nationalgrid

Thomas R. Teehan
Senior Counsel

October 21, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4283 - 2011 Gas Charge Recovery Filing

Dear Ms Massaro:

Enclosed please find ten (10) copies of the rebuttal testimony of John F. Nestor, III, which are submitted in response to the recently filed testimony of Mr. Bruce R. Oliver.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me at (401) 784-7667.

Sincerely,

Thomas R. Teehan

Enclosures
cc: Docket 4283 Service List
Leo Wold, Esq.
Steve Scialabba
Bruce Oliver

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

NATIONAL GRID

DOCKET No. 4283

REBUTTAL TESTIMONY

OF

JOHN F. NESTOR, III

October 21, 2011

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John F. Nestor, III. My business address is Reservoir Woods, 40 Sylvan Road, Waltham, Massachusetts 02451-1120.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes. I previously filed direct testimony in this case on September 13, 2011 and supplemental direct testimony on September 26, 2011.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address a number of the comments, rates and tariff issues raised in the Direct Testimony of Mr. Bruce Oliver filed on October 19, 2011 on behalf of the Division in this case. In this testimony, I comment on Mr. Oliver's concern with respect to the current Gas Cost Recovery ("GCR") tariff language as to how any future refunds from the Tennessee Gas Pipeline Rate Case settlement pending before the Federal Energy Regulatory Commission ("FERC") will be handled by the Company. In addition, I address Mr. Oliver's observations about the Company's throughput and sales forecasts and explain the steps the Company has taken, and will commit to in the future, to address his issues. Finally, I address Mr. Oliver's recommendation to increase the Natural Gas Portfolio Management Plan ("NGPMP) credit for GCR rates to $3,920,000 from $3,120,000.

Q. PLEASE DISCUSS HOW THE COMPANY WILL HANDLE ANY FUTURE REFUNDS FROM THE TENNESSEE GAS PIPELINE RATE CASE PROCEEDING.

A. Mr. Oliver states that the Division is concerned that while Section 2, Schedule A, Sheet 1, paragraph 1.1 of the Company's current GCR tariff identifies pipeline refunds in relation to gas costs, it does not specifically address the rate treatment of any future refunds. (Oliver at page 6) However, the issue as to how the Company must account for future refunds is specifically addressed in another section of the tariff.

Section 2, Schedule A, Sheet 1, paragraph 7.0[1] of NG-GAS No, 101 provides in pertinent part that:

> If the Company receives a cash refund resulting from gas supply overcharges during a historical "refund period," where the historical "refund period" is the most recent 60-month period, and the amount of the refund equals or exceeds 2% of the Company's total gas costs for the prior fiscal year, the amount to be refunded to any firm customer who used gas during the refund period and who is not on the suspended debt file shall be equal to …
>
> If the Company receives a cash refund resulting from gas supply overcharges during periods prior to the historical refund period, then the refund shall be credited to the appropriate Deferred Cost Account….
>
> If the amount of the refund is less than 2% of the Company's total gas cost for the prior fiscal year, it shall be credited to the appropriate Deferred Cost Account.

[1] See paragraphs 7.1 to 7.3.

Thus, the tariff establishes a 2% benchmark for refunds and provides guidance on how the Company will handle any future refunds from the Tennessee Gas Pipeline Rate settlement. This tariff provision addresses Mr. Oliver's concern. If, however, Mr. Oliver is seeking further clarification of this provision or would like to propose an alternative approach to what is currently set forth in the tariff, the Company would be willing to discuss this matter further with the Division.

Q. PLEASE COMMENT ON MR. OLIVER'S CONCERNS REGARDING THE FORECASTING OF NORMAL WEATHER SALES AND THROUGHPUT AND DESIGN WINTER SALES AND THROUGHPUT USED IN THIS PROCEEDING.

A. The Company stands by its forecasts used in this case. As Mr. Oliver acknowledges, forecasts by their very nature are imprecise. (Oliver at page 18) Factors such as the state of the economy can have a major impact on year-over-year comparisons. Moreover, concerns about the Company's forecasts are minimized by the fact that the GCR reports and filing provide for a fully reconciling mechanism of gas costs.

In support of its forecasts, the Company supplied Mr. Oliver with the underlying spread sheets and has discussed year-over-year historical data, as well as differences and similarities with him. For example, while Mr. Oliver questions the monthly forecast of billing volumes, (Oliver Direct at pages 12-15) the monthly breakdown of total demand presented in the Company's filing and used in conjunction with the establishment of GCR rates (Attachment EDA-2 (Redacted) at p. 1 of 16) is nearly identical to the demand the Company presented in its 2010 GCR filing in Docket No, 4199 (See Attachment EDA-2, at p. 1 of 17). That data is compared in the table below:

4199 Attachment EDA-2 Page 1 of 17				4283 Attachment EDA-2, Page 1 of 16		
	Total Demand (Normal)	% of Total			Total Demand (Normal)	% of Total
NOV	2,421,900	9.6%		NOV	2,476,007	9.8%
DEC	3,845,700	15.3%		DEC	3,875,687	15.4%
JAN	4,610,300	18.4%		JAN	4,588,121	18.2%
FEB	3,931,200	15.7%		FEB	4,052,900	16.1%
MAR	3,481,200	13.9%		MAR	3,345,850	13.3%
APR	1,990,000	7.9%		APR	1,953,444	7.7%
MAY	998,400	4.0%		MAY	1,028,365	4.1%
JUN	735,000	2.9%		JUN	685,738	2.7%
JUL	697,000	2.8%		JUL	691,081	2.7%
AUG	620,700	2.5%		AUG	615,109	2.4%
SEP	646,300	2.6%		SEP	675,445	2.7%
OCT	1,127,200	4.5%		OCT	1,255,813	5.0%
Total	25,104,900	100.0%		Total	25,243,562	100.0%

At this time, Mr. Oliver has requested additional information on the Company's forecasts and the Company is compiling that data and will provide that to him for review and further discussion.

Q. PLEASE COMMENT ON MR. OLIVER'S CALCULATIONS REGARDING THE COMPANY'S DESIGN DAY SUPPLY REQUIREMENTS AND STATUS OF THE COMPANY'S LONG-TERM SUPPLY PLAN?

A. Mr. Oliver relates a number of his concerns with the Company's forecasts to issues outside of this proceeding. (Oliver Direct at page 19) Mr. Oliver has commented on the Company's forecasts in conjunction with the Company's long-term gas supply plan which was last addressed in Docket No. 3789. In his testimony, Mr. Oliver states that the Company's last filed Long-Term Gas Supply Plan (in Docket No. 3789) only assessed the reasonableness of the Company's gas supply portfolio through winter of 2010-2011 (Oliver Direct at page 10-11). In fact, the Company made a supplemental filing on October 26, 2007 in Docket No. 3789 which included the years 2007/08 through 2011/12. In that filing, the Company's Design Day sendout forecast for January 2012 for all customers including ***both firm sales and firm transportation customers*** was 335,340 dts. The Company's Design Day sendout forecast for January 2012 in the instant filing, for all customers including ***both firm sales and firm transportation customers*** is 331,768 dts. The 279,500 dts that Mr. Oliver refers to in his testimony (Oliver Direct page 20) reflects the Company's Design Day sendout forecast for January 2012 for ***firm sales customers only.*** Thus, Mr. Oliver's comparison is incomplete.

Although Docket No. 3789 is still open before the Commission, the Company agrees with Mr. Oliver that much has changed over the last five years, and that it would be appropriate to update the supply plan. To that end, as Mr. Oliver notes, the Company plans to file a Long-Term Gas Supply Plan in January 2012 (Oliver Direct at page 20, fn 2). The Company is willing to discuss the issues raised by Mr. Oliver and the Division as part of this filing.

Q. PLEASE ADDRESS MR. OLIVER'S RECOMMENDATION THAT THE NGPMP CREDIT BE INCREASED TO $3,920,000.

A. The Company will accept Mr. Oliver's recommendation to increase the NGPMP credit to $3,920,000 for development of GCR rates in this case. This adjustment is consistent with the testimony of Mr. McCauley and how this issue was addressed in Docket No. 4199 last year. The new proposed CGR rates are set forth in BRO 7, page 1 and are being resubmitted with this testimony as Attachment NG-JFN-1S.

Q. WHAT IS THE BILL IMPACT OF ADOPTING THIS RECOMMENDATION?

A. The impact on GCR rates from increasing the NGPMP credit from $3,120,000 to $3,920,000 is minimal. Specifically, the rates for the high load rate classes (Residential Non-Heating, Large High Load and Extra-Large High Load) decrease by $0.0057 per therm going from $0.07521 per therm to $0.07464 per therm. For Low Load Customers (Residential Heating, Small and Medium C&I, Large Low Load and Extra-Large Low Load) the rate is reduced by $0.0072 per therm going from $0.7968 per therm to $0.7896 per therm.

As shown on Attachment NG-JFN-4S, (5) an average residential heating customer using 922 therms per year will experience a decrease of approximately $110.14 or an annual 8.0% percent decrease over the currently effective rates. In addition, when the proposed $3.34 decrease in the DAC factor is also considered, then overall, the average residential heating customer will experience a combined annual decrease of $113.48 or 8.2%.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.