

September 22, 2010

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4196 - 2010 Distribution Adjustment Charge Filing  
Responses to Division Data Requests – Set 4**

Dear Ms Massaro:

Enclosed please find ten (10) copies of National Grid's<sup>1</sup> responses to the Division's Fourth Set of Data Requests issued on September 20, 2010, in the above-captioned proceeding.

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  
Bruce Oliver

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("Company").

Division Data Request 4-1

Request:

Re: the Supplemental Direct Testimony of National Grid witness Nestor Attachment NG-JNF-2S. Please:

- a. Document and explain in detail by month the reasons for the significant changes in Withdrawal Commodity costs for the months December 2010 through March 2011 between National Grid's initial Testimony and attachments in this proceeding (Attachment NG-JFN-2) and its Supplement Testimony and attachments.
- b. Provide the data and calculations used in the determination of "Inventory Costs" shown in Attachment NG-JNF-2S, including but not limited to the specification of estimated average monthly inventory levels.
- c. Document and explain in detail the reasons for the increase in projected "Demand from GCR" in Attachment NG-JNF-2S when compared with the "Demand from GCR" shown in Attachment NG-JNF-2 that was filed with the Company's initial Direct Testimony in this proceeding.

Response:

- a. Please see the Company's Response to DIV 1-3. The data provided for the System Pressure Factor in Attachment NG-JFN-2 in the August 2, 2010 Preliminary DAC filing reflects the partial information that was available at the time of the filing before the completion of the Company's Gas Cost Recovery (GCR) Filing. It was designed to provide preliminary information about the System Pressure factor, but was not a final or proposed rate. Subsequently, the System Pressure data, including the Withdrawal Commodity and Demand costs were finalized and submitted in the Company's September 1, 2010 GCR filing. This final System Pressure data was then incorporated into Attachment NG-JFN-2S in the Company's September 1, 2010 DAC filing.
- b. The monthly Inventory Costs included in the System Pressure calculation is found in Attachment NG-JFN-1, Inventory Finance tab, lines 22-24 of the Company's GCR filing of September 1, 2010. Please see Attachment DIV 4-1 (b).
- c. The data provided for the "Demand from GCR" in Attachment NG-JFN-2 in the August 2, 2010 Preliminary DAC filing reflects the partial information that was available at the time of the filing before the completion of the Company's Gas Cost Recovery (GCR) Filing. It was designed to provide preliminary information about the "Demand from GCR" calculation. The increase in projected "Demand

Division Data Request 4-1 (cont.)

from GCR” from the \$1,964,880 in the August 2, 2010 Preliminary DAC filing to \$3,935,880 reflects the additional demand costs from a contract which is shown on the un-redacted version of Attachment EDA-2 at Page 14 of 17 in the Company’s September 1, 2010 GRC filing.

Prepared by or under the supervision of: John F. Nestor, III and Elizabeth Arangio

Gas Cost Recovery (GCR)  
Inventory Finance Cost Calculation

ATTACHMENT DIV 4-1 (b)

Attachment-NG-JFN-1  
Docket No. \_\_\_\_\_  
September 1, 2010  
Page No. 1

Line No.	Description (a)	Nov-10 (c)	Dec-10 (d)	Jan-11 (e)	Feb-11 (f)	Mar-11 (g)	Apr-11 (h)	May-11 (i)	Jun-11 (j)	Jul-11 (k)	Aug-11 (l)	Sep-11 (m)	Oct-11 (n)	Total (p)	Line No.
1	<b>Storage Inventory Balance</b>	\$23,678,819	\$20,322,012	\$13,678,244	\$8,537,946	\$7,645,122	\$11,597,943	\$15,657,328	\$19,556,035	\$21,998,315	\$24,331,900	\$25,355,458	\$25,445,792		1
2	Hedging														
3	Subtotal	\$23,678,819	\$20,322,012	\$13,678,244	\$8,537,946	\$7,645,122	\$11,597,943	\$15,657,328	\$19,556,035	\$21,998,315	\$24,331,900	\$25,355,458	\$25,445,792		
4	Cost of Capital	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%		2
5	Return on Working Capital Requirement	\$1,767,824	\$1,517,210	\$1,021,196	\$637,430	\$570,773	\$865,884	\$1,168,952	\$1,460,023	\$1,642,360	\$1,816,582	\$1,892,999	\$1,899,743	\$16,260,973	3
6	Weighted Cost of Debt	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%		4
7	Interest Charges Financed	\$581,621	\$499,168	\$335,978	\$209,717	\$187,787	\$284,879	\$384,590	\$480,354	\$540,343	\$597,663	\$622,804	\$625,023	\$5,349,927	5
8	Taxable Income	\$1,186,202	\$1,018,041	\$685,218	\$427,713	\$382,986	\$581,005	\$784,362	\$979,669	\$1,102,017	\$1,218,919	\$1,270,194	\$1,274,720		6
9	1 - Combined Tax Rate	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500		7
10	Return and Tax Requirement	\$1,824,927	\$1,566,217	\$1,054,182	\$658,019	\$589,210	\$893,853	\$1,206,710	\$1,507,184	\$1,695,410	\$1,875,260	\$1,954,145	\$1,961,107	\$16,786,225	8
11	Working Capital Requirement	\$2,406,548	\$2,065,386	\$1,390,160	\$867,736	\$776,996	\$1,178,733	\$1,591,300	\$1,987,537	\$2,235,753	\$2,472,922	\$2,576,950	\$2,586,130	\$22,136,152	9
12	Monthly Average	\$200,546	\$172,115	\$115,847	\$72,311	\$64,750	\$98,228	\$132,608	\$165,628	\$186,313	\$206,077	\$214,746	\$215,511	\$1,844,679	10
13	<b>LNG Inventory Balance</b>	\$6,078,502	\$5,390,142	\$5,259,313	\$5,141,232	\$5,010,403	\$5,431,651	\$5,869,189	\$5,949,681	\$5,942,291	\$5,935,918	\$5,930,339	\$5,926,231		11
14	Cost of Capital	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%	7.47%		12
15	Return on Working Capital Requirement	\$453,811	\$402,420	\$392,652	\$383,836	\$374,069	\$405,519	\$438,184	\$444,194	\$443,642	\$443,166	\$442,750	\$442,443	\$5,066,687	13
16	Weighted Cost of Debt	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%		14
17	Interest Charges Financed	\$149,306	\$132,398	\$129,184	\$126,284	\$123,070	\$133,417	\$144,164	\$146,142	\$145,960	\$145,804	\$145,667	\$145,566	\$1,666,961	15
18	Taxable Income	\$304,506	\$270,022	\$263,468	\$257,553	\$250,999	\$272,101	\$294,020	\$298,052	\$297,682	\$297,363	\$297,083	\$296,878		16
19	1 - Combined Tax Rate	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500	0.6500		17
20	Return and Tax Requirement	\$468,470	\$415,418	\$405,335	\$396,235	\$386,152	\$418,617	\$452,338	\$458,542	\$457,972	\$457,481	\$457,051	\$456,735	\$5,230,347	18
21	Working Capital Requirement	\$617,776	\$547,816	\$534,519	\$522,518	\$509,222	\$552,035	\$596,503	\$604,684	\$603,932	\$603,285	\$602,718	\$602,300	\$6,897,308	19
22	Monthly Average	\$51,481	\$45,651	\$44,543	\$43,543	\$42,435	\$46,003	\$49,709	\$50,390	\$50,328	\$50,274	\$50,226	\$50,192	\$574,776	20
23	System Balancing Factor	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%	16.80%		21
24	Balancing Related Inventory Costs	\$8,649	\$7,669	\$7,483	\$7,315	\$7,129	\$7,728	\$8,351	\$8,466	\$8,455	\$8,446	\$8,438	\$8,432	\$96,562	22
25	Supply Related Inventory Costs	\$42,832	\$37,982	\$37,060	\$36,228	\$35,306	\$38,274	\$41,358	\$41,925	\$41,873	\$41,828	\$41,788	\$41,759	\$478,213	23

Division Data Request 4-2

Request:

Re: the Supplemental Direct Testimony of National Grid witness Nestor at page 4, lines 3-13.  
Please:

- a. Document any and all differences in the forecasting methodology and/or data inputs that were used in the development of the Company's preliminary throughput forecast that was used in the Company's August 2, 2010 filing of initial testimony in this proceeding and in the updated throughput forecast reflected in witness Nestor's Supplemental Direct Testimony.
- b. Provide a copy of the results of the Company's preliminary throughput forecast in a format comparable to Attachment NG-JFN-1, page 14 of 15, in the Company's September 1, 2010 GCR filing (Docket No. 4199).

Response:

- a. The forecasting methodology and data inputs utilized in the Company's August 2, 2010 Preliminary DAC filing utilized a preliminary total customer summary adjusted for non-firm service. The total customer summary data was utilized at this time because the customer rate classification forecast data was still being reviewed and refined for use in the Company's GCR filing. The forecasted throughput in the September 1, 2010 DAC filing utilized the same forecasting methodology and data inputs as the Preliminary DAC, but reflects the specific customer rate class forecasted data that was finalized for the September 1, 2010 GCR filing.
- b. See sub-part (a). The Company's August 2, 2010 Preliminary DAC filing was developed by utilizing a preliminary *total* customer summary adjusted for non-firm service. Therefore the Preliminary DAC filing forecast cannot be calculated upon a rate class format as displayed in Attachment NG-JFN-1, page 14 of 15, in the Company's September 1, 2010 GCR filing.

Prepared by or under the supervision of: John F. Nestor, III and Leo Silvestrini