

October 9, 2012

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4339 - 2012 Distribution Adjustment Charge (“DAC”)  
Response to Commission 1-11**

Dear Ms. Massaro:

Enclosed is National Grid’s response to Commission 1-11 issued in the above-referenced proceeding, which includes the attachment that is referred to in the response. The attachment was inadvertently omitted.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7685.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Docket 4339 Service List  
Leo Wold, Esq.  
Steve Scialabba  
Bruce Oliver

## 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

October 9, 2012

\_\_\_\_\_  
Date

**Docket No. 4339 – National Grid –2012 Annual Distribution Adjustment  
Charge Filing (“DAC”) - Service List as of 8/28/12**

| <b>Name/Address</b>   | <b>E-mail</b>  | <b>Phone</b>                 |
|---|--|------------------------------|
| Thomas R. Teehan, Esq.<br>National Grid<br>280 Melrose St.<br>Providence, RI 02907  | <a href="mailto:Thomas.teehan@nationalgrid">Thomas.teehan@nationalgrid</a>           | 401-784-7667                 |
|   | <a href="mailto:Joanne.scanlon@nationalgrid">Joanne.scanlon@nationalgrid</a>         |                              |
| Mariella Smith<br>National Grid<br>40 Sylvan Road<br>Waltham, MA 02541  | <a href="mailto:Mariella.smith@nationalgrid.com">Mariella.smith@nationalgrid.com</a> | 781-907-5554<br>781-907-1836 |
|   | <a href="mailto:Ann.leary@nationalgrid.com">Ann.leary@nationalgrid.com</a>           |                              |
| Leo Wold, Esq.<br>Dept. of Attorney General<br>150 South Main St.<br>Providence RI 02903  | <a href="mailto:LWold@riag.ri.gov">LWold@riag.ri.gov</a>                             | 401-222-2424                 |
|   | <a href="mailto:Sscialabba@ripuc.state.ri.us">Sscialabba@ripuc.state.ri.us</a>       |                              |
|   | <a href="mailto:dmacrae@riag.ri.gov">dmacrae@riag.ri.gov</a>                         |                              |
| Bruce Oliver<br>Revilo Hill Associates<br>7103 Laketree Drive<br>Fairfax Station, VA 22039  | <a href="mailto:Boliver.rha@verizon.net">Boliver.rha@verizon.net</a>                 | 703-569-6480                 |
| David Efron<br>Berkshire Consulting<br>12 Pond Path<br>North Hampton, NH 03862-2243   | <a href="mailto:Djeffron@aol.com">Djeffron@aol.com</a>                               | 603-964-6526                 |
| <b>File an original &amp; nine (9) copies w/:</b><br>Luly E. Massaro, Commission Clerk<br>Public Utilities Commission<br>89 Jefferson Blvd.<br>Warwick RI 02888 | <a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>               | 401-780-2107                 |
|   | <a href="mailto:Plucarelli@puc.state.ri.us">Plucarelli@puc.state.ri.us</a>           |                              |
|   | <a href="mailto:Sccamara@puc.state.ri.us">Sccamara@puc.state.ri.us</a>               |                              |

Commission 1-11

Request:

What is the current funding percentage of the Company's pension plan? Was the Pension shortfall identified previously eliminated?

Response:

The funding percentage for the Narragansett Gas pension plan as of the Company's March 31, 2012 fiscal year end is 81 percent (Plan assets of \$171.5 million divided by the Projected Benefit Obligation of \$211.5 million).

The Company resolved the matters raised by the Rhode Island Division of Public Utilities and Carriers (Division) regarding pension and PBOP funding in the Company's 2011 Distribution Adjustment Clause proceeding (Docket No. 4269). Included as Attachment Commission 1-11 is a letter from the Company to the Division expressing its commitment to address the matters raised by the Division, and a description of the process that the Company is following for ongoing funding of the pension and PBOP plans. In addition, as committed to in the letter, the Company made contributions to the plans totaling \$10,415,000 on December 28, 2011. Support for these contributions and all other contributions to the plans made by the Company during the 12 months ended June 30, 2012 were provided as an attachment to the Company's response to request Division 2-3.



Michael D. Laflamme, Vice President  
Regulation and Pricing – New England

December 15, 2011

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Mr. Thomas F. Ahern  
Administrator  
Rhode Island Division of Public Utilities and Carriers  
89 Jefferson Boulevard  
Warwick, Rhode Island 02888

**RE: Docket 4269 – Distribution Adjustment Clause  
Pension Funding Levels**

Dear Mr. Ahern:

In Docket No. 4269, Narragansett Electric Company's (the Company) Gas Distribution Adjustment Clause (DAC), the Rhode Island Division of Public Utilities and Carriers (Division) raised concerns about the Company's level of funding of its pension and postretirement benefits other than pensions (PBOP) plans. One of the concerns raised by the Division was that the Company was not funding the capitalized pension and PBOP costs. After consideration of the Division's concerns, the Company communicated in a telephone conversation with the Division that it agreed with the Division's position and that it will begin funding both the amount of recovered Pension and PBOP expense and the amount of capitalized Pension and PBOP costs, although the funding of capitalized pension and PBOP costs had not been explicitly addressed in Docket No. 3943 when the reconciliation mechanism was established. The Division also expressed concern about the timing of the funding of these plans and was seeking commitment from the Company regarding ongoing funding of the benefit plans. This letter documents the Company's commitment and describes the process it will follow.

As discussed with the Division, the Company has calculated a cumulative incremental benefit plan funding of \$10.4 million from the start of its Pension and PBOP reconciliation mechanism on November 1, 2008 to October 31, 2011. This amount is shown as the Adjusted Cumulative Excess/(Shortfall) on Attachment A, Line 34. This attachment follows a format similar to Exhibit DJE-1 that was submitted by the Division in Docket No. 4269.

The Company proposes to fund the cumulative incremental funding requirement of \$10.4 million before the end of December 2011. The Company commits to a regular ongoing quarterly funding schedule to contribute each quarter's funding requirement (rate allowance plus amounts charged to capital) by no later than the end of the subsequent quarter. Therefore, the quarterly funding requirement for the quarter ended December 31, 2011, excluding October's funding

Thomas Ahern, Administrator  
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requirement which will be funded before the end of December, will be funded no later than March 31, 2012. This process will be followed for all subsequent quarters.

Please feel free to contact me at 781-907-1889 with any questions on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. D. Laflamme".

Michael D. Laflamme

Cc: RI Public Utilities Commission  
Docket 4269 Service List  
Leo Wold, Esq.  
Steve Scialabba, Division

National Grid - RI Gas  
Pension/PBOP Cumulative Funding Analysis  
Docket 4269  
(\$000's)

| Line # |   | Pension<br>(a) | PBOP<br>(b) | Total<br>(c) |
|--------|---|----------------|-------------|--------------|
| 1      | <b>8 Months Ended June 30, 2009</b>                         |                |             |              |
| 2      | Expense Recovery  | (A) 3,368      | 3,045       | 6,413        |
| 3      | Funding   | (A) (2,741)    | (4,600)     | (7,341)      |
| 4      | Funding (Excess)/Shortfall                                  | 627            | (1,555)     | (928)        |
| 5      |   |                |             |              |
| 6      | <b>12 Months Ended June 30, 2010</b>                        |                |             |              |
| 7      | Expense Recovery  | (A) 5,424      | 5,371       | 10,795       |
| 8      | Capitalized Cost  | (B) 1,759      | 827         | 2,586        |
| 9      | Funding   | (A) (5,020)    | (1,891)     | (6,911)      |
| 10     | Funding (Excess)/Shortfall                                  | 2,163          | 4,307       | 6,470        |
| 11     |   |                |             |              |
| 12     | <b>12 Months Ended June 30, 2011</b>                        |                |             |              |
| 13     | Expense Recovery  | (A) 6,970      | 5,140       | 12,110       |
| 14     | Capitalized Cost  | (C) 1,990      | 1,473       | 3,463        |
| 15     | Funding   | (A) (4,635)    | (2,672)     | (7,307)      |
| 16     | Funding (Excess)/Shortfall                                  | 4,325          | 3,941       | 8,266        |
| 17     |   |                |             |              |
| 18     | <b>Cumulative (Excess)/Shortfall Per DJE-1</b>              | 7,115          | 6,693       | 13,808       |
| 19     |   |                |             |              |
| 20     | <b>Adjustments</b>  |                |             |              |
| 21     | Capitalized Cost--8 Months Ended June 30, 2009              | 893            | 957         | 1,850        |
| 22     | 5/12ths of April 2008 Funding--8 Months Ended June 30, 2009 | (D) (2,867)    | (1,431)     | (4,298)      |
| 23     | Additional Capitalized Cost--12 Months Ended June 30, 2010  | (F) 781        | 722         | 1,503        |
| 24     | Deferral Recovery Timing Adjustment                         | (G) (639)      | (191)       | (830)        |
| 25     |   |                |             |              |
| 26     | <b>Cumulative (Excess)/Shortfall as of June 30, 2011</b>    | 5,283          | 6,750       | 12,033       |
| 27     |   |                |             |              |
| 28     | <b>5 Months Ended October 31, 2011</b>                      |                |             |              |
| 29     | Expense Recovery  | 2,323          | 1,714       | 4,037        |
| 30     | Capitalized Cost  | 1,113          | 542         | 1,655        |
| 31     | Funding   | (E) (6,464)    | (846)       | (7,310)      |
| 32     | Funding (Excess)/Shortfall                                  | (3,028)        | 1,410       | (1,618)      |
| 33     |   |                |             |              |
| 34     | <b>Adjusted Cumulative (Excess)/Shortfall</b>               | 2,255          | 8,160       | 10,415       |

- (A) Attachment WRR-1, Page 6, as filed in Docket 4269.
- (B) Response to Division 1-5, Docket 4196
- (C) Response to Division 1-1
- (D) Funding during National Grid's Fiscal Year Ending March 31, 2009 was made for the entire year in April 2008. The contribution for the pension plan was \$6,881,000 and \$3,434,000 for PBOPs. Five Twelfths (5/12ths) were prorated for November 1, 2008 through March 31, 2009 period.
- (E) Includes additional \$2,100,000 of underfunding that the Company described in response to Division 3-8\
- (F) During the preparation of this analysis, it was determined that the amount of capitalized pension & PBOP costs reported in response to Division 1-5 in Docket 4196 was understated and is being adjusted here.
- (G) Adjustment to reflect actual timing of the recovery of pension and PBOP deferred amounts from November to October each year.