Thomas R. Teehan
Senior Counsel

November 18, 2010

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 Commission Data Requests – Set 1

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's responses to the Commission's First Set of Data Requests issued on October 28, 2010, concerning 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
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Commission Data Request 1-1

Request:

For electric, the company proposes an interim rate adjustment in the event that the annualized RDM reconciliation results in a projected over or under collection of ATR that exceeds 10% of ATR.

a) Please explain how 10% was determined to be the appropriate threshold.

b) What would a 10% decoupling adjustment equate to in terms of dollars for a typical residential customer.

c) What would a 10% decoupling adjustment equate to in terms of percentage change in the overall bill of a typical residential ratepayer assuming:
   i. A 10% over collection
   ii. A 10% under collection

Response:

a) The Company chose 10% because it believes that this level of deferral is significant enough to warrant immediate attention. The Company had a similar "test" in place in its prior Standard Offer Service reconciliation in which a projected over or under collection of $26 million, which is consistent with the value of 10% of distribution revenue (see the response to part (b) below), would trigger a potential adjustment to the Standard Offer Service rate

b) Based on the current Annual Target Revenue ("ATR") of $230,771,000, a variance of 10% is $23,077,100 (positive or negative) in the projected RDM annual reconciliation. An over or under collection of $23,077,100 would equate to a uniform per kWh rate of $0.00295, assuming that the under or over collection was collected from or refunded to customers over a twelve month period. The monthly impact on a typical residential customers using 500 kWh per month would be an increase or decrease of $1.54 ($1.48 plus gross earnings tax of $0.06) per month.

c) The percentage change in the monthly bill of a typical residential customer using 500 kWh per month would 1.9% assuming either an increase or decrease of $1.54 per month.

Prepared by or under the supervision of: Jeanne A. Lloyd

Commission Data Request 1-2

Request:

For electric let's assume, for sake of discussion, that in month 8 of a 12 month reconciliation period, the company identifies a potential under (or over) collection in excess of 10% for the period. What would be the company's proposed recovery period for that over (under) recovery? Would the company propose that the over (under) recovery be recovered in the remaining months of the reconciliation period? Please explain.

Response:

Ideally, the Company would prefer to implement a revised RDM adjustment factor so that the projected deferral would be close to zero by the end of the RDM reconciliation year. However, if the projected deferral was identified later in the reconciliation period, the Company would likely propose a rate adjustment that would balance the need to address the projected balance by the end of the reconciliation year and the impact such an adjustment would have on customers. The possible alternatives could be to recover a portion of the projected balance through the remainder of the reconciliation period and address the resulting over (under) recovery through the reconciliation process or to use a longer period of time over which the projected balance would be recovered or credited.

Prepared by or under the supervision of: Jeanne A. Lloyd

Commission Data Request 1-3

Request:

For electric, how is the company proposing to avoid cross subsidization of rate classes? For example, assume a given rate class has a large difference between ATR and actual revenues and ATR of all other classes is relatively close to actual revenue.

Response:

The Company's proposal to charge a uniform per kWh RDM adjustment factor, rather than rate class specific factors, may result in some potential cross subsidization of costs between rate classes. However, the Company is proposing the uniform adjustment factor in order to avoid a potential significant impact on any particular rate class that could occur should any class experience a large difference between ATR and actual revenue during an RDM reconciliation year.

A variance in actual revenue billed to allowed revenue requirement for a particular rate class can occur for a variety of reasons in addition to the aggressive implementation of energy efficiency measures by a large number of the customers in the class. For example, a migration of one or more large customers between rate classes can substantially affect the revenue collection from a class containing relatively few customers. If RDM adjustments are class specific, then any large reduction in revenue would be collected from all remaining customers in the class over the subsequent recovery period, and could result in undesirable impacts to those customers. Therefore, the Company's proposed uniform adjustment factor will serve to minimize potential adverse impacts on individual customer classes between base distribution rate proceedings.

In addition, the Company's proposal to charge a uniform per kWh RDM adjustment factor, rather than rate class specific factors, is consistent with the funding of the Company's Energy Efficiency programs. The Energy Efficiency Program Surcharge is a single adjustment factor that is applied to all rate classes. Use of a single per kWh adjustment factor aligns the Company's recovery of lost revenue through the RDM and the funding mechanism of its Energy Efficiency programs.

Prepared by or under the supervision of: Jeanne A Lloyd

Commission Data Request 1-4

Request:

For gas, if RPC targets are achieved (no over or under recovery) and there is growth in customer count, who retains the revenue from the additional customers.

Response:

The Company will retain the revenue from the additional customers, as it does under current ratemaking. This is appropriate as the incremental revenue will contribute to the investment made by the Company to add the facilities needed to serve the customer. Retention of the incremental revenue from new customers until the next rate case creates an incentive for the Company to add customers, which benefits customers, since in the next rate case the revenue requirement will then be spread over more customers and billing determinants.

Prepared by or under the supervision of: Jennifer B. Feinstein

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Commission Data Request 1-5

Request:

For gas, please provide the number of customers by class for each month for the most recent 36 months.

Response:

Please see Attachment COMM 1-5

Prepared by or under the supervision of: Jennifer B. Feinstein

Customers

	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
Residential Non-Heat	31,991	31,997	31,996	31,899	31,807	31,693	31,568	31,460	31,350	31,290	31,268	31,264
Residential Heat	190,389	192,730	193,904	194,327	194,525	194,316	193,500	192,470	191,410	190,200	189,935	189,947
Small C&I	17,736	18,186	18,390	18,468	18,462	18,442	18,296	18,155	17,949	17,800	17,713	17,666
Medium C&I	4,398	4,413	4,426	4,445	4,444	4,439	4,432	4,456	4,407	4,395	4,286	4,281

	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Residential Non-Heat (with Low-Income)*	31,308	31,361	31,346	31,244	30,946	30,728	30,571	30,443	30,271	30,206	30,106	30,044
Residential Heat (with Low Income)*	191,776	193,986	195,225	196,041	196,380	196,304	195,139	194,459	192,812	192,550	191,975	192,054
Small C&I	17,877	18,183	18,412	18,530	18,524	18,356	18,203	18,060	17,879	17,773	17,777	17,832
Medium C&I	4,313	4,315	4,387	4,395	4,411	4,384	4,400	4,400	4,387	4,379	4,217	4,246

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Residential Non-Heat (with Low-Income)*	30,046	30,055	29,898	29,433	28,964	28,796	28,518	28,321	28,158	27,865	27,818	27,642
Residential Heat (with Low Income)*	193,982	195,208	196,686	197,467	198,382	198,776	198,142	197,041	195,513	194,951	194,483	194,773
Small C&I	18,093	18,283	18,582	18,652	18,684	18,575	18,379	18,183	17,985	17,840	17,829	17,834
Medium C&I	4,283	4,303	4,350	4,374	4,378	4,380	4,353	4,354	4,347	4,336	4,244	4,234

* Low Income rate classes effective Nov-08

Commission Data Request 1-6

Request:

Please provide evidence to support the assertion that the proposed gas RDM "is typical of gas RDM mechanisms in the industry". (Feinstein & Lloyd Direct pg 12)

Response:

R.I.G.L. §39-1-27.7 mandates that gas distribution companies in Rhode Island file a revenue-per-customer RDM plan. As noted on page 12, fn 2 of the Joint Testimony, National Grid has revenue-per-customer gas RDM plans in Niagara Mohawk Power Corporation in upstate New York and for KeySpan Gas East Corporation and the Brooklyn Union Gas Company in downstate New York. On November 2, 2010, the Massachusetts Department of Public Utilities (MDPU) approved a revenue-per-customer RDM plans for Boston Gas Company and Colonial Gas Company in Docket D.P.U. 10-55.

Also, according to the most recent American Gas Association survey, approximately fifteen (15) of the nineteen (19) gas companies responding to the survey have some form of revenue (or margin) -per-customer RDM plan.

Prepared by or under the supervision of: Jennifer B. Feinstein

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Commission Data Request 1-7

Request:

For gas, how is the company proposing to avoid cross subsidization of rate classes given that the company's proposal calls for a Revenue Decoupling Adjustment Factor that is uniform across rate classes?

Response:

As noted on page 13 of the Joint Testimony, the Company is proposing to reconcile its gas RDM proposal as part of the annual August 1 Distribution Adjustment Charge (DAC) filing. The proposal for a single RDM adjustment factor is consistent with the other components included in the DAC such as the Low Income Assistant Program, Advanced Gas Technology, Environmental Response Costs, and Weather Normalization, which are all programs recovered through a single adjustment factor.

As noted on page 14 of the Joint Testimony, because the Company has excluded C&I Large and Extra Large customers from the RDM gas proposal, the issue of a large revenue variance occurring due to the migration of a single or small number of customers to another rate class, as noted in the electric RDM proposal, is not applicable.

Finally, the Company's proposal to charge a uniform per-therm RDM adjustment factor, rather than rate class specific factors, is consistent with the funding of the Company's Energy Efficiency programs. The Energy Efficiency Program Surcharge is a single adjustment factor that is applied to all rate classes. Use of a single per-therm adjustment factor aligns the Company's recovery of lost revenue through the RDM and the funding mechanism of its Energy Efficiency programs.

Prepared by or under the supervision of: Jennifer B. Feinstein

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Commission Data Request 1-8

Request:

For gas, is the company proposing an interim rate adjustment in the event there is expected to be a large cumulative over or under recovery? If yes, please explain. If no, why not?

Response:

The Company is not proposing an interim rate adjustment for gas, in part because of the seasonality and timing of the gas RDM proposal. Specifically, as noted on page 12 of the Joint Testimony of Ms. Feinstein and Ms. Lloyd, the Company proposes to reconcile its RDM plan from the period April 1 to March 31 each year. Given the relatively lower summer sales volume and relative stability in summer revenue, the Company expects that deferrals will not be realized until the winter. By the time the Company experiences a shortfall or overage, the reconciliation period will be ending. In contrast, electric is more likely to experience a deferral in the summer, at the beginning of the reconciliation period.

Furthermore, as noted on page 13 of the Joint Testimony, the Company is proposing that changes in rates resulting from RDM will be part of the annual Distribution Adjustment Charge (DAC) filing of rates that become effective November 1. Consistent with these other gas DAC rate mechanisms no interim mechanism is being requested.

Prepared by or under the supervision of: Jennifer B. Feinstein