

DIVISION OF PUBLIC UTILITIES AND CARRIERS  
MEMORANDUM

TO: LULY MASSARO

DATE: 6/29/12

FROM: STEVE SCIALABBA  
CHIEF ACCOUNTANT, DPUC

SUBJECT: DOCKET 4270 TARIFF ADVICE REGARDING TERMS AND  
CONDITIONS FOR GAS MARKETERS.

On August 1, 2011, and as supplemented and amended on September 28, 2011, National Grid filed requested changes to its Gas Marketer Terms and Conditions. The Division does not oppose the proposed modifications. The modifications are as follows:

- 1) Change the storage service from an injection/withdrawal approach to a cash out approach.
- 2) Simplify the capacity assignment process by assigning the capacity and storage entitlements based on the customers' calculated design peak-day use and class load factor.
- 3) Expand the availability of the FT-2 service (Customer Choice) to the Small C&I class. It presently is only available to the Medium Class and Large/Extra Large Classes. Also FT-1 service (daily meter reads) would be available only to the Large and Extra Large Classes, though any Medium Class customer currently taking FT-1 service would be grandfathered if he so chooses. Small and new Medium transportation customers would take FT-2 service.
- 4) Provide a mechanism to cash out imbalances under the FT-2 service.
- 5) Develop Electronic Data Interchange (EDI) capabilities for communications with Marketers.
- 6) Certain language changes to enable the Company to terminate a Marketer's participation for poor performance issues (failure to pay, poor creditworthiness, supply shortfalls).

In October, 2011, the Division recommended that the proposed modification to the capacity assignment process be allowed to go into effect in November, 2011, as the marketers had already made their pipeline path selections based on the proposal, and we believed that to delay implementation might harm the gas transportation market in Rhode Island.

The Division has continued to discuss the proposed changes with the Company and the marketers since November of 2011. Additionally, a meeting was held among the Company, marketers and Division in March of 2012. Some questions and concerns were raised with the Company and the Company has provided additional explanation in response.

Regarding the expansion of Customer Choice to the Small Commercial class through the availability of FT-2 service, customers may be able to access potentially lower commodity costs

provided by Marketers. Conversely, some customers may also potentially experience problems in dealing with their marketer, have a misunderstanding of the market, or a problem with contract terms with the marketer. Should issues arise relative to the need for additional consumer protections for this group of customers, we can address those issues and design appropriate polices if and when identifiable problems develop.

Regarding the change to the capacity assignment process that has been in place since November 1, 2011, we are not aware of any problems arising from that new capacity assignment process.

Regarding the change in storage service from an injection/withdrawal to a cash-out approach, the Division does not oppose this change. The Company has explained this as providing simplification, reducing administrative costs, and placing sales customers and transportation customers on more of an equal footing.

Going forward, we will work with the Company to gather data to track any impacts or significant cost shifts from sales to transportation service customers and vice versa from the changes. Additionally, we will track any issues, complaints, and inquiries from Small C&I customers should the Commission approve the expansion of Customer Choice to that customer class. If experience indicates additional regulatory action is warranted, the Division will propose actions at that time.