

June 5, 2012

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 Revisions to the On-System Margin Credits
Tariff Provisions of the Distribution Adjustment Clause (“DAC”)**

Dear Ms. Massaro:

When the marked and clean copies of the proposed On-System Margin Credits Provisions were prepared for filing, certain marked changes to the tariff language contained in the first paragraph of Clause 3.8 of those tariff provisions, to which the Division and Company agreed, inadvertently did not appear in the copies that were enclosed in the May 31 filing in this docket. Consequently, although the omitted language changes are not substantive, I am filing the enclosed tariff language changes, which include the language changes that were omitted, to replace the attachments that were filed previously. For convenience, the language changes that were omitted are indicated in blue redline. I have also enclosed clean versions of the tariff language.

Thank you for your attention to this matter. If you have any questions regarding this filing, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Steve Scialabba
Leo Wold, Esq.

May 31, 2012

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 Revisions to the On-System Margin Credits Tariff Provisions of the Distribution Adjustment Clause (“DAC”) 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 amend the Company’s On-system Margin Credits Tariff Provisions of the DAC, RIPUC-NG-Gas No. 101, Section 3, Schedule A, subpart 3.8.

Attached to this letter are copies of the proposed new On-System Margin Credits Provisions, which have been marked to show changes from the provisions currently in effect. These proposed revisions are for effect July 9, 2012. The Company has also enclosed a draft of a notice to be published in the *The Providence Journal* to notify the public of the filing.

Background

The Company’s current On-system Margin Credits Tariff Provisions were approved as part of the Rhode Island Public Utilities Commission’s (“Commission”) decision in the last gas rate case, Docket No. 3943 (“rate case”). Those provisions relate to “dual fuel” customers, Commercial and Industrial customers whose facilities have the ability to alternate between natural gas and oil to fuel their operations. Some of those dual fuel customers obtain gas service under the provision that their service may be interrupted by the Company during periods of increased demand on the Company’s gas system. Because of the nature of their service, those dual-fuel customers are also referred to as “non-firm” or “interruptible” customers. Additionally, certain dual fuel customers are able to and have elected to be “firm” customers who are not subject to service interruption.

During the 2008 gas rate case, the Commission decided to alter the existing non-firm transportation rates and directed that those rates were to be set by the Company at a 20 percent discount off of firm customer rates. As part of its decision in Docket 3943, the Commission approved a stipulation between the Company and the Division that created a mechanism to account for the various possible migrations of customers between firm and non-firm service that could result from the Commission’s alteration of non-firm transportation rates. The provisions of that stipulation are reflected in the Company’s On-System Margin Credit Tariff Provisions and are designed to assure that the Company recovers a threshold revenue of \$2.8 million from 64 dual fuel customers (both firm and non-firm), including margin received from non-firm special contracts and from any new customers taking non-firm service. Importantly, under the existing

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

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include a one-time adjustment for the ARP from July 1, 2010 to October 31, 2010. For the fiscal year 2010 to 2011, the ARP mechanism component of the CapX Factor will be based upon the period April 1, 2010 to March 31, 2011. After March 31, 2011, the ARP will sunset and be terminated; provided, however, that any previous cumulative investment recovery under the ARP will continue until the Company's next rate case.

3.8 On-System Credits:

Each twelve-month period, beginning July 1, 2010, the Company will calculate the total Dual-Fuel Customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending June 30. Dual-Fuel customers included in the November 5, 2008 Stipulation in Docket No. 3943 plus margins exclusive of GET received from non-firm special contracts and new non-firm customers taking non-firm service after that date. If the total Dual Fuel customer margins for the twelve-month period exceed the established threshold level for such margins, the On-System Credit shall be positive. If the total margins from Dual Fuel customers, exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending June 30 are less than the established threshold level, the On-System Credit shall be negative. The initial threshold level is set at \$2,816,000. However, the threshold level for determining positive or negative On-System credits may be adjusted from the initial \$2,816,000 level to reflect incremental revenue margin (INC MARGIN) for the period ended June 30 of each year.

Deleted: year

Deleted: that total exceeds \$2,816,000,

Deleted: non-firm

Deleted: \$2,816,000

The INC MARGIN for each year shall represent adjustments to the initial threshold level that are calculated on a case-by-case basis for individual Dual-Fuel customers and summed for all Dual-Fuel customers for whom the Company has made new investment and for whom incremental revenue was derived during the year through applicable minimum take commitments. Adjustments to the initial threshold level for investments made by the Company to serve new or expanded requirements of individual Dual-Fuel customers shall be contingent upon: (1) the Company's receipt of a written commitment from each applicable Dual-Fuel customer to an annual minimum take for a period not to exceed five years; and (2) a requirement that the

Issued: June 1, 2012

Effective: July 9, 2012

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sum of the annual threshold adjustments during the effective period of an individual Dual-Fuel customer’s minimum take commitment shall equal the incremental revenue margin requirement determined for the individual Dual-Fuel customer using the Company’s Contribution in Aide of Construction model prior to consideration of the individual Dual-Fuel customer’s minimum take commitment. The applicable threshold adjustment associated with recovery of the Company’s new investment to serve a given Dual-Fuel customer shall equal the prorated annual amount of the customer’s minimum take commitment for the number of months during the twelve-month period ending June 30 that the customer’s minimum take commitment is applicable.

$$MC = \frac{(DFCM - \$2,816,000 + INC \text{ MARGIN})}{Dt_r}$$

Where:

MC On-System margin credit factor

DFCM The Dual-Fuel Customer margins exclusive of Rhode Island Gross Earnings Tax (“GET”) for the 12 months ending June 30 for the Firm and Non-Firm Dual-Fuel customers included in the November 5, 2008 Stipulation in Docket No. 3943 plus margins exclusive of GET received from non-firm special contracts and new non-firm customers taking non-firm service after that date.

INC MARGIN The sum of incremental revenue margin adjustments calculated on a case-by-case basis for individual Dual Fuel customers for whom minimum take commitments are applicable during any portion of the twelve-month period ending June 30, based on the number of months such minimum take

Deleted: ¶

Deleted: For period ending June 2009, the Company will calculate the total Dual-Fuel Customer margins for the eight month period ending June 30th. If the total Dual-Fuel margins for the eight month period ending June 30th are less than \$1,879,800, the On-System Credit shall be negative. If the total Dual-Fuel margins for the eight month period ending June 30 are more than \$1,879,800, the On-System Credit shall be positive.¶

¶ For 2009: - ¶

$$MC = \frac{(DFCM - \$1,879,800)}{Dt_r}$$

¶ After 2009: ¶

$$MC = \frac{(DFCM - \$2,816,000)}{Dt_r}$$

¶ - - Dt_r ¶

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commitment was in force for the associated
twelve-month period ended June 30th.

D_{tT}

Forecasted annual firm throughput in
dekatherms

Deleted: DFCM . The Dual-Fuel Customer margins exclusive of Rhode Island Gross Earnings Tax ("GET") for the 12 months ending June 30 (in 2009 only, for the 8 months ending June 30) for the Firm and Non-Firm Dual-Fuel customers included in the November 5, 2008 Stipulation in Docket No. 3943 plus margins exclusive of GET received from non-firm special contracts and new non-firm customers taking non-firm service after that date.¶

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Each twelve-month period, beginning July 1, 2010, the Company will calculate the total Dual-Fuel Customer margins, exclusive of Rhode Island Gross Earnings Tax for the twelve month period ending June 30. Dual-Fuel customers included in the November 5, 2008 Stipulation in Docket No. 3943 plus margins exclusive of GET received from non-firm special contracts and new non-firm customers taking non-firm service after that date. If the total Dual Fuel customer margins for the twelve-month period exceed the established threshold level for such margins, the On-System Credit shall be positive. If the total margins from Dual Fuel customers, exclusive of Rhode Island Gross Earnings Tax, for the twelve-month period ending June 30 are less than the established threshold level, the On-System Credit shall be negative. The initial threshold level is set at \$2,816,000. However, the threshold level for determining positive or negative On-System credits may be adjusted from the initial \$2,816,000 level to reflect incremental revenue margin (INC MARGIN) for the period ended June 30 of each year.

The INC MARGIN for each year shall represent adjustments to the initial threshold level that are calculated on a case-by-case basis for individual Dual-Fuel customers and summed for all Dual-Fuel customers for whom the Company has made new investment and for whom incremental revenue was derived during the year through applicable minimum take commitments. Adjustments to the initial threshold level for investments made by the Company to serve new or expanded requirements of individual Dual-Fuel customers shall be contingent upon: (1) the Company's receipt of a written commitment from each applicable Dual-Fuel customer to an annual minimum take for a period not to exceed five years; and (2) a requirement that the

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sum of the annual threshold adjustments during the effective period of an individual Dual-Fuel customer's minimum take commitment shall equal the incremental revenue margin requirement determined for the individual Dual-Fuel customer using the Company's Contribution in Aide of Construction model prior to consideration of the individual Dual-Fuel customer's minimum take commitment. The applicable threshold adjustment associated with recovery of the Company's new investment to serve a given Dual-Fuel customer shall equal the prorated annual amount of the customer's minimum take commitment for the number of months during the twelve-month period ending June 30 that the customer's minimum take commitment is applicable.

$$MC = \frac{(DFCM - \$2,816,000 + INC \text{ MARGIN})}{Dt_T}$$

Where:

MC	On-System margin credit factor
DFCM	The Dual-Fuel Customer margins exclusive of Rhode Island Gross Earnings Tax ("GET") for the 12 months ending June 30 for the Firm and Non-Firm Dual-Fuel customers included in the November 5, 2008 Stipulation in Docket No. 3943 plus margins exclusive of GET received from non-firm special contracts and new non-firm customers taking non-firm service after that date.
INC MARGIN	The sum of incremental revenue margin adjustments calculated on a case-by-case basis for individual Dual Fuel customers for whom minimum take commitments are applicable during any portion of the twelve-month period ending June 30, based on the number of months such minimum take

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commitment was in force for the associated
twelve-month period ended June 30th.

Dt_T Forecasted annual firm throughput in
dekatherms