

June 26, 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
30-Day Status Report – June 2014**

Dear Ms. Massaro:

On behalf of National Grid¹, enclosed are ten (10) copies of the Company's 30-Day Status Report for June 2014 in response to the Rhode Island Public Utilities Commission vote at the hearing on March 24, 2014 regarding a review of the issues identified in Mr. Oliver's memorandum dated March 19, 2014 in the above-referenced docket.

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 ("National Grid" or the "Company").

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.



June 26, 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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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

In Re: Review of National Grid's Revised Gas Cost
Recovery Filing

Docket No. 4436

**STATUS REPORT OF
THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID
(June 26, 2014)**

This report of The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company") is filed with the Rhode Island Public Utilities Commission ("PUC") in response to its vote at the hearing on March 24, 2014 in the above-referenced docket, which required reports from National Grid¹ every thirty (30) days regarding a review of the issues identified in the Memorandum dated March 19, 2014 from Bruce R. Oliver, Revilo Hill Associates, on behalf of the Division of Public Utilities and Carriers (the "Division"). Mr. Oliver identified five issues for consideration prior to the Company's next Gas Cost Recovery ("GCR") filing:

- 1. Review of gas cost hedging program.**
- 2. Other means of limiting requirements for daily spot purchases of natural gas during periods of extreme weather.**
- 3. Revision of the terms under which gas marketers deliver gas to National Grid.**
- 4. Review of pricing for customers who return to gas supply service provided by National Grid.**
- 5. Non-Firm customer compliance with service interruption requests and the adequacy of penalties for non-compliance given current market conditions.**

The following activities have taken place since the Company's last status report that it filed with the PUC on May 22, 2014:

- The Company and the Division met via teleconference call on June 11, to discuss the Company's progress regarding the issues referenced above. The next meeting is scheduled for July 15.

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

A status of each issue referenced above is provided below.

1. Review of Gas Cost Hedging Program

The Company has completed its review of the benefits and costs of additional Mandatory hedge volumes. Since filing its last status report, the Company encountered an issue with some of the assumptions used in its forecasting methodology. As a result, the Company is still in the process of quantifying forecasting data with respect to volume deviations for the unhedged locations (New England market area locations where the Company is currently buying supplies). Once the Company completes its analysis, it will share that information with the Division. The Company believes it will be in a position at that time to make a recommendation regarding available hedging options, and the risks and rewards of each.

2. Review of Spot Market Purchases During Periods of Extreme Weather

The Company will incorporate its review of the potential value for additional spot market purchases into its analysis of its hedging program as discussed in item #1, above. As discussed in the Company's last status report, this review will continue to be ongoing as the Company moves through its annual planning cycle, which starts with the update of the demand forecast. Once finalized, the Company, using its Sendout Model, will look at several scenarios varying the level of baseload market area purchase to determine the impact. These results will be reviewed with the Division once available.

3. Review of Transportation Terms and Conditions on Marketer Gas Delivery

4. Review of Pricing for National Grid-Supplied Gas Service

As discussed in its last status report, the Company continues to holistically review the terms and conditions of its existing Customer Choice program in order to be responsive to changes in the marketplace. The Company and the Division discussed the need to balance flexibility in the program with the price implications of changing certain rules of the program (e.g. treatment of capacity exempt customers). The Company continues to focus its review on the following areas:

- Treatment of transportation customers who are not assigned capacity by National Grid, including “grandfathered”² customers, new customers, as defined by the Company's tariff, who will be firm transportation customers and are eligible to elect to be exempt from a mandatory capacity assignment, and non-firm transportation customers who request to convert to firm transportation service;

²“Grandfathered” customers are those customers who, prior to the implementation of the supplemental settlement agreement in Docket 2902, approved by the Commission in an October 27, 1999 Open Meeting and written order issued January 13, 2000, were existing transportation customers who did not receive pipeline capacity assignments from the Company. Through the supplemental settlement, this group of customers was given the one time election to either retain this exempt status or receive capacity assignment from National Grid.

- The continuation/termination of Default Transportation Service and Transitional Sales Service and the interplay between the Company's sales and transportation customers;
- The methodology for estimating gas supply costs and the rate design associated with the Company's GCR rates;
- How the mandatory capacity assignment programs are accounted for in the Company's filings;
- Capacity release path methodology; and
- A review of the Company's forecast for the volume of gas to be purchased and sold and the various components.

The Company anticipates completing its review, such that by mid-July, it will be able to share recommendations for changes to the Customer Choice Program, some to be implemented prior to the start of the upcoming heating season, and others over the long-term (i.e. November 2015).

5. Customer Compliance with and Penalties Required by Non-Firm Transportation Terms and Conditions

The Company has not found any occurrences of customer non-compliance with its Non-Firm Transportation Terms and Conditions. Mr. Oliver raised the question of whether the penalties are still appropriate given the recent market fluctuations. The Company has committed to reviewing this issue as part of the holistic review of its Customer Choice Program, as discussed in items #3 and #4, above.

Respectfully Submitted,

**THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID**

By its Attorney,



Jennifer Brooks Hutchinson (RI Bar #6176)

June 26, 2014