STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

NATIONAL GRID ANNUAL GAS COST RECOVERY (GCR) FILING	: :	**DOCKET NO. 4199**

The Division of Public Utilities and Carriers Response to National Grid Rebuttal Testimony

1. Pricing of Capacity Released to Marketers:

a. Sufficient uncertainty exists regarding Fixed Capacity costs for the coming GCR year to warrant a requirement that the Fixed Cost components of costs for Capacity Released to Marketers be reconciled with actual costs on an after the fact basis.

b. Leaving customers exposed to the potential for cross-subsidies between sales and transportation service would be inappropriate and unwarranted.

c. Any reconciliation adjustment applied to marketer charges should be made on a prospective basis only, and implemented in conjunction with adjustments to GCR charges for the Company's Sales service customers.

d. If adjustments are made to GCR rates for sales service customers to reflect differences between estimated and projected Fixed Costs without corresponding adjustments to Marketer Charges for released capacity, the relative costs of sales and transportation service alternatives are likely to be distorted.

2. Allocation of LNG Costs to the DAC

a. Given the substantial changes in (i) National Grid's supply portfolio, (ii) its forecasted sales and throughput volumes, and (iii) its anticipated use of natural gas during the coming winter, the Company has failed to demonstrate the continued appropriateness of the 16.8% System Pressure Factor that it calculated for Docket No. 3943.

b. National Grid offers no evidence that maintenance of a 16.8% System Pressure Factor "*better reflects the [Company's planned] use of LNG for System Pressure in the coming year....*" In fact, National Grid's response to Division Data Request DIV 1-7 indicates that the Company has not finalized its plans for use of LNG during the coming winter.

c. National Grid is not harmed by the Division's proposal to recover all of its estimated LNG costs for the 2010-2011 GCR year through its GCR charges.

d. National Grid's response to Division Data Request DIV 1-4 illustrates the substantial impact that commencement of service from Algonquin's East/West project will have on its planned use of LNG for Newport and Westerly.

e. The Algonquin East/West Project as well as other actual and potential changes to the Company's gas supply portfolio will also impact National Grid's use of LNG for System Pressure purposes in other areas of its system.

f. The withdrawals of LNG from storage that National Grid details in Attachment EDA-1, page 2 of 17, suggest that for the coming winter LNG use in all months other than December will be limited to "boil-off" volumes and even December LNG use is significantly reduced. That is a very different monthly profile for LNG use under normal weather conditions than the Company has presented in past GCR proceedings.

3. Recovery of Prior Period Costs

a. The Company's Rebuttal Testimony still does not provide sufficient detail regarding either the disputed $1.3 million prior period costs or the overall $6.2 million "netting" adjustment for the Division to verify the magnitude and appropriateness of those significant adjustments to the Company's deferred gas cost balance.

b. The Company fails to recognize that the prior period adjustment for **non-firm gas costs** in Docket No. 4097 referenced in witness Nestor's Rebuttal Testimony (page 10, lines 8-16) is a reflection of issues raised, but not fully resolved, in the prior docket (Docket No. 3982) due to the absence of sufficient supporting detail in that prior docket for the Division to complete its review and assessment of the subject non-firm gas costs.

c. The Commission's Tennessee Pipeline refunds should not serve as precedent for allowing the Company's recovery of the $1.3 million of prior period costs that Division witness Oliver addresses in his Direct Testimony in this proceeding, given that such refunds are the product of determinations by another regulatory body (i.e., FERC).

d. National Grid erroneously argues at page 11, lines 7-11, of witness Nestor's Rebuttal that the $695,928 doubling counting adjustment the Company has made to its deferred Gas Cost Balance would constitute a prior period adjustment in the Company's next Annual Reconciliation filing.

i. If the adjustments to those costs were fully and properly detailed, the Division would segregate those adjustments by appropriate reconciliation period.

ii. However, National Grid has only shown an aggregate one-time adjustment and has not provided the monthly detail supporting that adjustment. (Again, it must be noted that the monthly detail for the Company's $695,928 doubling counting adjustment was apparently computed outside the electronic spreadsheet file provided to the Division.)

iii. Monthly detail for that adjustment is necessary to ensure that the monthly pieces of that adjustment are properly assigned by reconciliation period.

iv. The potential for future booking of a prior period adjustment relating to such costs is the product of the absence of adequate and appropriate detail in the Company's filing and supporting workpapers. That detail is necessary to properly assign portions of that adjustment to the appropriate reconciliation period. It is not the result of an inconsistency in the Division's position.