

July 29, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4436 - Revised Gas Cost Recovery Filing Responses to PUC Data Requests – Set 3

Dear Ms. Massaro:

Enclosed please find ten (10) copies of the National Grid's¹ responses to the Public Utilities Commission's ("PUC") Third Set of Data Requests concerning the above-referenced proceeding.

Please be advised that the Company's responses to PUC 3-3 and PUC 3-4 will be forthcoming shortly.

Thank you for your attention to this filing. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4436 Service List
Leo Wold, Esq.
Steve Scialabba
Bruce Oliver

¹ The Narragansett Electric Company d/b/a National Grid.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below. Paper copies of this filing are being hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.



July 29, 2014

Joanne M. Scanlon

Date

**Docket No. 4436 – National Grid – 2013 Annual Gas Cost Recovery Filing
("GCR") - Service List as of 3/5/14**

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PUC 3-1

Request:

Please explain the growth in the deferred balances for gas costs between 1) March 24, 2014 where counsel for National Grid represented a \$25.8 million under-collection that would be deferred to the next GCR period; 2) June 20, 2014 where National Grid identified a \$30.9 million dollar under-collection in that months filing of deferred balances; and 3) July 1, 2014 where National Grid identified a \$53.4 million under-collection in its 2014 Annual Gas Cost Recovery Reconciliation.

Response:

The estimated under-collected deferred balance of \$25.8 million that was represented by National Grid on March 24, 2014 covers the GCR period of November 1, 2013 through October 31, 2014. It is based on actual gas costs and gas cost revenue for the period of November 1, 2013 through February 28, 2014, along with the projected gas costs and gas cost revenue for the period of March 1, 2014 through October 31, 2014. These projected gas costs utilized a NYMEX strip and basis differentials as of March 5, 2014, and the projected gas cost revenue reflect the approved revised GCR rates as of April 1, 2014.

The deferred balance representing an estimated \$30.9 million under-collection identified in the monthly deferred report submitted by National Grid on June 20, 2014 also covers the GCR period of November 1, 2013 through October 31, 2014. It is based on actual gas costs and gas cost revenue for the period of November 1, 2013 through May 31, 2014, along with the projected gas costs and gas cost revenue for the period of June 1, 2014 through October 31, 2014. The projected gas costs are updated to reflect the estimated gas cost utilizing a NYMEX strip as of June, 10 2014. This balance also reflects the approved revised GCR rates effective April 1, 2014.

The change in the estimated deferred gas cost balance from that presented on March 24, 2014 to the balance reflected in the June's monthly report, or an increase of \$5.1 million, is the result of reflecting an additional three months of actual data and a more current estimate of gas costs for the remainder of the GCR period. Replacing the forecast of gas costs and revenue with actual gas costs and revenue for the months of March through May resulted in an overall increase in the estimated under-collection of \$4.3 million due to an \$8.3 million increase in gas cost, the inclusion of \$0.4 million in Gas Purchase Plan incentives, which is offset by a \$4.4 million increase in revenues. Updating the estimated gas costs for the remainder of the GCR period with a more recent NYMEX strip resulted in increasing gas costs for those projected months by \$0.7 million. The two updates account for the \$5.1 million increase in the estimated deferral cost balance at October 31, 2014.

PUC 3-1, page 2

The under-collected deferred balance of \$53.4 million identified in the 2014 Annual Gas Cost Recovery Reconciliation filed by the Company on July 1, 2014 presents the balance of deferred gas costs at a different point in time as compared to the two balances discussed above, and is, therefore, not comparable to the two balances above. This deferred balance covers the period of April 1, 2013 through March 31, 2014. It reflects actual gas costs and gas cost revenue for this 12-month period pursuant to the GCR tariff provision in the Company's currently effective tariff, R.I.P.U.C. NG No. 101, Section 2, Schedule A, Sheet 1, Item 1.2.

The Annual Gas Cost Recovery Reconciliation filed on July 1, 2014 reflects the deferred gas cost balance as of March 31, 2014, which is not the reconciliation balance to be included in the Company's September 1, 2014 Gas Cost Recovery ("GCR") filing which will propose the GCR factors effective November 1, 2014. The deferred gas cost reconciliation balance included in the 2014-2015 GCR factors will reflect the deferred gas cost balance as of October 31, 2014 based on actual gas cost and revenue through July 2014 and estimated costs and revenue for the months of August through October 2014. In the Company's most recent Monthly Deferred Report filed on July 21, 2014, reflecting actual cost and revenue through June 2014 and projected cost and revenue for July 2014 through October 2014, the Company's estimate of the reconciliation balance is approximately \$28.6 million.

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4436
2014 Revised Gas Cost Recovery Filing
Responses to Public Utilities Commission's Third Set of Data Requests
Issued on July 8, 2014

PUC 3-2

Request:

Identify by month the increases to the \$25.8 million under-collection identified at the March 24, 2014 hearing and explain why these significant increases have occurred.

Response:

As noted in the Company's response to PUC 3-1, the \$25.8 million under-collection identified at the March 24, 2014 hearing represents the projected deferred gas cost balance as of October 31, 2014 while the \$53.4 million under-collection identified in the Company's 2014 Annual Gas Cost Recovery Reconciliation represents the projected deferred gas cost balance as of March 31, 2014 and not October 31, 2014. In the June 2014 Monthly Deferred Report, the Company projected the deferred gas cost balance as of October 31, 2014 to be \$30.9 million which equates to an increase of \$5.1 million as compared to the \$25.8 million reported on March 24, 2014. The table below details the monthly increases resulting in the \$5.1 million increase in the October 31, 2014 deferred balance.

	LNG Cost to DAC	Demand Cost	Commodity Cost	NGPMP	GPIP	Revenues	Interest	Total
Nov-13	(\$76,679)	\$0	(\$455)	\$0	\$0	\$0	(\$40)	(\$77,173)
Dec-13	(\$85,575)	\$0	(\$507)	\$0	\$0	\$0	(\$128)	(\$86,210)
Jan-14	(\$722,185)	\$0	(\$4,281)	\$0	\$0	\$0	(\$559)	(\$727,025)
Feb-14	(\$200,181)	\$0	(\$1,187)	\$0	\$0	\$0	(\$950)	(\$202,318)
Mar-14	(\$72,042)	(\$277,142)	\$12,337,652	\$1,970,831	\$453,345	(\$2,574,278)	\$4,883	\$11,843,249
Apr-14	\$0	(\$400,714)	(\$289,352)	(\$294,951)	\$0	(\$3,300,730)	\$8,843	(\$4,276,904)
May-14	\$0	(\$459,725)	(\$1,473,852)	\$0	\$0	\$1,443,631	\$6,613	(\$483,334)
Jun-14	\$0	\$0	\$160,051	(\$837,940)	\$0	\$0	\$5,806	(\$672,083)
Jul-14	\$0	\$0	\$70,836	\$0	\$0	\$0	\$5,684	\$76,520
Aug-14	\$0	\$0	\$81,123	\$0	\$0	\$0	\$5,770	\$86,894
Sep-14	\$0	\$0	\$133,945	(\$837,940)	\$0	\$0	\$5,270	(\$698,725)
Oct-14	\$0	\$0	\$257,753	\$0	\$0	\$0	\$5,215	\$262,967
Total	(\$1,156,661)	(\$1,137,581)	\$11,271,725	(\$0)	\$453,345	(\$4,431,377)	\$46,408	\$5,045,858

PUC 3-5

Request:

Has National Grid acquired pipeline capacity from the Algonquin Incremental ("AIM") project for either its Rhode Island or Massachusetts jurisdictions? If so, please specify the contracted supplier, delivery points and terms of service.

Response:

In September 2012, Algonquin commenced an Open Season for its Algonquin Incremental Market Project ("AIM"). AIM is being designed to expand Algonquin's existing pipeline by approximately 342,000 dth/day, providing firm transportation from Algonquin's interconnection with Millennium Pipeline Company, LLC ("Millennium") at Ramapo, New York to markets located in New England. The AIM Project will also provide access to supplies available at the interconnection with Iroquois Gas Transmission ("Iroquois") at Brookfield, Connecticut.

National Grid participated in the AIM Open Season, and has entered into the following Precedent Agreements as described below for a fifteen-year term with an expected in-service date of November 1, 2016 for service to both Rhode Island and Massachusetts.

- (1) **Boston Gas Company:** National Grid has contracted for 75,000 Dth per day of capacity. Of the 75,000 Dth per day of capacity, 20,000 Dth will serve as a replacement for Boston Gas' current illiquid receipt point (Beverly, MA) on existing HubLine capacity with a more liquid receipt point at the interconnect with the Millennium Pipeline in Ramapo, NY. As of the in-service date of the AIM project, this existing contract will terminate. The remaining 55,000 Dth per day will be incremental volumes. The primary delivery points are: Everett, MA @ 10,000 Dth per day, West Roxbury @ 30,000 Dth per day, Wellesley, MA @ 5,000 Dth per day, Polaroid, MA @ 5,000 Dth per day, Norwood, MA @ 2,500 Dth per day, Weston, MA @ 2,500 Dth per day, and Ponkapoag, MA @ 20,000 Dth per day. The project will also provide the Company with a new lateral to a new delivery point in West Roxbury, MA. This lateral will be sized to move up to 100,000 Dth per day. National Grid received Massachusetts Department of Public Utilities approval in Docket D.P.U. 13-157 on January 31, 2014.

Colonial Gas Company: National Grid has contracted for 25,000 Dth per day of capacity replacing its current illiquid receipt point (Beverly, MA) on the existing HubLine capacity. As of the in-service date of the AIM project, this existing contract will terminate. Thus, Colonial Gas is not acquiring incremental capacity, but rather is, in effect, replacing an illiquid receipt point at Beverly, MA with a

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more liquid receipt point at the interconnect with Millennium Pipeline in Ramapo, NY. The primary delivery points are: Bourne, MA @ 10,000 Dth per day and Sagamore, MA @ 15,000 Dth per day. National Grid received Massachusetts Department of Public Utilities approval in Docket D.P.U. 13-157 on January 31, 2014.

- (2) **The Narragansett Electric Company**: National Grid has contracted for 18,000 Dth per day of capacity replacing its current illiquid receipt point (Beverly, MA) on the existing HubLine and East-to-West capacity. As of the in-service date of the AIM project, these existing contracts will terminate. Thus, the Company is not acquiring incremental capacity but rather is, in effect, replacing an illiquid receipt point at Beverly, MA with a more liquid receipt point at the interconnect with Millennium Pipeline in Ramapo, NY. The primary delivery points are: Warren, RI @ 6,000 Dth per day, Montville, CT @ 5,000 Dth per day, Portsmouth, RI @ 6,000 Dth per day, Tiverton, RI @ 500 Dth per day, and Westerly, RI @ 500 Dth per day

PUC 3-6

Request:

Please explain the actual March deferred gas cost balances on Schedule 1, page 1 of the June 20, 2014 filing and the actual March deferred gas cost balances on the same schedule 1, page 1 of the July 1, 2014 filing and why if those are both accurate depictions of actual amounts are the NGPMP Credits different.

Response:

The March balances between the two reports are intended to represent the same activity, as can be best seen by the beginning balance for March 2014 in each report, both of which show it is \$49,422,593. However, the ending balances diverge due to the different amount included in each report for the NGPMP Credit. The March 2014 NGPMP Credits on the June 20, 2014 filing reflects the estimated NGPMP Credits, while the July 1, 2014 filing reflects the actual NGPMP Credits for the measurement year April 1, 2013 through March 31, 2014 as indicated in the NGPMP Annual Report in Docket No. 4038. The actual NGPMP Credits to be included in March 2014 were not finalized at the time the Company was preparing its June 20, 2014 filing.