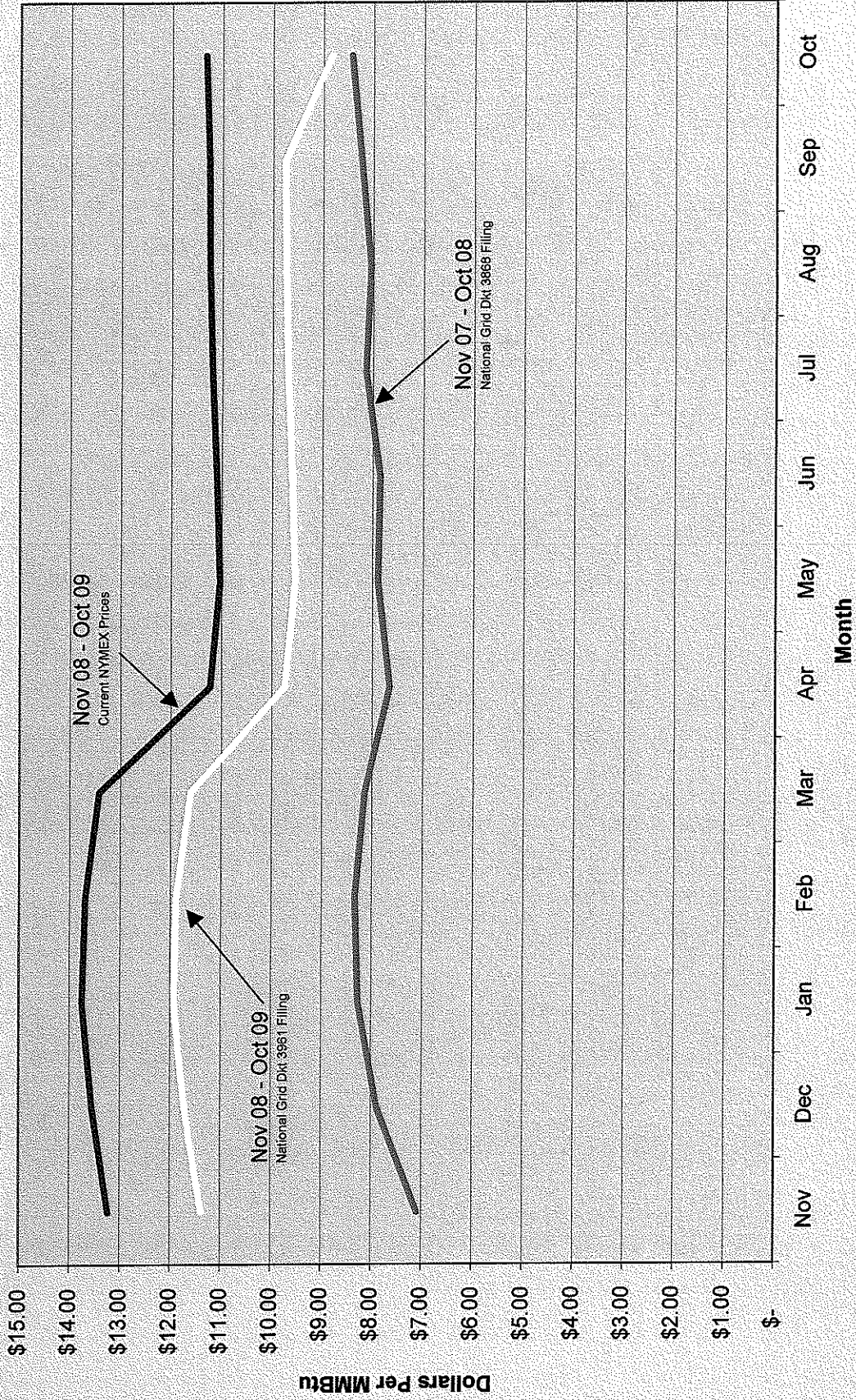
Rate Classification	Current GCR Rate (\$/Therm)	Proposed GCR Rate (\$/Therm)	Increase (Decrease)	
			\$ (\$/Therm)	%
Residential				
Non-Heating	\$1.0844	\$1.2429	\$0.1585	14.6%
Heating	\$1.0844	\$1.2429	\$0.1585	14.6%
Commercial & Industrial				
Small	\$1.0844	\$1.2429	\$0.1585	14.6%
Medium	\$1.0835	\$1.2352	\$0.1517	14.0%
Large Low Load Factor	\$1.0875	\$1.2529	\$0.1654	15.2%
Large High Load Factor	\$1.0614	\$1.1985	\$0.1371	12.9%
Extra Large Low Load Factor	\$1.0844	\$1.2460	\$0.1616	14.9%
Extra Large High Load Factor	\$1.0513	\$1.1751	\$0.1238	11.8%
Natural Gas Vehicles	\$0.7901	\$0.9655	\$0.1754	22.2%
FT-2 Firm Transportation Marketer Gas Charge	\$0.0501	\$0.0480	(\$0.0021)	-4.2%
Pool Balancing Charge	\$0.0028	\$0.0026	(\$0.0002)	-7.1%

Comparison of NYMEX Natural Gas Commodity Prices



NYMEX at 08/17/07 (NG Dkt 3868)
 6 Mos Actual - 6 Mos Projected
 Jun - Oct 2008 at 06/12/08 NYMEX

Comparison of NYMEX Natural Gas Commodity Prices



NYMEX at 08/17/07 (NG Dkt 3868)
 NYMEX at 04/29/08 (NG Dkt 3961)
 Nov 08 - Oct 09 at 06/12/08 NYMEX

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Forecasted Design Winter Sales & Throughput by Rate Class

	Forecasted 2007-08 Sales (MMBtu)	1/ Forecasted 2008-09 Sales (MMBtu)	2/ Forecasted Sales Increase (MMBtu)	% Increase
Sales				
Residential Non-Heat	298,081	305,942	7,861	2.6%
Residential Heat	11,943,772	13,834,811	1,891,039	15.8%
Small C&I	1,640,408	1,904,609	264,201	16.1%
Medium C&I	2,947,241	3,002,699	55,458	1.9%
Large LLF	1,117,140	1,054,154	(62,986)	-5.6%
Large HLF	244,027	263,383	19,356	7.9%
Extra Large LLF	79,618	98,603	18,985	23.8%
Extra Large HLF	214,922	124,667	(90,255)	-42.0%
Total Sales	18,485,209	20,588,868	2,103,659	11.4%
FT-2 Throughput				
Medium C&I	346,216	365,455	19,239	5.6%
Large LLF	228,055	234,957	6,903	3.0%
Large HLF	38,943	47,417	8,474	21.8%
Extra Large LLF	13,457	12,187	(1,270)	-9.4%
Extra Large HLF	11,600	8,770	(2,830)	-24.4%
Total FT-2 Throughput	638,270	638,270	30,516	4.8%
Total Throughput	19,123,479	19,123,479	2,134,175	11.2%

1/ Source: Schedule PCC-1, page 13, filed September 1, 2006.

2/ Source: Schedule PCC-2, page 13, filed May 23, 2008.

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Forecasted Design Winter Sales & Throughput by Month

	Forecasted 2007-08 Sales ^{1/} (MMBtu)	Forecasted 2008-09 Sales ^{2/} (MMBtu)	Forecasted Sales Increase (MMBtu)	% Increase
Sales				
November	1,811,973	1,749,934	(62,039)	-3.4%
December	3,245,865	3,422,185	176,320	5.4%
January	4,549,570	5,283,194	733,624	16.1%
February	4,610,492	5,136,327	525,835	11.4%
March	4,267,309	4,997,229	729,920	17.1%
Total Sales	18,485,209	20,588,869	2,103,660	11.4%
FT-2 Throughput				
November	63,113	60,053	(3,060)	-4.8%
December	109,221	108,848	(373)	-0.3%
January	161,698	178,075	16,377	10.1%
February	152,695	156,942	4,247	2.8%
March	151,544	155,868	4,324	2.9%
Total FT-2 Throughput	638,271	659,786	21,515	3.4%
Total Throughput	19,123,480	21,248,655	2,125,175	11.1%

1/ Source: Schedule PCC-1, page 13, filed September 4, 2007.

2/ Source: Schedule PCC-2, page 13, filed May 23, 2008.

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Forecasted Normal Weather Annual Sales & Throughput by Rate Class

	Forecasted Nov 2007 - Oct 2008		Forecasted Nov 2008 - Oct 2009		Forecasted Increase	
	Dth	1/	Dth	2/	Dth	%
Sales						
Residential Non-Heat	596,281		569,704		(26,577)	-4.5%
Residential Heat	17,730,700		18,015,742		285,042	1.6%
Small C&I	2,344,809		2,366,017		21,208	0.9%
Medium C&I	3,965,500		4,087,666		122,166	3.1%
Large LLF	1,362,298		1,290,082		(72,216)	-5.3%
Large HLF	438,284		483,166		44,882	10.2%
Extra Large LLF	102,977		133,086		30,109	29.2%
Extra Large HLF	442,848		272,904		(169,944)	-38.4%
Total Sales	26,983,696		27,218,366		234,670	0.9%
FT-2 Throughput						
Medium C&I	516,012		530,261		14,249	2.8%
Large LLF	272,807		287,703		14,896	5.5%
Large HLF	76,258		87,014		10,756	14.1%
Extra Large LLF	15,995		14,030		(1,965)	-12.3%
Extra Large HLF	21,252		17,040		(4,212)	-19.8%
Total FT-2 Throughput	902,324		936,048		33,724	3.7%
Total Throughput	27,886,020		28,154,414		268,394	1.0%

1/ Source: Schedule PCC-1, page 12, filed September 4, 2007.

2/ Source: Schedule PCC-2, page 12, filed May 23, 2008, columns (f) through (q).

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Forecasted Normal Weather Annual Sales & Throughput by Month

	Forecasted 2007-08 Forecast ^{1/} (MMBtu)	Forecast 2008-09 Forecast ^{2/} (MMBtu)	Increase (Decrease) (MMBtu)	% Increase (%)
Sales				
November	1,811,972	1,749,934	(62,038)	-3.4%
December	3,192,544	3,237,563	45,019	1.4%
January	4,375,567	4,307,201	(68,366)	-1.6%
February	4,481,087	4,579,592	98,505	2.2%
March	4,082,503	4,201,508	119,005	2.9%
April	3,158,996	3,173,214	14,218	0.5%
May	1,812,913	1,830,600	17,687	1.0%
June	966,677	1,142,202	175,525	18.2%
July	758,007	753,365	(4,642)	-0.6%
August	643,729	633,220	(10,509)	-1.6%
September	752,909	734,503	(18,406)	-2.4%
October	946,793	875,466	(71,327)	-7.5%
Total Sales	26,983,697	27,218,368	234,671	0.9%
Winter Sales	17,943,673	18,075,798	132,125	0.7%
Non-Winter Sales	9,040,024	9,142,570	102,546	1.1%
FT-2 Throughput				
November	63,112	60,053	(3,059)	-4.8%
December	102,155	103,814	1,659	1.6%
January	137,225	147,377	10,152	7.4%
February	135,423	141,316	5,893	4.4%
March	126,755	132,799	6,044	4.8%
April	98,798	101,904	3,106	3.1%
May	64,043	69,299	5,256	8.2%
June	40,468	49,972	9,504	23.5%
July	34,363	31,443	(2,920)	-8.5%
August	28,499	27,024	(1,475)	-5.2%
September	30,961	32,903	1,942	6.3%
October	40,522	38,143	(2,379)	-5.9%
Total FT-2 Throughput	902,323	936,046	33,723	3.7%
Winter Throughput	564,670	585,359	20,689	3.7%
Non-Winter Throughput	337,654	350,688	13,034	3.9%
Total Throughput	27,886,020	28,154,414	268,394	1.0%

1/ Source: Schedule PCC-1, page 12, filed September 4, 2007.

2/ Source: Schedule PCC-2, page 12, filed May 23, 2008.

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Development of Division Recommended GCR Charges

Line No.	GCR Cost Component	Residential & Small C&I	Medium C&I	Large LLF C&I	Large HLF C&I	Extra Large LLF C&I	Extra Large HLF C&I	FT-2 Marketer	NGV
1	Supply Fixed Costs	1/ \$ 1.0644	\$ 1.0198	\$ 1.0103	\$ 0.9069	\$ 1.0024	\$ 0.8420	n/a	
2	Storage Fixed Costs	1/ \$ 0.3746	\$ 0.4099	\$ 0.4589	\$ 0.3067	\$ 0.4364	\$ 0.2722	\$ 0.4052	
3	Supply Variable Costs	2/ \$ 9.1298	\$ 9.1298	\$ 9.1298	\$ 9.1298	\$ 9.1298	\$ 9.1298	n/a	\$ 9.1298
4	Storage Variable Product Costs	1/ \$ 1.3580	\$ 1.3580	\$ 1.3580	\$ 1.3580	\$ 1.3580	\$ 1.3580	n/a	
5	Storage Variable Non-Product Costs	1/ \$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849	
6	TOTAL	\$ 12.0117	\$ 12.0024	\$ 12.0419	\$ 11.7863	\$ 12.0115	\$ 11.6869	\$ 0.4901	\$ 9.1298
7	Uncollectible %	1/ 2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
8	GCR Charges Adjusted for Uncollectibles	\$ 12.2694	\$ 12.2599	\$ 12.3002	\$ 12.0391	\$ 12.2692	\$ 11.9376	\$ 0.5006	\$ 9.3256

1/ Source: Docket No. 3868 Schedule PCC-1, September 4, 2007.

2/ Docket No. 3868, Schedule PCC-1, page 1, line 3, plus incremental July - October 2008 commodity costs based on June 12, 2008 NYMEX natural gas prices.

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Division Proposed Changes in GCR Charges by Rate Classification*Based on National Grid's May 23, 2008 Filing*

Rate Classification	Current GCR Rate (\$/Therm)	Proposed GCR Rate (\$/Therm)	Increase (Decrease)	
			\$ (\$/Therm)	%
Residential				
Non-Heating	\$1.0844	\$1.2269	\$0.1425	13.1%
Heating	\$1.0844	\$1.2269	\$0.1425	13.1%
Commercial & Industrial				
Small	\$1.0844	\$1.2269	\$0.1425	13.1%
Medium	\$1.0835	\$1.2260	\$0.1425	13.2%
Large Low Load Factor	\$1.0875	\$1.2300	\$0.1425	13.1%
Large High Load Factor	\$1.0614	\$1.2039	\$0.1425	13.4%
Extra Large Low Load Factor	\$1.0844	\$1.2269	\$0.1425	13.1%
Extra Large High Load Factor	\$1.0513	\$1.1938	\$0.1425	13.6%
Natural Gas Vehicles	\$0.7901	\$0.9326	\$0.1425	18.0%
FT-2 Firm Transportation Marketer Gas Charge	\$0.0501	\$0.0501	\$0.0000	0.0%
Pool Balancing Charge	\$0.0028	\$0.0028	\$0.0000	0.0%