

December 29, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: 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

Docket No. _____

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9, enclosed please find ten (10) copies of National Grid's¹ tariff advice filing to request approval of the Company's Transmission Service Cost Adjustment Provision, R.I.P.U.C. No. 2080 ("TSCAP"), which would supersede the Company's existing Transmission Service Cost Adjustment Provision, R.I.P.U.C. No. 2036, and a new, separate Long-Term Contracting For Renewable Energy Recovery ("LTCRER") Provision. Both tariffs would take effect April 1, 2012. The tariffs are necessary to implement certain cost-recovery provisions contained in R.I.G.L. §§ 39-26.1 (the "Long-Term Contracting Standard for Renewable Energy" or "LTCS").

In addition, in this filing, the Company is seeking approval of the first LTCRER factor of \$0.00007 per kWh applicable to all customers, effective April 1, 2012.

Attachment 1 to this filing contains the proposed LTCRER Provision. Attachment 2(a) to this filing contains the TSCAP, which has been marked to show changes from the TSCAP currently in effect, and Attachment 2(b) contains a clean copy of the amended TSCAP. The Company will publish a notice in *The Providence Journal* to notify the public of the proposed tariffs and rate change in accordance with Commission Rule 1.9(d)(2) after receiving a docket number for this filing from the Commission.

The Company entered into a Power Purchase Agreement ("PPA") with Rhode Island LFG Genco, LLC ("RI Genco") as of May 21, 2010 pursuant to R.I.G.L. § 39-26.1-9, which was certified by the Division of Public Utilities and Carriers (the "Division"), the Rhode Island Economic Development Corporation, the Office of Energy Resources, and the Department of Administration, and subsequently filed with the Commission on July 9, 2010 in accordance with LTCS subsection 9(4), (6). The Company also entered into an Amended PPA with Deepwater Wind Block Island, LLC ("Deepwater") as of June 30, 2010 pursuant to R.I.G.L. § 39-26.1-7, which was approved by the Commission on August 16, 2010

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

and affirmed by the Rhode Island Supreme Court on July 1, 2011. Rhode Island General Laws § 39-26.1-9(8) allows the Company to recover annually “all costs incurred in . . . the administration and implementation” of the RI Genco PPA. Likewise, LTCS subsection 7(d) allows the Company to recover annually “all costs incurred in the negotiation, administration, enforcement, transmission engineering associated with the design of the cable, and implementation” of the Deepwater project and PPA.

In this filing, the Company is proposing two separate rate mechanisms to recover the above-referenced costs pursuant to LTCS subsections 7(d) and 9(8). First, the Company is proposing a mechanism by which it may recover the costs associated with the design, engineering and construction of the undersea transmission cable between Block Island and the mainland. Second, the Company is proposing a mechanism to recover all other administrative expenses, specifically outside legal costs, that the Company has incurred in the negotiation, administration, enforcement and implementation of the RI Genco and Deepwater projects and related PPAs. The Company is seeking the Commission’s approval of the proposed tariffs in this filing in order to establish the annual recovery mechanisms as allowed by the LTCS, and recovery of the administrative costs. As further explained below, the Company is proposing to defer recovery of the costs associated with the design and engineering of the undersea cable at this time.

Deepwater Transmission Cable Costs

Provided the Company and Deepwater enter into a Transmission Cable Purchase Agreement, and once the Division has provided its written consent to the Transmission Cable Purchase Agreement, the Company intends to make a filing with the Federal Energy Regulatory Commission (“FERC”) in accordance with LTCS subsection 7(f) to put into effect transmission rates to recover all of the costs associated with the purchase of the cable and related facilities, as well as the annual operation and maintenance costs from customers. The preliminary design and engineering costs that the Company has incurred to date as identified in Attachment 3, Section 1, and will continue to incur as the project progresses, will likely be capitalized and included in the determination of the annual revenue requirement. Therefore, the Company is deferring recovery of these costs until such time as the Company has received approval from FERC to begin billing the costs of the Deepwater transmission cable through transmission service rates. To the extent that the Deepwater project is not completed, or the Company elects not to own, operate or otherwise participate in the transmission cable project in accordance with LTCS subsection 7(f), the Company will submit a proposal to the Commission for recovery of the costs that were incurred prior to the abandonment of the Deepwater project pursuant to the amended TSCAP.

Attachment 3, Section 1 to this filing identifies the costs associated with the design, engineering and construction of the transmission cable. To date, the Company has incurred approximately \$121,000 in engineering and design costs.

Administrative Costs

The Company intends to recover the other administrative costs identified on Attachment 3, Section 2 through the proposed LTCRER factor. Approximately \$582,000 has been incurred to date for outside legal costs in connection with the Deepwater Cable Purchase Agreement, and the Deepwater and RI Genco PPAs and related proceedings. The Company is requesting approval of a recovery factor of \$0.00007 per kWh applicable to all customers effective April 1, 2012. The calculation of the proposed factor is shown on Attachment 4. For billing purposes, the LTCRER factor will be included with the distribution kWh charge on customers’ bills. The Company plans to submit tariffs in accordance with LTCS subsection 5(f), along with a proposal during the first quarter of 2012 for recovery of all other costs

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associated with the long-term contracts that the Company has executed pursuant to the LTCS.² At that time, the Company will submit testimony and exhibits in support of the proposal to recover costs associated with the long-term contract provisions as well as the administrative costs incurred by the Company.

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: Steve Scialabba
Leo Wold

² This filing may also include a proposal to recover costs associated with any distributed generation standard contracts and interconnections entered into by the Company to date pursuant to R.I.G.L. § 39-26.2.

ATTACHMENT 1

LONG-TERM CONTRACTING FOR RENEWABLE ENERGY RECOVERY PROVISION

THE NARRAGANSETT ELECTRIC COMPANY
LONG-TERM CONTRACTING FOR RENEWABLE ENERGY
RECOVERY PROVISION

The Company's rates for Retail Delivery Service are subject to adjustment to reflect recovery of costs incurred in accordance with the provisions of § 39-26.1-7(d), the Town of New Shoreham Project and § 39-26.1-9(8), the Town of Johnston Project. Specifically, costs recovered under this provision shall include all costs incurred in the negotiation, administration, enforcement, and implementation of the projects and related agreements, and costs associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland that are not otherwise recovered through the Transmission Service Cost Adjustment Provision.

The Long-term Contracting for Renewable Energy Recovery ("LTCRER") factor shall be established annually based upon the costs incurred during the prior year. In addition, on an annual basis, the Company shall reconcile its revenue billed through the LTCRER factor, as adjusted for uncollectible amounts at the Company's currently approved uncollectible allowance rate of 0.94%, to the amount allowed to be recovered during the reconciliation period, and the excess or deficiency, including interest at the interest rate paid on customer deposits, shall be refunded to, or collected from, all customers in the subsequent year's LTCRER factor.

The LTCRER factor shall be a uniform per kilowatt-hour factor applicable to all customers based on the estimated kilowatt-hours to be delivered by the Company during the twelve month period that the LTCRER factor will be in effect. For billing purposes, the LTCRER factor will be included with the distribution kWh charge on customers' bills.

Adjustments to rates pursuant to the LTCRER Provision are subject to review and approval by the Commission. The Company shall file its revised LTCRER factor annually at least forty-five (45) days prior to the effective date of the revised LTCRER factor. Modifications to the factors contained in this LTCRER Provision shall be in accordance with a notice filed with the Commission pursuant to R.I.G.L. § 39-3-11(a) setting forth the amount(s) of the revised factor(s) and the amount(s) of the increase(s) or decrease(s). The notice shall further specify the effective date of such charges.

Effective Date: April 1, 2012

ATTACHMENT 2(A)

TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

MARKED TO SHOW CHANGES VERSION

THE NARRAGANSETT ELECTRIC COMPANY
TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

The Transmission Service Cost Adjustment (TCA) shall collect from customers transmission costs billed to The Narragansett Electric Company (Narragansett or the Company) by entities such as New England Power Company, by any other transmission provider, and by regional transmission entities such as the New England Power Pool, a regional transmission group, an independent system operator or any other entity that is authorized to bill Narragansett directly for transmission services. Costs collected through this provision may include the cost of transmission engineering associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland and constructed pursuant to R.I.G.L. Section 39-26.1-7. In addition, the TCA shall be adjusted to include an allowance for the Company's uncollectible accounts receivables associated with amounts billed through the TCA at the rate approved by the Commission.

The TCA shall be calculated separately for each of the Company's rate classes. The TCA shall be established annually based on a forecast of transmission costs, the adjustment for transmission-related uncollectible amounts, currently 0.94% as approved in R.I.P.U.C. Docket No. 4065, a full reconciliation and adjustment for any over- or under-recoveries of transmission costs incurred during the prior year, and the reconciliation of the allowance for transmission-related uncollectible amounts as described below. The Company may file to change the TCA at any time should significant over- or under-recoveries occur.

The allowance for transmission-related uncollectible amounts shall be estimated for purposes of setting the TCA for the upcoming year as the approved rate applied to the sum of (1) the forecast of transmission costs as allocated to each of the Company's rate classes on the basis of coincident peak demand and (2) any over- or under-recoveries from the prior year allocated to rate classes on the basis of forecasted kWh deliveries. This amount shall be subject to reconciliation only for actual transmission revenue billed by the Company over the applicable period.

Modifications to the TCA Factor shall be in accordance with a notice filed with the Public Utilities Commission setting forth the amount of the revised factor and the amount of the increase or decrease. The notice shall further specify the effective date of such charges.

Effective: ~~March 1, 2010~~ April 1, 2012

ATTACHMENT 2(B)

TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

CLEAN VERSION

THE NARRAGANSETT ELECTRIC COMPANY
TRANSMISSION SERVICE COST ADJUSTMENT PROVISION

The Transmission Service Cost Adjustment (TCA) shall collect from customers transmission costs billed to The Narragansett Electric Company (Narragansett or the Company) by entities such as New England Power Company, by any other transmission provider, and by regional transmission entities such as the New England Power Pool, a regional transmission group, an independent system operator or any other entity that is authorized to bill Narragansett directly for transmission services. Costs collected through this provision may include the cost of transmission engineering associated with the design of an undersea transmission cable interconnecting Block Island (Town of New Shoreham) to the mainland and constructed pursuant to R.I.G.L. Section 39-26.1-7. In addition, the TCA shall be adjusted to include an allowance for the Company's uncollectible accounts receivables associated with amounts billed through the TCA at the rate approved by the Commission.

The TCA shall be calculated separately for each of the Company's rate classes. The TCA shall be established annually based on a forecast of transmission costs, the adjustment for transmission-related uncollectible amounts, currently 0.94% as approved in R.I.P.U.C. Docket No. 4065, a full reconciliation and adjustment for any over- or under-recoveries of transmission costs incurred during the prior year, and the reconciliation of the allowance for transmission-related uncollectible amounts as described below. The Company may file to change the TCA at any time should significant over- or under-recoveries occur.

The allowance for transmission-related uncollectible amounts shall be estimated for purposes of setting the TCA for the upcoming year as the approved rate applied to the sum of (1) the forecast of transmission costs as allocated to each of the Company's rate classes on the basis of coincident peak demand and (2) any over- or under-recoveries from the prior year allocated to rate classes on the basis of forecasted kWh deliveries. This amount shall be subject to reconciliation only for actual transmission revenue billed by the Company over the applicable period.

Modifications to the TCA Factor shall be in accordance with a notice filed with the Public Utilities Commission setting forth the amount of the revised factor and the amount of the increase or decrease. The notice shall further specify the effective date of such charges.

Effective: April 1, 2012

ATTACHMENT 3
SUMMARY OF COSTS

Section 1. Costs to be Recovered through Transmission Service Cost Adjustment Provision

Undersea Transmission Cable Project \$120,730

Section 2. Costs to be Recovered through Long-Term Contracting for Renewable Energy Cost Recovery Provision

Deepwater (PPA and Cable)	\$507,383
Town of Johnston	<u>\$74,394</u>
Total	\$581,777

Section 3. Total Administrative Costs to Date

Undersea Transmission Cable Project	\$120,730	
Other Administrative Costs	<u>\$581,777</u>	
Total Administrative Costs to date		\$702,507

Detail of Costs Incurred To Date

Transmission Cable (Deepwater)

Legal Expenses

Fiscal Year 2010	\$73,628
Fiscal Year 2011	\$16,618
Fiscal Year 2012 (to date)	\$15,335
	\$105,582

Note: Includes only costs of outside legal counsel retained for negotiation of cable purchase

Preliminary Engineering

Fiscal Year 2010	\$34,923
Fiscal Year 2011	\$18,837
Fiscal Year 2012 (to date)	\$66,970
	\$120,730

Note: Includes costs related to design of cable

Total Costs to date \$226,312

Docket No. 4185 (Deepwater)

Legal Expenses

Fiscal Year 2010	\$0
Fiscal Year 2011	\$120,984
Fiscal Year 2012 (to date)	\$61,905
	\$182,889

Note: Includes only costs of outside legal counsel retained for negotiation of Amended PPA , procedural matters and appeal process

Other Consultant Expense

Fiscal Year 2010	\$0
Fiscal Year 2011	\$0
Fiscal Year 2012 (to date)	\$0
	\$0

Total Costs to date \$182,889

Docket No. 4111 (Deepwater)

Legal Expenses

Fiscal Year 2010	\$167,763
Fiscal Year 2011	\$36,149
Fiscal Year 2012 (to date)	\$0
	\$203,912

Note: Includes only costs of outside legal counsel retained for negotiation of PPA

Other Consultant Expense

Fiscal Year 2010	\$15,000
Fiscal Year 2011	\$0
Fiscal Year 2012 (to date)	\$0
	\$15,000

Note: Includes cost of consultants retained to produce REC forecasts

Total Costs to date \$218,912

Town of Johnston Project

Legal Expenses

Fiscal Year 2010	\$74,394
Fiscal Year 2011	\$0
Fiscal Year 2012 (to date)	\$0
	\$74,394

Total Costs to date \$74,394

Note: Includes only costs of outside legal counsel retained for negotiation of PPA

Total Administrative Costs to date \$702,507

ATTACHMENT 4

PROPOSED LONG-TERM CONTRACTING FOR RENEWABLE ENERGY RECOVERY
FACTOR

Narragansett Electric Company
Calculation of Long-Term Contracting for Renewable Energy Recovery Factor
Rates Effective April 1, 2012

(1)	Total Long-Term Contracting for Renewable Energy Administrative Costs	\$581,777
(4)	Forecasted Average Annual kWh Deliveries, April 1, 2012 through March 31, 2013	<u>7,844,725.884</u>
(5)	Calculation of Long-Term Contracting for Renewable Energy Recovery Factor	\$0.00007

- (1) Attachment 3, page 1, Section 2
- (2) Per Company forecast.
- (3) Line (1) ÷ Line (2), truncated after 5 decimal places