



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Peter F. Kilmartin, Attorney General

March 13, 2012

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

**In Re: National Grid's Tariff Advice for Approval of Long-Term Contracting
Docket No. 4308**

Dear Luly,

Enclosed please find for filing with the Commission on behalf of the Division of Public Utilities and Carriers ("Division"), an original and nine (9) copies of the Division's Memorandum in the above entitled matter.

Very truly yours,

Jon Hagopian
Special Assistant Attorney General

JGH/mec

Encl.

Memorandum

To: L. Massaro

Commission Clerk

From: D. R. Stearns

S. Scialabba

Division of Public Utilities & Carriers

Date: 03/13/2012

Re: Narragansett Electric – Tariff Advice for Approval of Long-Term Contracting for Renewable Energy Recovery Provision and to Amend R.I.P.U.C. No. 2036, Transmission Service Cost Adjustment Provision; and

Application for Approval of Long-Term Contracting for Renewable Energy Recovery Factor Docket 4308

On December 29, 2011 The Narragansett Electric Company d/b/a/ National Grid (“NGrid” or “Company”) submitted to the RI Commission of Public Utilities (“Commission”) the filing referenced above.

The tariff advice filing consists of a request for approval of:
a Transmission Service Cost Adjustment Provision (“TSCAP”) tariff, R.I.P.U.C. 2080, which would supersede the existing TSCAP tariff, R.I.P.U.C. No. 2036; and
a new, separate Long Term Contracting for Renewable Energy Recovery (“LTCRER”) provision.

The tariffs are filed in order to allow cost recovery provisions contained in R.I.G.L. §§ 39-26.1-7 (pertaining to the Town of New Shoreham Project) and 39-26.1-9 (pertaining to the Town of Johnston Project)

Also included in the filing is a request for approval of a proposed LTCRER factor of \$0.00007 per kWh. The factor is intended to recover outside legal costs in the amount of \$581,777 associated with the Deepwater Cable Purchase Agreement, and the Deepwater and RI Genco PPAs and related proceedings. The Company requests that the factor have an effective date of April 1, 2012.

NGrid explains that, in the event the Company and Deepwater enter into a Transmission Cable Purchase Agreement and the Division has approved such an agreement, the Company intends to make a filing with the Federal Energy Regulatory Commission (“FERC”) to implement transmission rates that would allow recovery of all costs associated with the purchase of the cable and related facilities, and related operation and maintenance costs. As of the date of this filing, the Company had incurred

about \$121,000 in engineering and design costs. The Company plans to continue deferral of these costs until capitalization and recovery of the costs are approved by the FERC.

In the event the Deepwater project is not completed, or the Company elects not to own, operate or otherwise participate in the cable project, NGrid will apply to the Commission for recovery, through the amended TSCAP, of costs that were incurred prior to the abandonment of the Deepwater project.

Include in the filing are:

Proposed tariff R.I.P.U.C. 2081, "Long Term Contracting for Renewable Energy Recovery Provision";

"Marked to Show Changes" version and Clean version of Transmission Service Cost Adjustment Provision;

a Summary of Costs, categorized by Costs to be Recovered Through TSCAP (\$120,730), Costs to be Recovered Through LTCRER (\$581,777), and Total Administrative Costs to Date (\$702,507); and the Proposed LTCRER Factor calculation.

After reviewing the filing and responses to Division and Commission data requests, the Division is of the opinion that the filing is in accordance with provisions contained in R.I.G.L. §§ 39-26.1, and recommends approval by the Commission of proposed Tariffs R.I.P.U.C. 2081 and R.I.P.U.C. 2080, and the proposed LTCRER factor of \$0.00007, effective April 1, 2012.

Cc: Thomas Ahern,
Administrator, Division of Public Utilities and Carriers