

September 30, 2010

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4199 - 2010 Gas Charge Recovery Filing  
Responses to Division Data Requests (Set 3)**

Dear Ms Massaro:

Enclosed please find ten (10) copies of National Grid's responses to the Division's Third Set of Data Requests 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,

A handwritten signature in blue ink, appearing to read "T. Teehan".

Thomas R. Teehan

Enclosures

cc: Leo Wold, Esq.  
Steve Scialabba  
Bruce Oliver

Division Data Request 3-1

Request:

Re: the Company's August 2, 2010 Annual Gas Cost Recovery Reconciliation Report, please provide a fully auditable accounting trail to document and explain the \$4.2 million upward adjustment to gas costs by month that were made by the Company and included in its May 20, 2010 Monthly Filing of GCR Deferred Balances.

Response:

It is the Company's understanding that this request relates to the \$6.2M<sup>1</sup> adjustment identified in the Company's May 20, 2010 Monthly Filing of GCR Deferred Balances. As noted in that filing, the \$4.2 million adjustment related to *forecasted* gas costs for the May to October 2010 period. The adjustment eliminated a double counting of the hedge impact on injections that had been included in the Deferred Report model. Those forecasted amounts have been replaced each month with actual costs through August 2010. The model used to prepare the Deferred Report has been revised to eliminate the double counting.

As to the \$6.2 million adjustment, in April 2010, the Company's Accounting group identified an issue related to gas costs associated with netting transactions, which are transactions in which the Company buys and sells gas to the same vendor. Rather than issuing an invoice for the sale and receiving an invoice for the purchase, a "net" invoice is rendered by the Company to the supplier for transactions in which the sale exceeds the purchase, and a "net" invoice is received by the Company from the supplier for transactions in which the purchase exceeds the sale. The \$6.2 million adjustment arose in instances where the Company rendered a "net" invoice, and the gas cost component, although correctly recorded in the Company ledger, was inadvertently excluded from the data provided for inclusion in the gas cost deferral calculation. Consequently, during the periods May 2009 through April 2010, \$6,173,538 of gas costs, although they were properly recorded in the Company's ledger, were not included in the Deferred calculation for future regulatory recovery. An adjusting entry was recorded in April 2010 retroactive to May 2, 2009 to address this oversight.

The following table identifies the journal source and calculation for the adjustment.

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<sup>1</sup> \$773,000 of this adjustment was appropriately accounted for in the current month.

The Narragansett Electric Company  
d/b/a National Grid  
Docket No. 4199 - GCR 2010  
Responses to Division Data Requests – Set 3  
Issued on September 17, 2010

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Division Data Request 3-1 (continued)

Business Un	Regulatory A	Regulatory Acct Descr	Jrnl Id	Jrnl Line Des	Jrnl Dt	Posted Jrnl \$
00048	804000	Natural Gas City Gate Purch	BI00228762	BI Billing	05/18/2009	\$ 212,442.98
00048	804000	Natural Gas City Gate Purch	BI00231996	BI Billing	06/12/2009	\$ 1,136,450.21
00048	804000	Natural Gas City Gate Purch	BI00235408	BI Billing	7/13/2009	\$ 275,329.07
00048	804000	Natural Gas City Gate Purch	BI00236403	BI Billing	7/22/2009	\$ (3,103.44)
00048	804000	Natural Gas City Gate Purch	BI00239431	BI Billing	8/25/2009	\$ 176,860.17
00048	804000	Natural Gas City Gate Purch	BI00242620	BI Billing	9/14/2009	\$ 687,822.39
00048	804000	Natural Gas City Gate Purch	BI00242887	BI Billing	9/16/2009	\$ (3.12)
00048	804000	Natural Gas City Gate Purch	BI00246411	BI Billing	10/15/2009	\$ 957,361.42
00048	804000	Natural Gas City Gate Purch	BI00249902	BI Billing	11/16/2009	\$ 601,588.24
00048	804000	Natural Gas City Gate Purch	BI00252812	BI Billing	12/10/2009	\$ 404,628.84
00048	804000	Natural Gas City Gate Purch	BI00257213	BI Billing	1/18/2010	\$ 24,145.80
00048	804000	Natural Gas City Gate Purch	BI00260744	BI Billing	2/17/2010	\$ 635,043.47
00048	804000	Natural Gas City Gate Purch	BI00263974	BI Billing	3/15/2010	\$ 286,307.50
00048	804000	Natural Gas City Gate Purch	BI00264778	BI Billing	3/22/2010	\$ 5,835.10
00048	804000	Natural Gas City Gate Purch	BI00268790	BI Billing	4/20/2010	\$ 772,829.44
						\$6,173,538

Prepared by or under the supervision of: John F, Nestor, III and Michael Wald

Division Data Request 3-2

Request:

Re: the Company's August 2, 2010 Annual Gas Cost Recovery Reconciliation Report, please explain the measures National Grid has taken to ensure that similar misallocations of costs are avoided in future monthly and/or annual reporting of deferred gas cost balances.

Response:

Meetings were held with the Company's Energy Accounting and Regulatory group to review the nature of their transactions and processes and to ensure that the appropriate information is included in the gas cost deferral calculation in the future.

Prepared by or under the supervision of: John F, Nestor, III and Michael Wald

Division Data Request 3-3

Request:

Re: the Company's August 2, 2010 Annual Gas Cost Recovery Reconciliation Report, please indicate why the Company believes it is appropriate for adjustments relating to costs incurred in months prior to July 2009, which were the subject of the Company's 2009 Annual Gas Cost Reconciliation Report, should be reflected in the Company's GCR rates for the 2010-2011 GCR period.

Response:

It is the Company's position that it is appropriate to reflect in the Company's forecasted Gas Cost Recovery ("GCR") rates for 2010 – 2011 the previously incurred gas costs from prior periods because they are prudently incurred gas costs that were excluded due to an oversight and not intentionally left out. In addition, their inclusion is also appropriate as it is common for items from prior periods such as credits and refunds to be included. These adjustments were discovered subsequent to the Company's 2009 Annual Gas Costs Reconciliation Report and last year's GCR filing and included as soon as the Company became aware of their existence. A consistent approach to the recovery of gas costs dictates that if it is appropriate to include prior period refunds and credits for gas costs in the GCR then it is also appropriate to include prior-period gas cost adjustments. Since the Company has included in the current GCR filing refunds received from the Tennessee Pipeline that relate to a number of periods prior to July 2009 and would include any costs it found that were credits to customers, it is appropriate to include known prior period adjustments to gas costs as well.

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