Jennifer Brooks Hutchinson
Senior Counsel

October 20, 2014

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4520 - 2014 Gas Cost Recovery Filing
Responses to PUC Data Requests – Set 1

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's[1] responses to the first set of data requests issued by the Rhode Island Public Utilities Commission 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 4520 Service List
Leo Wold, Esq.
Steve Scialabba
Bruce Oliver

[1] The Narragansett Electric Company d/b/a National Grid (National Grid or Company).

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PUC 1-1

Request:

Please quantify the amount collected or lost by the Company as a result of the improper classification of approximately 3000 residential non-heating customers.

Response:

The Company did not benefit or experience lost revenue as a result of this group of customers remaining on the residential non-heating rate class. The Company estimated the impact of comparing charges based upon the residential heating rates and residential non-heating rates on the monthly use of this group of customers. This analysis is provided in Attachment PUC 1-1 to this response.

Based on this analysis, in the aggregate, these customers were billed approximately $104,000 less on the non-heating rates than what the estimate is had they been billed on the heating rates during FY 2014, as shown on line 41 of the attachment. The impact on each component of the Company's rates is shown (lines 38 – 40), and each is subject to a reconciliation mechanism that includes billed revenue. Any non-heating revenue in excess of what these customers would have been billed on heating rates, such as with Base Rates on line 40, flows through the RDM reconciliation and all customers subject to the RDM will receive the benefit of the additional revenue. Any non-heating revenue that is less than what these customers would have been billed on heating rates, as with the GCR on line 38 and the DAC on line 39, will flow through those reconciliations and be reflected in the factors that reflect the resulting reconciliation balances.

Prepared by or under the supervision of: Ann E. Leary

Calculation of Estimated 3,000+ Residential Non Heating Customers on Residential Heating Rate

		Reference	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Total
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Estimated No. of Residential Non Heating Customers for Conversion		3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089	3,089
2	Estimated Usage (Therms)		332,012	164,875	79,084	54,856	53,022	53,653	70,136	199,633	480,161	691,124	698,041	633,509	3,510,106
3	Usage/customer	(2) / (1)	107	53	26	18	17	17	23	65	155	224	226	205	1,136
4	GCR Rates in Effect [1]														
5	Residential Non-Heating Rate		$0.6240	$0.6240	$0.6240	$0.6240	$0.6240	$0.6240	$0.6240	$0.6381	$0.6381	$0.6381	$0.6381	$0.6381	
6	Residential Heating Rate		$0.6725	$0.6725	$0.6725	$0.6725	$0.6725	$0.6725	$0.6725	$0.6626	$0.6626	$0.6626	$0.6626	$0.6626	
7	Residential Non-Heat GCR Revenue	(2) * (5)	$207,176	$102,882	$49,349	$34,230	$33,086	$33,479	$43,765	$127,386	$306,391	$441,007	$445,420	$404,242	
8	Residential Heat GCR Revenue	(2) * (6)	$223,278	$110,879	$53,184	$36,891	$35,657	$36,081	$47,166	$132,277	$318,155	$457,939	$462,522	$419,763	
9	GCR Difference	(7) + (8)	$16,103	$7,996	$3,836	$2,661	$2,572	$2,602	$3,402	$4,891	$11,764	$16,933	$17,102	$15,521	$105,381
10	DAC Rates in Effect [2]														
11	Residential Non-Heating Rate		$0.0564	$0.0564	$0.0564	$0.0564	$0.0564	$0.0564	$0.0564	$0.0197	$0.0197	$0.0197	$0.0197	$0.0197	
12	Residential Heating Rate		$0.0513	$0.0513	$0.0513	$0.0513	$0.0513	$0.0513	$0.0513	$0.0425	$0.0425	$0.0425	$0.0425	$0.0425	
13	Residential Non-Heat DAC Revenue	(2) * (11)	$18,725	$9,299	$4,460	$3,094	$2,990	$3,026	$3,956	$3,933	$9,459	$13,615	$13,751	$12,480	
14	Residential Heat DAC Revenue	(2) * (12)	$17,032	$8,458	$4,057	$2,814	$2,720	$2,752	$3,598	$8,484	$20,407	$29,373	$29,667	$26,924	
15	DAC Difference	(13) + (14)	($1,693)	($841)	($403)	($280)	($270)	($274)	($358)	$4,552	$10,948	$15,758	$15,915	$14,444	$57,497
16	Residential Non-Heat Base Rates														
17	Residential Non-Heating Rate														
18	Customer Charge	Tariff Residential Non Heating Rate 10	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	
19	Volumetric Rate	Tariff Residential Non Heating Rate 10	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	$0.4386	
20	Residential Heating Base Rates														
21	Customer Charge	Tariff Residential Heating Rate 12	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	$13.00	
22	Headblock	Tariff Residential Heating Rate 12	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	$0.4672	
23	Tailblock	Tariff Residential Heating Rate 12	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	$0.3010	
24	Break Point		125	30	30	30	30	30	30	125	125	125	125	125	
25	Headblock % (from Dk 4223 Rate Case)		82.0%	81.9%	70.5%	82.4%	84.2%	84.5%	82.8%	68.2%	86.7%	65%	64%	71%	
26	Base Rate Revenues														
27	Residential Non-Heat Revenue	(1)*(18) + (2)*(19)	$185,778	$112,471	$74,843	$64,217	$63,412	$63,689	$70,919	$127,716	$250,756	$343,284	$346,318	$318,014	$2,021,416
28	Residential Heat Revenue	(1)*(21) + (2)*(22)*(25)+(2)*(23)*(1-(25))	$185,357	$112,227	$73,229	$64,179	$63,539	$63,843	$70,915	$122,875	$253,893	$322,698	$324,816	$305,253	$1,962,823
29	Difference	(28)-(27)	($421)	($244)	($1,614)	($38)	$126	$154	($4)	($4,841)	$3,138	($20,586)	($21,502)	($12,761)	($58,593)
30	EE Factor [3]		$0.0417	$0.0417	$0.0417	$0.0417	$0.0417	$0.0417	$0.0417	$0.0417	$0.0417	$0.0600	$0.0600	$0.0600	
31	Residential Non Heat EE Revenue	(2)*(30)	$13,845	$6,875	$3,298	$2,288	$2,211	$2,237	$2,925	$8,325	$20,023	$41,467	$41,882	$38,011	$183,386
32	Residential Heat EE Revenue	(2)*(30)	$13,845	$6,875	$3,298	$2,288	$2,211	$2,237	$2,925	$8,325	$20,023	$41,467	$41,882	$38,011	$183,386
33	EE Difference	(32)-(31)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
34	Res NH Revenue (GCR + Base Rate + DAC + EE)	(7)+(13)+(27)+(31)	$425,524	$231,528	$131,950	$103,829	$101,699	$102,432	$121,564	$267,359	$586,628	$839,373	$847,371	$772,746	$4,532,003
35	Res H Revenue (GCR + Base Rate + DAC + EE)	(8)+(14)+(28)+(32)	$439,512	$238,439	$133,768	$106,171	$104,127	$104,914	$124,604	$271,961	$612,477	$851,478	$858,886	$789,950	$4,636,288
36	Difference	(35)-(34)	$13,989	$6,912	$1,818	$2,342	$2,427	$2,482	$3,040	$4,602	$25,849	$12,104	$11,515	$17,204	$104,285
37	Detail Difference:														
38	GCR Difference	(9)	$16,103	$7,996	$3,836	$2,661	$2,572	$2,602	$3,402	$4,891	$11,764	$16,933	$17,102	$15,521	$105,381
39	DAC Difference	(15)	($1,693)	($841)	($403)	($280)	($270)	($274)	($358)	$4,552	$10,948	$15,758	$15,915	$14,444	$57,497
40	Base Rate Difference	(29)	($421)	($244)	($1,614)	($38)	$126	$154	($4)	($4,841)	$3,138	($20,586)	($21,502)	($12,761)	($58,593)
41	Total Difference	sum(37:40)	$13,989	$6,912	$1,818	$2,342	$2,427	$2,482	$3,040	$4,602	$25,849	$12,104	$11,515	$17,204	$104,285
42	Total Firm Revenues		$44,128,076	$24,428,340	$14,894,355	$13,677,766	$12,691,079	$13,407,127	$14,541,544	$24,673,340	$48,272,395	$65,096,589	$64,898,074	$64,370,845	$405,079,529
43	Percent Total Firm Revenue	(36, col m) / (42, col m)													0.03%

Notes

1 GCR Rates approved in Docket No.4346 for Apr 13-Oct 13 and Docket No. 4436 for Nov 13-Mar 1

2 DAC Rates approved in Docket No. 4339 & 4380 for Apr 13-Oct 13 and Docket No.4431 for Nov 13-Mar 1

3 EE Rates approved in Docket No. 4366 for Apr 13-Dec 13 and Docket No. 4451 for Jan 14-Mar 1

PUC 1-2

Request:

Why is the Company waiting to transfer approximately 2000 of these residential non-heating customers until the upcoming winter season?

Response:

Several sources of data were used to develop a final list of residential gas accounts that should be transferred to heating rates. Efficiency upgrades and gas conversions were provided by teams managing those processes. Some upgrades were already switched through an internal process of reporting known equipment upgrades to the Accounts Processing team for transfer. Then the company reviewed 18 months of historical monthly usage for residential non-heating customers and identified another roughly 1,000 customers with annual usage over 1,000 therms. These lists were consolidated, validated, and reviewed against current account status. The final step being taken is to complete these rate transfers. The Company was completing its compilation and review of the target accounts prior to completing the rate transfer.

Prepared by or under the supervision of: Jeff Martin

PUC 1-3

Request:

Is there a certain amount of consumption, i.e., greater than 1,000 therms per year, that will trigger a transfer to the heating rate? What procedures does the Company have in place to monitor this?

Response:

Pursuant to the Company's tariff, RIPUC NG-GAS No. 101, Section 1, General Rules and Regulations, it is the responsibility of the customer to inform the Company as to any changes in the nature of gas use at the customer's premises (Schedule A, Sheet 2, last two paragraphs in Section 2.0). For the customers who the Company believed converted to gas heating without notifying the Company, which the Company has conservatively quantified at approximately 1,000, the Company believes that this quantity has built up over time. As part of the Company's review of the non-heating customers generally, it reviewed 18 months of historical monthly usage to identify those customers with load profiles indicative of gas heating (annual usage over 1,000 therms and at least 60% of the use in the winter months). The Company is currently reviewing its processes to determine if annual monitoring and switching procedures are appropriate in light of the number customers who may, on an annual basis, convert to gas heating on their own without notifying the Company.

Prepared by or under the supervision of: Jeff Martin

PUC 1-4

Request:

How and from whom does the Company plan to recover any difference in the rates collected from the approximate 3000 residential non-heating customers who were improperly classified?

Response:

The Company does not plan to retroactively bill this group of customers on the Residential Heating rates to collect any increased charges that would be billed through the application of the Residential Heating rates.

PUC 1-5

Request:

Is it typical for a customer who installs a gas boiler, a gas generator or other gas appliance/gas-using device or begins using gas for heat to have a meter/regulator changed because of the increase in consumption that will likely occur?

Response:

No, a meter or regulator exchange is not typical for a customer who installs a gas boiler; however, it may occur. Meter size may change depending on the total connected load of the customer. Most gas regulators would not need to be changed.

Prepared by or under the supervision of: Peter Duggan

PUC 1-6

Request:

Can a customer install a gas boiler, a gas generator, or other gas appliance/gas-using device or begin using gas for heat without notifying the Company? Is it the obligation of a plumber to notify the Company or a city/town inspector if this type of change/installation occurs?

Response:

Yes, a customer can install equipment operated through the use of natural gas without notifying National Grid. There is no obligation of the customer or plumber to notify the Company. The customer is required to obtain a permit from the city/town to complete the installation work, however.

PUC 1-7

Request:

Are there any safety issues associated with the installation of a gas boiler, a gas generator or other gas appliance/gas-using device if the Company is not notified of such installation?

Response:

No, it is the Company's expectation that all gas installations are completed by a licensed gas installer and installations are completed according to state and federal code regulations. There are always inherent safety risks associated with correctly installing gas equipment. It is the responsibility of the customer to ensure that he/she selects a licensed and qualified installer.

National Grid communicates regularly with the contractor community and only recommends licensed qualified contractors to inquiring customers. The Company also performs outreach, responds to any customer inquiries regarding gas equipment projects, and reminds customers to seek only qualified and licensed installers.

The Company does not believe that these risks are tied to a notification to the Company.

Prepared by or under the supervision of: Peter Duggan

PUC 1-8

Request:

Is it the Company's intention to require those residential non-heating customers who were improperly classified to pay for any loss realized by the Company due to the improper classification? If not, please justify why.

Response:

As indicated in the Company's response to PUC 1-4, the Company is not planning to retroactively bill this group of customers who might have had slightly higher bills on the Residential Heating rate. This treatment is consistent with the Company's Tariff, RIPUC No. 101, Schedule A, Section 1, part 2.0 which states, in part, that ". . . the customer is responsible for accurately describing its gas burning equipment and updating the Company as changes occur. ... In cases where the customer requests a rate reclassification, no rebate will be granted for service rendered during the period the customer account was served under the previous rate classification, except in instances where the previous rate classification was due to an error by the Company."

Prepared by or under the supervision of: Ann E. Leary

PUC 1-9

Request:

Please provide the Company definition of a space heater with examples.

Response:

National Grid does not have a Company-specific definition of a space heater. However, the industry definition of a space heater is a device designed to heat an enclosed area. That space could be a singular room, a basement, or in some cases an entire living area. Some of the more popular manufacturers on the market today, including Monitor and Rinnai, sell units that can serve any and all of those needs. Generally, these devices are floor based units, directly vented through the wall and powered by natural gas to heat smaller spaces as opposed to central heating units such as boilers and furnaces.

Prepared by or under the supervision of: Peter Duggan

PUC 1-10

Request:

Provide a chart of the load for the residential non-heating customers by month for the past three years.

Response:

Please see Attachment PUC 1-10 which details the usage for the residential non-heating customers by month for the most recent three of the Company's fiscal years.

Prepared by or under the supervision of: Ann E. Leary

Residential Non-Heating Customers Loads (In Therms) April 2011-March 2014

Line Item		April	May	June	July	August	September	October	November	December	January	February	March	Total
1	FY 2011/2012	634,817	443,189	363,851	305,002	261,086	287,958	294,625	462,613	603,560	771,079	826,136	771,378	6,025,293
2	FY 2012/2013	599,876	458,188	351,715	287,236	268,988	266,826	309,366	476,892	822,120	1,031,844	1,141,653	1,045,524	7,060,228
3	FY 2013/2014	884,564	553,920	370,445	297,268	279,527	285,135	319,915	553,399	1,084,599	1,486,796	1,483,605	1,451,568	9,050,741

PUC 1-11

Request:

What actions, if any, has the Company taken to address the load growth of the residential non-heating customers and when did such actions begin?

Response:

In 2013, the Company made changes to internal processes' to help streamline the increased requests for added non-heat load requests (i.e., generators, on demand water heaters). These inquiries are directed to the Company's Lead Intake call center (877-MY-NGRID). An added load request form is sent out to the customer's contractor requesting specific load information based on the equipment being added and the present load. This form is then submitted to the Company's Customer Fulfillment department for evaluation. Based on the results of pressure and load evaluations, Customer Fulfillment will communicate with the plumber/contractor as to next steps.

PUC 1-12

Request:

For the 3000 customers that were improperly classified, identify, based on consumption, how many of those have been improperly classified for greater than one year, greater than eighteen months and greater than two years.

Response:

The table below indicates how many customers have been improperly classified less than one year, between one year and eighteen months, between eighteen months and two years, and greater than two years.

Period of Heating Customer on Non-Heating Rate	Confirmed Customer Count[1]	Additional Potential Customers[2]
Less Than One Year	207	526
Between One Year and 18 Months	1,302	535[3]
Between 18 Months and 2 Years	81	
More Than 2 Years	436	
Total	2,026	1,061

For the "Confirmed Customer" category, the Company based the transfer date on the installation date provided in the Company's Energy Efficiency and Marketing Sales Reports. For the "Additional Potential Customer" category, the Company cannot determine an exact conversion date since this group of customers is based on a review of the customer's usage over the past two years.

In developing the response to this data request, the Company compared the usage during the 2013-2014 winter period with usage during the 2012-2013 winter period. For comparisons showing an increase of greater than 300 therms, the Company designated that conversion date as less than one year. If the comparison between the two periods yielded an increase less than 300

[1] "Confirmed Customer Count" represents the customers who have participated in the Company's Marketing and Energy Efficiency Program.
[2] "Additional Potential Customers" represents customers who are using more than 1,000 therms per year and have load factor greater than 60%.
[3] For this category the Company can only differentiate between less than one year and greater than one year.

therms, the Company designated that conversion date as more than one year. The Company used a criteria of 300 therms to eliminate any variance between the two periods due to colder weather.

PUC 1-13

Request:

What is the impact on firm customers of transportation customers who choose to return to the Company for service?

Response:

Transportation Customers who choose to return to the Company for service can impact firm customers in two ways; financially and operationally. The financial impact has the potential to occur when firm transportation customers with capacity assignment return to the Company for supply service. In this instance, the Company bills the customers the Transitional Sales Service Rate (TSS) in accordance with the Company's Tariff, RIPUC NG-GAS No. 101 Section 5 Schedule H. When firm transportation customers without capacity assignment (often referred to as capacity exempt customers) return to the Company for supply service, the Company bills those customers Default Transportation Service (DTS) in accordance with Company's Tariff, RIPUC NG-GAS No. 101 Section 6, Schedule C, Part 2.04.

The TSS and DTS rates (both of which are always equal to or greater than the applicable GCR rate) are set at levels designed to ensure that the firm sales customers are not subsidizing transportation customers for any incrementally-priced gas supplies the Company might have to purchase on their behalf. In all instances, whether these customers pay the TSS, DTS, or GCR rate, they pay for a portion of the pipeline demand charges that otherwise would be paid for by the firm sales customers.

The operational impact of these customers has to do with when they return to the Company for service. Given the pipeline capacity constraints in the New England region, if these customers return during the winter period, and the Company experiences a design day, there may not be capacity and/or supply available to serve these customers on that day. Last winter, the Company experienced cold weather as well as the return of transportation customers to the Company for service and was able to serve all customers. Going forward, the Company will seek to address this reliability concern through changes to the Customer Choice program.

Prepared by or under the supervision of: Elizabeth Arangio and Ann Leary

PUC 1-14

Request:

Please explain how the Company can propose a reduction in the GCR rate when the deferred gas cost balance is $28.4 million.

Response:

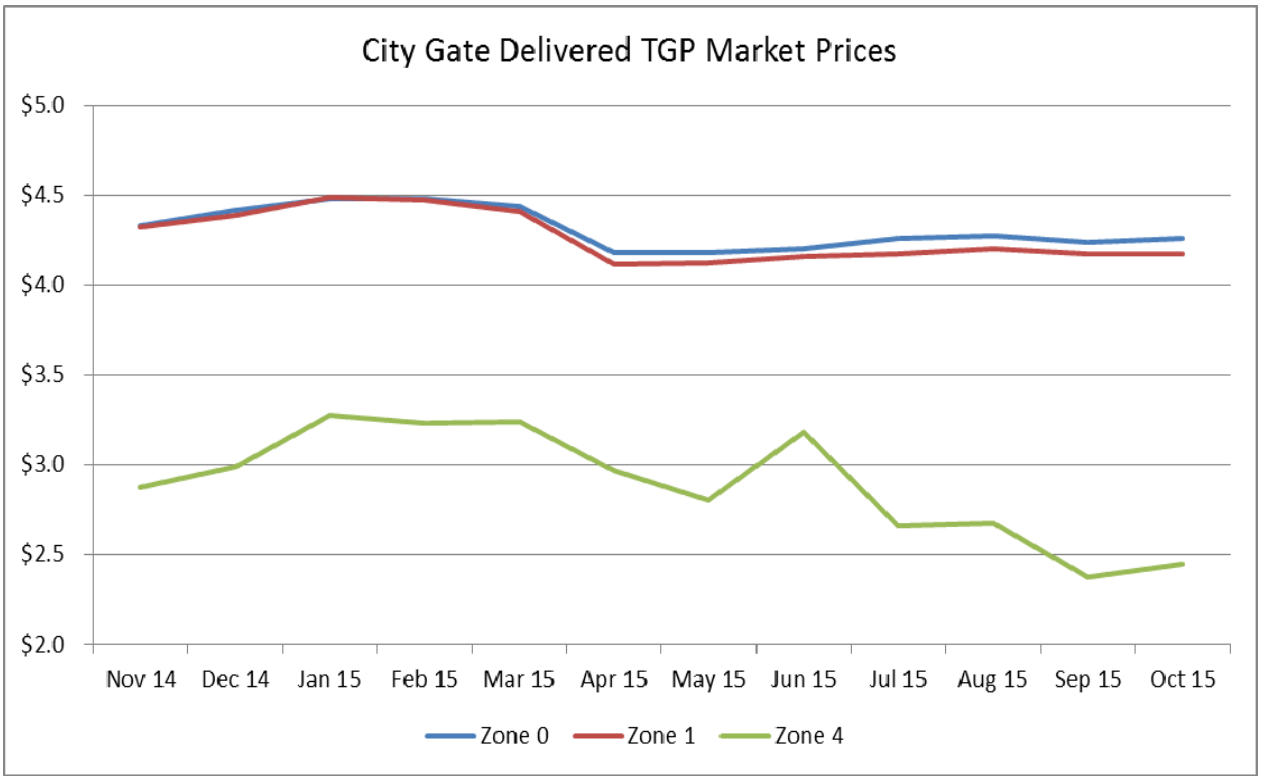
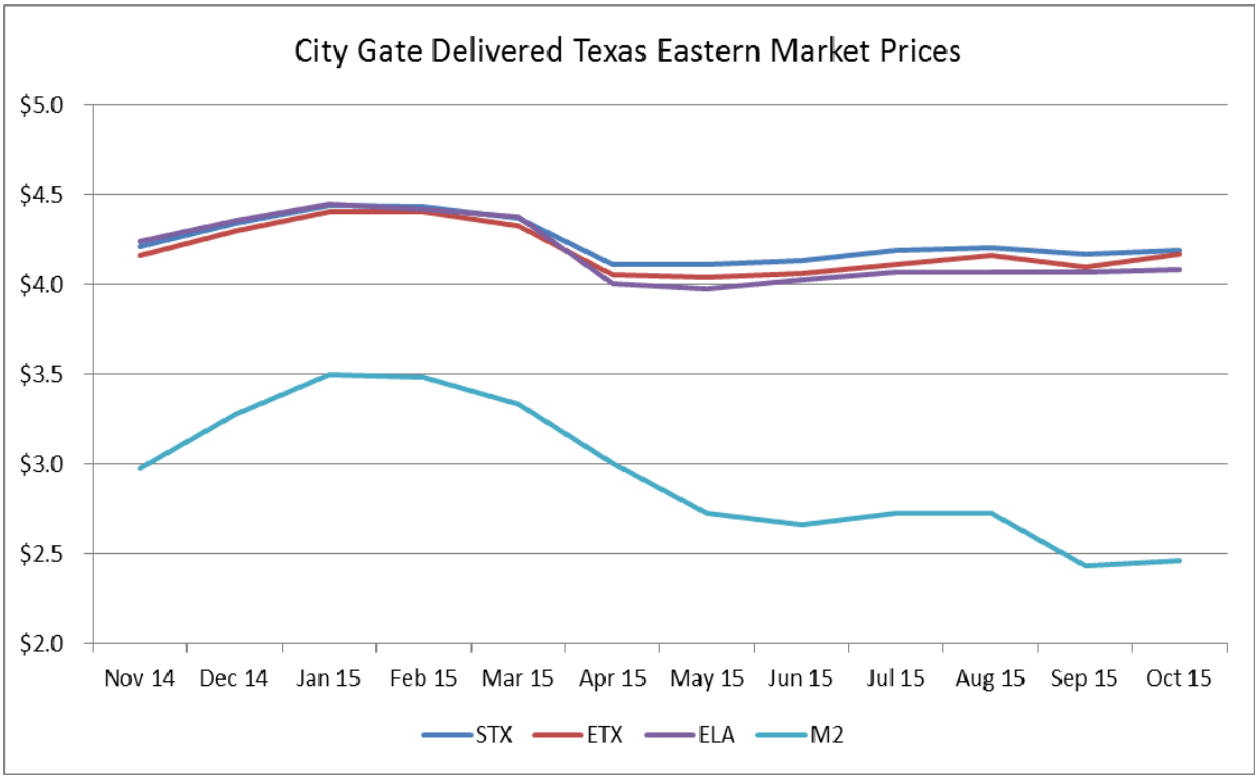
The table below compares the projected gas costs included in the 2013-2014 GCR factors with the projected gas costs included in the proposed 2014-2015 GCR factors. Although the deferred gas cost balance has increased by $17.2 million ($29 million deferred gas cost balance in the 2014-2015 GCR verses $11.9 million deferred gas cost balance in 2013-2014 GCR), the commodity cost of gas has decreased by over $25 million resulting in a net overall decrease of approximately $8.5 million.

	2013-2014 GCR			2014-2015 GCR	Increase (Decrease)
	Initial	Interim Adj	Total	Sep 2 Filing	
Fixed Gas Cost	$35,775,515		$35,775,515	$35,145,386	($630,129)
Commodity Cost	$118,998,209	$17,519,952	$136,518,161	$111,463,996	($25,054,165)
Prior Period Reconciliation	$11,859,371		$11,859,371	$29,031,120	$17,171,749
Total	$166,633,095		$184,153,047	$175,640,502	($8,512,545)
Sales- Dktherm	26,019,992		26,019,992	26,528,190	
Avg. GCR Rate- $/Dktherm	$6.40		$7.08	$6.62	
Uncollectible	3.18%		3.18%	3.18%	
Avg. GCR w uncollectible- $/Dktherm	$6.61		$7.31	$6.84	

The decrease in commodity costs are a result of the Company's forecast to purchase greater volumes of less-expensive supplies along its existing long-haul capacity. Historically, the Company purchased least-cost supplies from the Gulf of Mexico (GOM) utilizing its Tennessee Gas Pipeline (Tennessee) and Texas Eastern Gas Transmission Company (Texas Eastern) long-haul capacity. The Company is now able to rely on the purchase of less expensive supplies at

points downstream of the GOM (Texas Eastern Market Area 2 (M2) and Tennessee Zone 4 (Zone 4) point using existing long-haul pipeline capacity. The Company can make these less-expensive supply purchases without incurring any additional fixed costs. By including these points in the gas cost forecast, the Company is aligning its forecasted gas costs with the actual purchase point location as included in the Company's NGPMP.

Below are two graphs depicting city gate delivered pricing used in the Company's September 2, 2014 Gas Cost Recovery filing for supply points on both Tennessee and Texas Eastern. The first graph shows city gate delivered costs for gas purchased in Tennessee Zone 4 as compared to city gate delivered cost for gas purchased in Tennessee Zone 0 and Zone 1 (GOM). The second graph shows city gate delivered costs for gas purchased in Texas Eastern M2 as compared to city gate delivered costs for gas purchased from South Texas (STX), East Texas (ETX), and East Louisiana (ELA) supply points. As demonstrated, the forecasted city gate delivered costs for Tennessee Zone 4 and Texas Eastern M2 are significantly less expensive than their corresponding GOM supply points during the November 2014 through October 2015 GCR period.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