

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

**IN RE: THE NARRAGANSETT ELECTRIC :
COMPANY, d/b/a NATIONAL GRID TARIFF :
ADVICE REGARDING REVISIONS TO : DOCKET NO. 4333
THE ON-SYSTEM MARGIN CREDITS :
TARIFF PROVISIONS OF THE :
DISTRIBUTION ADJUSTMENT CLAUSE :**

ORDER

On May 31, 2012, the Narragansett Electric Company, d/b/a National Grid (hereinafter “NGrid” or “the Company”) filed a tariff advice seeking to amend its On-System Margin Credits Provisions. On June 5, 2012, the Company filed a corrected version of that tariff advice. In Docket No. 3943, the Commission approved the Company’s current On-System Margin Credits Provisions. Commercial and Industrial customers who have the ability to alternate between natural gas and oil to fuel their operations are referred to as “dual fuel” customers. During times of increased demand, certain dual fuel customers may have their service interrupted by the Company. These customers are referred as “non-firm” or “interruptible” customers because of the provision in the tariff that allows the Company to interrupt their service during times of increased demand. The remaining dual fuel customers, whose service is not subject to interruption during increased demand, are referred as “firm” customers. NGrid has a total of sixty-four (64) dual fuel customers. Presently, non-firm customers receive a twenty percent (20%) discount off of firm customer rates. However, in order to assure that NGrid recovers \$2.8 million in revenue from its dual fuel customers, the Division of Public Utilities and Carriers (“Division”) and the Company entered into a stipulation creating a mechanism so that the Company recovers the \$2.8 million in revenue from

these customers. The stipulation created a mechanism that accounts for migration of dual fuel customers from firm to non-firm service. The mechanism also provided that if the Company received more than \$2.8 million from its dual fuel customers, that excess would be credited to all firm customers annually through the DAC.

Because revenue in excess of the \$2.8 million threshold is returned to firm customers through the DAC, that excess revenue is not included in the Company's Contribution in Aid of Construction ("CIAC") calculation for dual fuel customers. Recently, TEC-RI contacted the Company and the Division and represented that certain of its members wanted to undertake capital investment projects but were unable to obtain financial assistance from the Company through a reduction of that customer's required CIAC costs because that customer was a dual fuel customer. The Company's CIAC calculation provides for an allowance for incremental revenue that the Company would receive from a customer's capital investment project. Because all revenue received by the Company from its dual fuel customers in excess of the \$2.8 million threshold is returned to firm customers, it is not included in the Company's CIAC calculation. As a result, the Company, TEC-RI and the Division met to resolve this issue and agreed to allow for an increase to the \$2.8 million threshold by the amount of additional revenues resulting from a customer's capital project for up to a five year period of time under a minimum-take commitment, thus allowing the customer CIAC relief. In other words, the threshold would increase by the amount of minimum commitments that the Company received from these dual fuel customers for a period of up to five years and because of this, the financial impediment to the CIAC relief experienced by customers and created by the existing language would be eliminated.

On June 26, 2012, the Division filed a memorandum supporting the Company's proposed revisions to its On-System Margin Credits provision. The Division reiterated the travel of the matter and the terms of the agreement as set forth above.

At an open meeting on July 11, 2012, the Commission unanimously approved the Company's modified tariff provisions finding the terms beneficial to both customers and to NGrid. Specifically, the benefit to customers of their reduced CIAC costs will be balanced by the allowable increase to the \$2.8 million threshold for the Company.

Accordingly, it is hereby

(20784) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid Tariff request to modify the On-System Margin Credit provision of the DAC is approved.
2. The Narragansett Electric Company d/b/a National Grid shall comply with all other findings and instructions as contained in this Order

EFFECTIVE AT WARWICK, RHODE ISLAND, JULY 11, 2012, PURSUANT TO AN OPEN MEETING DECISION ON JULY 11, 2012. WRITTEN ORDER ISSUED AUGUST 8, 2012.

PUBLIC UTILITIES COMMISSION



Elia Germani, Chairman



Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner

