

June 18, 2009

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4065 - National Grid's Application to Change Electric Rate Schedules  
Response of National Grid to the Division's Motion to Amend Schedule**

Dear Ms. Massaro:

On behalf of Narragansett Electric Company d/b/a National Grid ("National Grid") in the above referenced docket, I am filing an original and nine (9) copies of the Response of National Grid to the Division's Motion to Amend Schedule.

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

Enclosure

cc: Leo Wold, Esq.  
Steve Scialabba, Division  
Docket 4065 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/or mailed to the individuals listed below.



\_\_\_\_\_  
Joanne M. Scanlon  
National Grid

June 18, 2009  
Date

**National Grid (NGrid) – Request for Change in Electric Distribution Rates  
Docket No. 4065 - Service List as of 6/9/09**

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the approved revenue requirement that otherwise would have been effective beginning January 1, 2010 (similar to the mechanism approved by the Commission in Docket 3943). The structure of the rate mechanism is described below.

In addition, the Company will respond to some legal conclusions drawn in the Division's brief regarding the Company's filing with which the Company disagrees. While the legal conclusions have no effect on the agreement to extend the schedule, the Company nevertheless believes it is important to respond.

**(1) Structure of Recovery Mechanism**

Before describing the structure of the proposed recovery mechanism, it is important to provide some background regarding the Company's original filing and expected effective date. On November 9, 2004, the Commission approved the Second Amended Stipulation and Rate Plan (the "2004 Rate Plan") for the Narragansett Electric Company. See, Narragansett Electric Company, Docket No. 3617, Order No. 18037 (November 4, 2004). Under the 2004 Rate Plan, customers were granted the benefit of a \$10.2 million *decrease* in base-distribution rates as well as a five-year freeze of those rates, with the rate-freeze term expiring December 31, 2009. See, Order No. 18037 at 6. Conversely, the 2004 Rate Plan granted the Company the right to file for rates effective January 1, 2010. Accordingly, the Company filed on June 1, 2009 so that the statutory 30-day notice period and 6-month suspension period could be accommodated and rates would be effective on January 1, 2010. For that reason, the Company's primary concern regarding a two-month extension of the suspension period in this case is the lost incremental revenue in the months of January and February 2010, which is due to the Company

consistent with the terms of the 2004 Rate Plan. The Commission's approval of a recovery mechanism in this case would avoid any undue financial harm arising from any delay.

The mechanism proposed by the Company would be identical to that approved by the Commission in Narragansett Electric Company, Docket No. 3943, Order No. 19434 (October 14, 2008). Specifically, the mechanism would operate as follows:

(a) The Commission would render a final decision on the Division's proposal to extend this proceeding for a 60-day period as soon as possible.

(b) 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 February 28, 2010 to render a final decision on matters involved in this case;

(c) The Commission's decision allowing the 60-day extension as requested by the Division would recite the Company's concession that the proposed rate tariffs on file with the Commission would be effective as of March 1, 2010, rather than January 1, 2010, as originally proposed by the Company.

(d) 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.

(e) Upon the Commission's approval of the compliance filing, the Company would be authorized to charge the new approved rates to usage occurring on and after January 1, 2010, which is fully consistent with the process routinely followed by the Commission in rate-case proceedings.

(f) In addition, after the Commission's decision on the rate case is rendered, the Company would be allowed to calculate the incremental revenue that the Company would have received from customers had the approved rates been in effect for consumption on and after January 1, 2010 through February 28, 2010; and

(g) To achieve this recovery, the Company would make a supplemental compliance filing no later than March 15, 2010, setting forth a lost revenue adjustment factor based on kWh consumption ("Lost Revenue Adjustment"). This Lost Revenue Adjustment would be designed to allow the Company to recover the lost incremental revenue for the period January 1 through February 28, 2010 from all customers over 12 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 April 1, 2009.<sup>2</sup>

If approved by the Commission, this proposal would provide a mechanism to grant the Division's request for additional time, while protecting the Company's right to a change in base rates as of January 1, 2010. National Grid hopes that the Commission finds this proposal responsive to the Division'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.

(2) **Division's Claims Regarding Filing Deficiencies**

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<sup>2</sup> This treatment of revenue recovery is consistent with the ruling of the Rhode Island Supreme Court in Bristol County Water Co., v. Public Utilities Commission, 363 A.2d 444, 117 R.I. 89, 98 (1976).

In describing the reasons for seeking an extension of the schedule, the Division argued that the Company's rate application was not in conformance with Rule 2.5(b) and Rule 2.8(c) of the Commission's Rules of Practice and Procedure ("Rules"). Specifically, the Division maintains that there is a deficiency because the Company has not yet filed for approval of its financing plan with the Division. As it turned out, the Division merely used this as an argument to support its request for an extension and never asked the Commission to dismiss the case. Nevertheless, the Company feels compelled to respond.

While the Company is sympathetic to the Division's concern for more time, the Division is wrong in its assessment that there somehow is a deficiency because pre-filed testimony in the case refers to a financing petition that has not yet been filed with the Division. To the contrary, the Company has fully complied with the Commission's rules. The Company's rate schedules are complete and there is not one piece of information required by the explicit terms of the Commission's rules that is missing

Taken together, Rule 2.5(b) and Rule 2.8(c) require that the Company fully explain and support a proposed capital structure, where that capital structure differs from the Company's actual capital structure. In this case, the Company fully complied with these rules. The Company's filing states that the Company is proposing to use its actual capital structure as of December 31, 2008, adjusted to include the issuance of \$512 million in the post-test year period. See, Testimony of Paul R. Moul, at 2. In the Testimony of Paul R. Moul, the Company has fully explained and provided support for (1) the nature of the planned issuance, (2) the purpose and timing of the planned issuance, and (3) the impact of the planned issuance on the Company's actual capital structure. Consequently, the

Company has met the filing requirements established by Rules 2.5(b) and 2.8(c), by providing the probative details necessary to investigate the capital structure proposed by the Company for ratemaking purposes in this docket.

It is true that the testimony of one witness refers to a petition “to restructure its capitalization that has been filed with the Rhode Island Division of Public Utilities and Carriers.” The testimony of Mr. Moul was written this way, because the Company knew that it would have a financing petition filed long before this witnesses’ testimony would be accepted as a full exhibit in this case at the time of the evidentiary hearings. On lines 13 and 14 of page 2, the testimony also accurately states that the petition will be filed in June. In fact, on the same day that the Company is filing this response, the Company also has filed its financing petition with the Division. Thus, there is absolutely no prejudice to any party in this case.

The witness could have referred to the Company’s present financing plans, without mention of any filing to be made. By mentioning the filing that was about to be made, however, the Company was providing more information. But it was not information that was required under any Commission rule that would render the filing deficient in its absence.

There was no missing information in this filing. Rather, the testimony simply states that the capital structure is based on the Company’s current financing plan. It just happens that the financing plan needs to be approved by the Division. This does not create a filing deficiency. It may be a matter that could be probed on an evidentiary basis during the proceedings in this docket, but it does not constitute missing information under the Commission’s rules. In fact, the Division cannot point to any information

needed to calculate all the components of the cost of service, including the return on rate base. The only point that the Division makes is that the financing plan had not been filed with the Division as of the time of the rate case filing.

In any event, there is no prejudice to the Division. The Company has no objection to the Division's proposed extension of the hearing schedule, provided that the Commission adopts the "make whole" provision described earlier in this response.

In conclusion, the Company respectfully requests that the Commission grant the Division's recommendation for a two-month extension of the suspension period in this case (i.e., through February 28, 2010), along with a rate mechanism that would allow the Company to recover the incremental revenues due to the Company in the period January 1, 2010 through February 28, 2010.

Respectfully submitted,

**NATIONAL GRID**

By its attorneys,



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Dated: June 18, 2009