

October 31, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: The Narragansett Electric Company, d/b/a National Grid  
Tariff Advice Filing Regarding the Terms and Conditions for Gas Marketers  
and the calculation of Gas Cost Recovery rates (R.I.P.U.C. NG-GAS No. 101,  
Sections 2, 5, and 6)  
Docket No. 4270**

Dear Ms. Massaro:

This letter is in response to the October 28, 2011 memorandum filed by the Division in this proceeding with respect to National Grid's request to approve the Company's proposed capacity release tariff provision (RIPUC NG-Gas No. 101, Section 6, Schedule C, para. 1.07.0) for effect November 1, 2011. The Company's request for this specific tariff change was filed on August 1, 2011 and renewed in the supplemental filing on September 28, 2011. The Division raises a number of concerns based upon a review by its consultant, Mr. Oliver, regarding that tariff provision. Nevertheless, the Division notes that the Company has already surveyed Marketers for their pipeline choice for November 1, 2011 and raises the concern that to interrupt that process now could adversely effect marketers and their customers. In light of this fact, the Division requests that the Company explain whether it can have Marketers re-nominate pipeline paths without disrupting the market, and if not, then the Division recommends that the Commission approve the Company's proposed capacity release tariff on a provisional basis, subject to possible further modification after the conclusion of this docket.

With respect to the impact on Marketers, National Grid believes that leaving the existing tariff provisions for capacity release in place would be disruptive to the market and that Marketer's could be financially harmed. This is based on the Company's understanding that Marketers have proceeded to structure their customer contracts based on how they requested and were awarded specific capacity for the upcoming winter. This specific provision had to be in place for November 1, 2011. On that basis, the Company sent surveys to its Marketers in September 2011 requesting that the Marketers pick the paths on which they wanted their capacity released with the understanding that there would no longer be "grandfathered"

capacity available. This approach was agreed to by all Marketers at the collaborative meetings with the Company in order to place all Marketers on equal footing with respect to requesting capacity. All Marketers responded with their choices and they were sent confirmations. On October 26, 2011, capacity was released to all Marketers for November using the new methodology. All Marketers have now scheduled their deliveries for November 1, 2011. To change back to the prior method at this time would create confusion in the market place and the possibility of harm to the Marketers, such as possible defaults on supply deliveries to their customers.

In summary, the Company does believe that to re-nominate pipeline paths at this late date would create disruption in the market and possible harm to the Marketers. The Company agrees with the Division's proposal that the capacity release tariff revisions be allowed to go into effect November 1, 2011 subject to possible further modification at the conclusion of this docket. Finally, As Mr. Oliver correctly notes, the Division did not participate in the collaborative meetings with the Marketers, a situation in hindsight the Company should have addressed and has committed to rectify in the future. (See the Company's Response to DIV 1-22). However, the Company did provide specific information to Mr. Oliver in June explaining how the proposed capacity release tariff would work. In addition, the Company also answered discovery on the proposed tariff from the Division in September. Thus, in the upcoming weeks the Company will work with the Division and the Marketers to reach agreement on the appropriateness of the proposed revisions to the Marketer tariffs.

If you have any questions regarding this filing, please feel free to contact me at (401) 784-7667.

Very truly yours,

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

Thomas R, Teehan

Enclosures

cc: Steve Scialabba, Division  
Leo Wold, Esq.