

October 6, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket No. 4196 – Distribution Adjustment Charge Filing – 2010
Response to Division 3-8 and Division 3-12

Dear Ms Massaro:

Enclosed please find ten (10) copies of National Grid's response to Division Data Requests 3-8 and 3-12.

Concerning the Company's response to Division Data Request 3-8, please note that page 2 of Attachment DIV 3-8 was inadvertently omitted from the Company's transmittal on September 24, 2010. Please supersede the prior transmittal of the Company's response and attachment to Division 3-8 with the enclosed version.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me at (401) 784-7667.

Sincerely,



Thomas R. Teehan

Enclosures

cc: Leo Wold, Esq.
Steve Scialabba

Division Data Request 3-8

Request:

Referring to NG-JFN-6S, Page 5, why are the carrying charges calculated on the full annual amount from page 4, rather than on the revenues foregone for the four-month period July 1, 2010 through October 31, 2010?

Response:

The carrying charges were calculated based on the entire annual revenue requirement times the weighted average cost of capital adjusted for the four month delay because the four month delay occurs for each of the twelve months to be recovered. In other words, a “permanent” four month delay exists for the entire recovery period of the annual revenue requirement until all dollars are fully recovered. Please refer to Attachment DIV 3-8 for a revised calculation of the carrying charges using the after-tax weighted average cost of capital (see the Company’s response to Division Data Request 3-9) and an analysis that shows a monthly calculation of the carrying charges. Please also refer to the Attachment NG-JFN-6US which adjusts the ARP carrying charges, and the Updated Supplemental Testimony of John F. Nestor, III at page 3.

Prepared by or under the supervision of: William R. Richer and John F. Nestor, III

**National Grid - RI Gas
Accelerated Infrastructure Replacement Program
Computation of Carrying Cost Calculations**

<u>Line</u> <u>No.</u>		<u>November 1, 2010</u>
		<u>Through</u> <u>October 31, 2011</u>
1	Incremental Revenue Requirement	\$304,692
2	Weighted Average Cost of Capital	2.90%
3	Net Carrying Charges	<hr/> \$8,846

Notes

- 2/ After-tax weighted average cost of capital adjusted for the 4 months delay (8.71% x 4/12)

**National Grid - RI Gas
Accelerated Infrastructure Replacement Program
Illustrative Computation of Carrying Charges**

Line No.	Month	Monthly Revenue Requirement Earned	Monthly Revenue Requirement To be collected	Cumulative Revenue Requirement	Carrying Charges 8.71%
		(a)	(b)	(c)	(d)
1	July-10	25,391		25,391	184
2	August-10	25,391		50,782	369
3	September-10	25,391		76,173	553
4	October-10	25,391		101,564	737
5	November-10	25,391	25,391	101,564	737
6	December-10	25,391	25,391	101,564	737
7	January-11	25,391	25,391	101,564	737
8	February-11	25,391	25,391	101,564	737
9	March-11	25,391	25,391	101,564	737
10	April-11	25,391	25,391	101,564	737
11	May-11	25,391	25,391	101,564	737
12	June-11	25,391	25,391	101,564	737
13	July-11		25,391	76,173	553
14	August-11		25,391	50,782	369
15	September-11		25,391	25,391	184
16	October-11		25,391	0	0
17					
18					
19		<u>\$304,692</u>	<u>\$304,692</u>		<u>\$8,846</u>

Division Data Request 3-12

Request:

Referring to Attachment WRR-2, page 87, please explain the increases in expenses charged to Account 920 and Account 921 for the twelve months ended June 30, 2010 over the previous twelve-month period.

Response:

The increase in Account 920 for the twelve months ended June 30, 2010 over the previous twelve-month period is due, in part, to labor costs being charged to Account 920 whereas those labor costs previously had been charged to other income statement accounts. This is the result of a change in the mix of labor costs from the legacy National Grid service company and direct Narragansett Gas employee labor costs, which were being charged to accounts other than Account 920, to the legacy KeySpan service company employee labor charges and associated benefits, which are charged to Account 920. In addition, Account 920 for the twelve months ended June 30, 2010 includes the costs of in-sourcing the management of the gas supply portfolio approved by the Commission in Docket 4038. There were no such costs in the twelve months ended June 30, 2009.

The increase in Account 921 for the twelve months ended June 30, 2010 over the previous twelve-month period is primarily due to the Company's portion of the new Northboro Customer Call Center of \$1,226,355. In addition, in 2009 the Company began deferring certain merger integration costs (i.e. Cost to Achieve or "CTA") which it is amortizing over a 10 year period as approved by the RIPUC in Docket No. 3943, Order No. 19563. The amounts deferred in 2009 included a true up of CTA costs that the Company had incurred prior to the Commission's Order allowing deferral of these costs. This true up, which was recorded in March 2009 totaled \$2.6M and was reflected on the books as a credit to Account 921. There was no such credit of this magnitude recorded in the twelve months ended June 30, 2010. There were other increases in Account 921 made up of small increases in multiple expense categories.

Prepared by or under the supervision of: William R. Richer