

February 2, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4308 - Tariff Advice Filing 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 Responses to Division Data Requests – Set 1

Dear Ms. Massaro:

Enclosed are one original and ten (10) copies of National Grid's¹ responses to the Division's First Set of Data Requests in the above-captioned proceeding.

Thank you for your attention to this matter. If you have any questions regarding this filing, please feel free to contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

Cc: Docket 4308 Service List
Steve Scialabba, Division
Leo Wold, Esq.

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

Division 1-1

Request:

Regarding the \$120,730 identified as the Preliminary Engineering costs incurred (in total) in FY 2010, FY 2011, and FY 2012 to date, please provide a detailed listing of the composition of those costs. If those costs pertain to in-house National Grid personnel, please explain how recovery of those costs, either through the Transmission Service Cost Recovery Provision or through a FERC-approved transmission rate, does not constitute double-recovery as they would already be included in the utility revenue requirement.

Response:

Please see Attachment Division 1-1 for a detailed listing of the types of costs identified as preliminary engineering expenses. National Grid employees charge labor to Preliminary Engineering on a regular basis which ultimately gets charged to capital (i.e. plant in service). Such capitalized costs are accumulated and recorded appropriately to distribution capital or transmission capital depending on the nature of the cost. Base distribution rates recover distribution related rate base only, and by definition exclude transmission related investments. With respect to the costs being discussed in this request, the costs have been appropriately charged to transmission and will ultimately be capitalized to transmission plant in service. Consequently, the \$120,730 will never be recovered through electric distribution base rates.

Prepared by or under the supervision of: William R. Richer and Jeanne A. Lloyd

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4308
Attachment Division 1-1

	2010	2011	2012	Total
Employee Payroll (1)	8,217	454	10,644	19,315
Payroll Overheads (2)	4,111	504	4,974	9,588
Consultants (Design and Engineering)	21,848	12,828	50,595	85,270
Other	747	5,051	758	6,556
	34,923	18,837	66,970	120,730

(1) Includes regular monthly and variable pay from following departments:

- Asset Reliability Planning
- Distribution Substation Engineering and Design
- Project Development
- Substation and T-Line Project Mgmt

(2) Includes healthcare, pension, life insurance, thrift plan, workers compensation, payroll taxes and time not worked

Division 1-2

Request:

Page 2 of the Company's filing letter indicates that the preliminary design and engineering costs of \$120,730 "will likely be capitalized and included in the annual revenue requirement." The Company is deferring recovery of these costs, ultimately intending to recover them through FERC-approved transmission service rates, according to the filing letter. The Company's filing also identifies \$105,582 incurred to date as the cost of outside legal counsel retained for the negotiation of the cable purchase. Why wouldn't these legal costs also be capitalized as part of the cable project and recovered as part of the transmission rate?

Response:

Outside legal counsel costs incurred to negotiate the cable project contract do not qualify as capital costs under the FERC Uniform System of Accounts for Public Utilities. There is no capital asset currently under construction, thus such costs could not be treated as "Construction work in progress" (Account 107). They also do not meet the definition of "Preliminary survey and investigation charges" (Account 183) which is as follows:

183 Preliminary survey and investigation charges (Major only).

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged. If the work is abandoned, the charge shall be made to account 426.5, Other Deductions, or to the appropriate operating expense account.

B. This account shall also include costs of studies and analyses mandated by regulatory bodies related to plant in service. If construction results from such studies, this account shall be credited and the appropriate utility plant account charged with an equitable portion of such study costs directly attributable to new construction. The portion of such study costs not attributable to new construction or the entire cost if construction does not result shall be charged to account 182.2, Unrecovered Plant and Regulatory Costs, or the appropriate operating expense account. The costs of such studies relative to plant under construction shall be included directly in account 107, Construction Work in Progress-Electric.

C. The records supporting the entries to this account shall be so kept that the utility can furnish complete information as to the nature and the purpose of the survey, plans, or investigations and the nature and amounts of the several charges.

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Division 1-2 (continued, p2)

Note: The amount of preliminary survey and investigation charges transferred to utility plant shall not exceed the expenditures which may reasonably be determined to contribute directly and immediately and without duplication to utility plant.

Prepared by or under the supervision of: William R. Richer

Division 1-3

Request:

Is it accurate that under RIGL 39-26.1-7(f) the Company is authorized to make a FERC filing to put into effect transmission rates “to recover all of the costs associated with the purchase of the transmission cable and related facilities ” ? If the answer is affirmative, wouldn’t the outside legal costs associated with the cable purchase be a component of the statutorily described cost category stated above and therefore be includable in the FERC filing?

Response:

RIGL 39-26.1-7(d) states that “all costs incurred in the *negotiation*, administration, enforcement, transmission engineering associated with the design of the cable, and implementation of the project and agreement shall be recovered annually by the electric distribution company in electric distributions rates.” The excerpt from subsection (f) quoted in the request is referring to the purchase of capitalizable assets. As discussed in the Company’s response to Division 1-2, these costs do not meet the definition of capitalizable costs under the FERC Uniform System of Accounts.

Prepared by or under the supervision of: William R. Richer

Division 1-4

Request:

Is it accurate that in accordance with the requirements of 39-26.1-7(f) the costs associated with the purchase of the transmission cable to Block Island included in the annual revenue requirement of the cable are subject to an allocation between the customers of National Grid and the Block Island Power Company?

Is it accurate that if the outside legal costs associated with the cable purchase are recovered as proposed by National Grid, through the proposed Long-Term Contracting For Renewable Energy Recovery Provision (LTCRER), then the customers of National Grid will pay all of those costs?

Response:

Yes. Pursuant to § 39-26.1-7(f), the costs associated with the purchase of the transmission cable to Block Island included in the annual revenue requirement of the cable are subject to an allocation between the customers of National Grid and the Block Island Power Company as specified in the statute.

As indicated in the response to Division 1-2 and Division 1-3, the Company believes that the outside legal expenses associated with the cable purchase agreement are not properly capitalizable. Therefore, if the Commission approves the LTCRER proposed by the Company, these costs, which are included in the calculation of the LTCRER, will be recovered only from customers of National Grid, consistent with the provisions of § 39-26.1-7(d).

Prepared by or under the supervision of: Jeanne A. Lloyd

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Division 1-5

Request:

Please provide a copy of the legal bills associated with the \$105,582 of outside legal expense identified as associated with the cable project.

Response:

Based on the Company's concerns regarding the privileged and confidential nature of its legal invoices and pursuant to a verbal agreement with the Division regarding the scope of this request, the Company is providing a breakdown of the \$105,582 of outside legal costs associated with the cable project as follows:

Matter Name: Rhode Island Renewables Transmission Cable (Deepwater)
Firm: Day Pitney LLP

Firm Name	Invoice Date	Total \$
Day Pitney LLP	12/29/2009	\$10,633.70
Day Pitney LLP	1/25/2010	\$24,175.35
Day Pitney LLP	1/28/2010	\$4,025.50
Day Pitney LLP	3/16/2010	\$7,067.25
Day Pitney LLP	3/18/2010	\$18,048.45
Day Pitney LLP	3/19/2010	\$9,677.90
Day Pitney LLP	6/18/2010	\$380.70
Day Pitney LLP	6/22/2010	\$380.70
Day Pitney LLP	9/15/2010	\$1,015.00
Day Pitney LLP	11/12/2010	\$445.50
Day Pitney LLP	11/12/2010	\$1,092.80
Day Pitney LLP	12/13/2010	\$5,346.00
Day Pitney LLP	1/12/2011	\$891.00
Day Pitney LLP	2/28/2011	\$4,187.70
Day Pitney LLP	3/1/2011	\$136.60
Day Pitney LLP	3/10/2011	\$2,182.95
Day Pitney LLP	3/18/2011	\$559.35
Day Pitney LLP	4/12/2011	\$2,182.95
Day Pitney LLP	7/14/2011	\$5,872.50
Day Pitney LLP	8/10/2011	\$828.00
Day Pitney LLP	9/15/2011	\$1,188.00
Day Pitney LLP	10/12/2011	\$1,908.00

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Day Pitney LLP	11/14/2011	\$2,920.00
Day Pitney LLP	11/16/2011	\$212.00
Day Pitney LLP	11/16/2011	\$92.00
Day Pitney LLP	11/16/2011	\$132.00
		\$105,581.90

Prepared by or under the supervision of: Legal Department

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Division 1-6

Request:

Please provide a copy of the legal bills associated with the \$182,889 identified as pertaining to Docket 4185 (Deepwater).

Response:

Based on the Company's concerns regarding the privileged and confidential nature of its legal invoices and pursuant to a verbal agreement with the Division regarding the scope of this request, the Company is providing a breakdown of the \$386,801 of outside legal costs associated with Docket 4111 and 4185 (Docket 4185 - \$182,889 and Docket 4111 - \$203,912) as follows:

Matter Name: RHODE ISLAND RENEWABLES LONG TERM CONTRACTING (DEEPWATER)
Firm: Day Pitney LLP

Firm Name	Invoice Date	Total \$
Day Pitney LLP	11/19/2009	\$57,492.51
Day Pitney LLP	11/17/2009	\$22,679.02
Day Pitney LLP	12/14/2009	\$28,695.99
Day Pitney LLP	12/29/2009	\$2,194.30
Day Pitney LLP	12/29/2009	\$1,343.00
Day Pitney LLP	01/28/2010	\$17,176.50
Day Pitney LLP	01/19/2010	\$26,318.97
Day Pitney LLP	03/18/2010	\$8,383.95
Day Pitney LLP	03/19/2010	\$3,478.50
Day Pitney LLP	03/30/2010	\$12,868.20
Day Pitney LLP	03/30/2010	\$22,976.10
Day Pitney LLP	05/20/2010	\$304.65
Day Pitney LLP	06/18/2010	\$676.80
Day Pitney LLP	06/22/2010	\$676.80
Day Pitney LLP	07/21/2010	\$29,137.50
Day Pitney LLP	08/10/2010	\$7,966.22
Day Pitney LLP	09/14/2010	\$3,054.15
Day Pitney LLP	08/11/2011	\$4,040.00
Day Pitney LLP	10/12/2011	\$180.00
		\$249,643.16

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Note: The above legal fees relate to the PPAs and related matters in Docket 4111 and Docket 4185. \$46,036.12 relates to Docket 4185 as reflected by the highlighted invoices dated May 20, 2010 through October 12, 2011.

Matter Name: TNEC/Deepwater Appeal
Firm: Hinckley Allen & Snyder LLP

Firm Name	Invoice Date	Total \$
Hinckley Allen & Snyder LLP	9/21/2010	\$1,965.80
Hinckley Allen & Snyder LLP	10/14/2010	\$3,402.45
Hinckley Allen & Snyder LLP	11/10/2010	\$10,705.05
Hinckley Allen & Snyder LLP	12/15/2010	\$4,544.82
Hinckley Allen & Snyder LLP	1/28/2011	\$20,694.32
Hinckley Allen & Snyder LLP	8/23/2011	\$23,931.94
Hinckley Allen & Snyder LLP	3/15/2011	\$4,770.30
Hinckley Allen & Snyder LLP	3/17/2011	\$1,541.25
Hinckley Allen & Snyder LLP	4/22/2011	\$12,054.76
Hinckley Allen & Snyder LLP	8/17/2011	\$10,882.80
Hinckley Allen & Snyder LLP	8/18/2011	\$3,741.19
Hinckley Allen & Snyder LLP	8/23/2011	\$763.02
		\$98,997.70

Matter Name: TNEC/Deepwater PPA Procedural Matters
Firm: Hinckley Allen & Snyder LLP

Firm Name	Invoice Date	Total \$
Hinckley Allen & Snyder LLP	9/2/2010	\$37,001.75
Hinckley Allen & Snyder LLP	9/21/2010	\$1,158.44
		\$38,160.19

Prepared by or under the supervision of: Legal Department

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Division 1-7

Request:

Please provide a copy of the legal bills associated with the \$203,912 identified as pertaining to Docket 4111 (Deepwater).

Response:

Please see the Company's response to DIV 1-6.

Prepared by or under the supervision of: Legal Department

Division 1-8

Request:

Please identify the nature of the \$15,000 consultant expense pertaining to Docket 4111.

Response:

The \$15,000 consultant expense was for the ESAI forecast for capacity, energy, and RECs that was used in the evaluation of the Deepwater project. This work product is contained in Confidential Exhibit 5 to the Testimony of Madison N. Milhous, Jr. filed in Docket 4111.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

Division 1-9

Request:

Please provide a copy of the legal bills associated with the \$74,394 pertaining to the Town of Johnston Project.

Response:

Based on the Company's concerns regarding the privileged and confidential nature of its legal invoices and pursuant to a verbal agreement with the Division regarding the scope of this request, the Company is providing a breakdown of the \$74,394 of outside legal costs associated with the Town of Johnston Project as follows:

Matter Name: Narragansett Ridgewood/Rhode Island Landfill Gas Project

Firm Name	Invoice Date	Total \$
Day Pitney LLP	5/12/2010	\$16,484.85
Day Pitney LLP	11/5/2010	\$895.95
Day Pitney LLP	12/8/2010	\$9,578.25
Day Pitney LLP	10/12/2010	\$2,984.85
Day Pitney LLP	11/5/2010	\$7,167.60
Day Pitney LLP	8/5/2010	\$1,219.03
Day Pitney LLP	7/21/2010	\$2,999.11
Day Pitney LLP	6/18/2010	\$33,064.90
		\$74,394.44

Prepared by or under the supervision of: Legal Department

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

February 2, 2012

Date

Docket 4308 - National Grid's Tariff Advice for Approval Long-Term Contracting for Renewable Energy Recovery Provision and Amend Transmission Service Cost Adjustment Provision Reconciliation Service List 1/10/12

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