

January 28, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4206 - Revenue Decoupling Mechanism Proposal  
Responses to Division Data Request 1-2 and 1-3**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's responses to Division Data Requests 1-2 and 1-3 in the above-captioned proceeding.

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

Enclosures

cc: Docket 4206 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



\_\_\_\_\_  
Joanne M. Scanlon

January 28, 2011  
Date

**Docket No. 4206 - National Grid (NGrid) – Revenue Decoupling Mechanism Filing  
Service List as of 12/7/10**

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Division 1-2

Request:

Please provide all data, analyses, and rationales upon which the Company relies to assess the conformity of its proposed electric RDM with legislated requirements for such a mechanism.

Response:

The revenue decoupling statute seeks to eliminate disincentives to the Company's fully embracing energy efficiency programs and to thereby enhance energy efficiency activities and encourage attaining the goals established for system reliability and energy efficiency and conservation procurement. The statute seeks to decouple electricity revenues from sales in a way that reduces risks for customers and for the Company including societal, weather and economic risks.

As the law provides, the Company's proposal for an electric revenue decoupling reconciliation mechanism contains an annual reconciliation between actual revenue and the revenue requirement resulting from the Company's last general rate case that would credit to or recover from customers any over- or under- recoveries. The proposed electric RDM carries out the statutory intent of eliminating disincentives for the Company to support energy efficiency programs. Thus the Company would be free to fully promote and implement wider scale energy efficiency programs without the risk of declining revenue as a result of successful demand side management by its customers.

Also, please see Section V, pages 21 – 22 of the Company's pre-filed direct testimony in this proceeding, which discusses how the Company believes that its RDM proposals in this docket are consistent with the legislated requirements for this mechanism.

Prepared by or under the supervision of: Legal Counsel and Jeanne Lloyd

Division 1-3

Request:

Please provide all data, analyses, and rationales upon which the Company relies to assess the conformity of its proposed gas RDM with legislated requirements for such a mechanism.

Response:

The revenue decoupling statute seeks to eliminate disincentives to the Company's fully embracing energy efficiency programs and to thereby enhance energy efficiency activities and encourage attaining the goals established for system reliability and energy efficiency and conservation procurement. The statute seeks to decouple gas revenues from sales in a way that reduces risks for customers and for the Company including societal, weather and economic risks.

As the law provides, the Company's proposal for a gas revenue decoupling reconciliation mechanism contains an annual reconciliation between actual revenue and the revenue requirement resulting from the Company's last general rate case. That reconciliation would credit to or recover from customers any over- or under- recoveries. The proposed gas RDM carries out the statutory intent of eliminating disincentives for the Company to support energy efficiency programs. Thus, the Company would be free to fully promote and implement wider scale energy efficiency programs without the risk of declining revenue as a result of successful demand side management by its customers. The new law requires that the gas RDM be determined on a revenue per-customer basis in a manner typically employed for gas distribution companies in the industry. This is the approach taken in the Company's proposed gas RDM. As described in the Company's response to DIV 1-6, the Company's proposed RDM is consistent with a variety of other RDMs approved for affiliated companies in other jurisdictions. Moreover, according to the most recent American Gas Company survey, approximately 15 of the 19 gas companies responding to the survey have some form of revenue (or margin)- per-customer RDM plan. The law also permits (but does not require) the exclusion of customers in the large commercial and industrial rate class from the gas distribution mechanism. As permitted by the decoupling law, the Company's gas RDM proposal excludes large and extra large commercial & industrial rate classes, which are rate classes in which there are a relatively small number of customers and those customers are significantly diverse in the ways they use natural gas and in their usage levels. Also, please see Section V, pages 21 – 22 of the Company's pre-filed direct testimony in this proceeding which discusses how the Company's RDM proposals in this docket are consistent with the legislated requirements for this mechanism.