

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

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The Narragansett Electric Company)
d/b/a National Grid)
Annual Distribution Adjustment Charge)
("DAC") Filing)

Docket No. 4339

**The Division of Public Utilities and Carriers
Agreement in Settlement of DAC Issues**

The Rhode Island Division of Public Utilities and Carriers ("Division") and National Grid¹ have agreed to resolve the outstanding issues that exist between them relative to the above-referenced proceeding. This agreement would become effective with approval from the Rhode Island Public Utilities Commission.

System Pressure Factor

1. The System Pressure Factor proposed by the Company will be utilized in the 2012-2013 GCR and DAC Factors.

In the calculation of the Company's annual GCR and DAC Reconciliation, beginning in November 2012, the Company will assign 75.77% of the NGLNG Lease payment to the DAC.

2. In the GCR filing, none of the Commodity related LNG (including inventory finance) and Distrigas FLS demand charges will be assigned to the DAC.

In the Reconciliation Filing each year beginning with the April 2012 -March 2013 GCR Reconciliation Filing, the Company will compute the amount of LNG reallocated from the GCR to the DAC by comparing the normal projected LNG Usage (contained in the approved GCR filing) from the Providence NGLNG facility for the months of November through March with the actual LNG usage at the Providence NGLNG facility. If the actual usage exceeds the normal projection then the Company will assign 75.77% of the incremental costs to the DAC. The Company will calculate this cost by multiplying the volumetric variance by 75.77 percent and then apply the actual average LNG inventory price during the months of November through March to determine the amount of LNG costs to allocate to the DAC. The calculation will also include the inventory finance costs associated with 75.77% of this incremental LNG. The Company will provide the breakdown

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

of NGLNG used for the period Nov 12-Mar 13 for both normal and actual sendout in its 2012-13 GCR Reconciliation Filing.

3. This approach is intended to reflect the ratio of the LNG capacity required for system pressure support at the Providence NGLNG facility (i.e., 2,999 Dth per hour) to the dedicated peak hour LNG vaporization capacity at that facility (3,958 Dth per hour).

Advanced Gas Technology (“AGT”)

1. Interest on positive AGT balances will be credited to ratepayers, not used as an addition to AGT funding.
2. The Company and the Division will conduct discussions regarding the advisability of merging the AGT program into the annual Energy Efficiency program, with the expectation of providing the Commission with any recommendation before next year’s annual DAC filing.

Environmental Recovery Costs

1. Any future profits from the sale of land for which acquisition costs have been included in the ERC factor in the DAC will be credited to ratepayers.

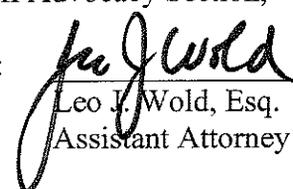
Rates for Effect November 1, 2012

The parties agree that the DAC factors and rates contained in Attachment 1 hereto, which were contained in the Company’s October 23, 2012 Rebuttal filing, be approved for effect November 1, 2012.

The Narragansett Electric Company
d/b/a National Grid:

By: 
Thomas R. Teehan, Esq.
Senior Counsel

The Division of Public Utilities and Carriers
Staff Advocacy Section,

By: 
Leo J. Wold, Esq.
Assistant Attorney General

Date: October 30, 2012

Attachment 1
Agreement in Settlement of DAC Issues
Docket 4339

Attachment 1

National Grid - RI Gas
Summary of DAC Factors
Effective November 1, 2012

DAC factor (not including annual ISR component) November 1, 2012 - October 31, 2013

Line No.	Description	Reference	Factor
			Residential/ Small/ Medium C&I
			Large/ X-Large
1	System Pressure (SP)	MCS-2	\$0.0030
2	Advanced Gas Technology Program (AGT)	MCS-3	\$0.0000
4	Low Income Assistance Program (LIAP)	MCS-4	(\$0.0019)
5	Environmental Response Cost (ERC)	MCS-5	\$0.0056
6	Pension and Post-Retirement Benefits (PBOP)	MCS-6	\$0.0005
7	Capital Expenditures Tracker (CAPX)	MCS-7	(\$0.0021)
8	On-System Margin Credits (MC)	MCS-8	(\$0.0004)
9	Service Quality Performance (SQP)	MCS-9	\$0.0014
11	Reconciliation Factor (R)		\$0.0020
12	Earnings Sharing Mechanism (ESM)		\$0.0000
13	Subtotal	sum ([1]+[11])	\$0.0061
14	Uncollectible Percentage	Dkt 3943	2.46%
15	DAC factors grossed up for uncollectible	[13]/(1-[14])	0.0063
16	Revenue Decoupling Mechanism (RDM)	MCS-10	\$0.0413
17	DAC factor	[15]+[16]	\$0.0476
			per therm
			per therm

DAC factors including annual ISR component

	ISR Reconciliation w/o uncollectible (therms)	Uncollectible Percentage	ISR Reconciliation* (therms)	Base DAC Component ² (therms)	DAC Component Subtotal Rates* (therms) (C)=[A]+(B)	ISR Component ² (therms) (D)	November 1, 2012 DAC Rates* (therms) (E)=(C)+(D)
Res-NH	\$0.0047	2.46%	\$0.0048	\$0.0476	\$0.0524	\$0.0679	\$0.1203
Res-NH-LI	\$0.0047	2.46%	\$0.0048	\$0.0476	\$0.0524	\$0.0679	\$0.1203
Res-H	\$0.0017	2.46%	\$0.0017	\$0.0476	\$0.0493	\$0.0269	\$0.0762
Res-H-LI	\$0.0017	2.46%	\$0.0017	\$0.0476	\$0.0493	\$0.0269	\$0.0762
Small	\$0.0009	2.46%	\$0.0009	\$0.0476	\$0.0485	\$0.0247	\$0.0732
Medium	\$0.0005	2.46%	\$0.0005	\$0.0476	\$0.0481	\$0.0176	\$0.0657
Large LL	\$0.0006	2.46%	\$0.0006	\$0.0069	\$0.0075	\$0.0168	\$0.0241
Large HL	\$0.0008	2.46%	\$0.0008	\$0.0069	\$0.0077	\$0.0119	\$0.0196
XL-LI	(\$0.0001)	2.46%	(\$0.0001)	\$0.0069	\$0.0068	\$0.0071	\$0.0139
XL-HL	(\$0.0002)	2.46%	(\$0.0002)	\$0.0069	\$0.0067	\$0.0047	\$0.0114

*Factors Include Uncollectible Allowance

¹ ISR Reconciliation factor. For further detail refer to: MCS-11

² National Grid proposed Base DAC factor for November 1, 2012 - October 31, 2013 from above table

³ ISR component as approved in Docket 4219