

October 27, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4268 - Tariff Advice Filing for Approval of Net Metering Provision and to Amend R.I.P.U.C. No. 2035, Qualifying Facilities Power Purchase Rate
Response to Division Data Request 3-2**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ response to Division Data Request 3-2.

Please be advised that this transmittal completes the Company's responses in the above-captioned proceeding.

Thank you for your attention. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4268 Service List
Jon Hagopian, Esq.
Steve Scialabba

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

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

October 27, 2011
Date

Docket No. 4268– National Grid Electric – Tariff Advice Filing for Approval of Net Metering Provision and to Amend R.I.P.U.C. No. 2035, QF Power Purchase Rate - Service List as of 9/1/11

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Division 3-2

Request:

Please explain why all components of the renewable generation credit are not recovered through a distribution surcharge, considering the language of the prior net metering statute, R.I. Gen. Laws §39-26-6(h), and the new statute, R.I. Gen. Laws §39-26.2-3(6)(c), that say any reasonable and prudent costs incurred by the electric distribution company pursuant to achieving compliance with the net metering law ***and*** the annual amount of the distribution component of any net metering credits or excess renewable net metering credit shall be aggregated by the distribution company and billed to all distribution customers through a surcharge to all customers. In answering 3-2, if National Grid believes that the net metering statutes allow certain costs, or net losses, from the purchase of renewable energy from net metered facilities to be recovered solely from standard offer customers, please explain the distinction in law or rationale from the Long-Term Contracting Standard for Renewable Energy statute at R.I. Gen. Laws § 39-26.1-5(f), that requires the cost of renewable energy under long-term contracts (net of proceeds from spot market sales), to be recovered from all customers, not just standard offer customers.

Response:

The prior net metering statute and the newly enacted net metering statute both provide for the Company to fully recover costs arising out of net metering credits. The way in which the Company currently recovers the Renewable Generation Credits (“RGC”) paid to net metering customers is based upon the Company’s interpretation of the language related to the application of RGCs contained in R.I. Gen. Laws §39-26 prior to June 2011. Section 39-26-2 explicitly defined the RGC to be paid to customers to be the sum of:

- 1) the Standard Offer for the rate class applicable to the net metering customer;
- 2) the distribution kWh charge;
- 3) the transmission kWh; and
- 4) the transition charge.

Section 39-26-6(h) provided for the annual amount of the ***distribution component*** of any RGC, along with other reasonable and prudent costs, to be aggregated by the Company and billed to all distribution customers through a surcharge to all customers. Because the statute singled out the

Division 3-2 (continued)

distribution component, the Company interpreted the language of the statute to mean that the portion of the net metering credits related to transmission, transition and standard offer service were to be collected from customers pursuant to the provisions of those various reconciliation mechanisms. Section 39-26.2-2(12) of the current statute contains a definition of Renewable Net Metering Credit (“RNMC”) that is identical to the definition of RGC in the prior statute. In addition, the cost recovery language in Section 39-26.2-3(c) of the current statute is identical to the language in Section 39-26-6(h) of the prior statute except for substitution of newly defined terms. Thus the Company’s applicable proposed tariff in this docket approached recovery of costs in the same fashion.

The Commission has approved the recovery of the Standard Offer Service (“SOS”) portion of RGCs paid during 2008, 2009 and 2010 from SOS customers in Dockets 4011, 4140 and 4226, respectively. However, if the Commission determines that the legislative intent is to recover the SOS portion of RNMCS from all customers rather than SOS customers only, then the Company will reflect both the distribution portion and the SOS related portion¹ of RNMCS paid during 2011 in the Renewable Generation Credit surcharge proposed as part of the Company’s next annual reconciliation filing.² However, to the extent that the Company may, in the future, choose to utilize the excess generation from net metered customers as part of its SOS supply mix, the Company may propose to continue to collect the SOS portion of the RNMCS paid to those customers through the SOS reconciliation.

Prepared by or under the supervision of: Jeanne Lloyd

¹ Over or under collections of transmission service and transition service are refunded to or collected from all retail delivery service customers, therefore, RGCs included in those reconciliations are collected from all retail delivery service customers.

² Alternatively, the Company may propose that all RNMCS paid to customers on or after April 2011 that are recoverable through a distribution kWh surcharge be reflected as an adjustment to annual billed distribution revenue in the revenue decoupling mechanism rather than billed through a separate surcharge.