Jennifer Brooks Hutchinson
Senior Counsel

June 20, 2016

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4605 - 2017 Standard Offer Service Procurement Plan
2017 Renewable Energy Standard Procurement Plan
Response to Record Request

Dear Ms. Massaro:

On behalf of National Grid,[1] I am enclosing the Company's response to the record request issued at PUC's evidentiary hearing on June 15, 2016 in the above-referenced docket.

Thank you for your attention to this transmittal. If you have any questions, please call me at 401-784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosure

cc: Docket 4605 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

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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.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.

_____ June 20, 2015

Joanne M. Scanlon Date

Docket No. 4605 - National Grid – 2017 Standard Offer Service (SOS) and 2017 Renewable Energy Standard (RES) Procurement Plans
Service List updated 6/13/16

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Record Request No. 1

Request:

Regarding the Company's response to PUC 1-2, please explain why the Winter Supply Cost Surprise amounts for Winter 2014 and Winter 2016 are similar in magnitude (0.345 cents vs. 0.400 cents, respectively) when the difference in forecasted and actual supply costs are very different ($9 million vs. $22 million, respectively).

Response:
The table below includes the information from the Company's response to PUC 1-2 and also includes the forecasted and actual[1] usage for the two winter periods.

				A	B		C	D	C - A	D - B
Start	End	Group	Forecasted kWh	Forecasted Supply Cost $	Forecasted Supply Cost (¢/kWh)	Actual kWh	Actual Supply Cost $	Actual Supply Cost (¢/kWh)	Difference between Actual and Forecasted $	Winter Supply Cost Surprise (¢/kWh)
10/1/2013	3/31/2014	Residential	1,583,860,771	124,264,197	7.846	1,627,383,398	133,298,471	8.191	9,034,274	0.345
10/1/2015	3/31/2016	Residential	1,520,489,637	156,336,894	10.282	1,359,118,847	134,306,494	9.882	(22,030,400)	(0.400)

The "Difference between Actual and Forecasted $" is calculated by subtracting the "Forecasted Supply Cost $" (column A) from the "Actual Supply Cost $" (column C). This difference in supply costs is due to forecasted monthly volumes and spot market costs deviating from the actual monthly volumes and spot market costs.

The Winter Supply Cost Surprise is not a function of the "Difference between Actual and Forecasted $," rather it is calculated by subtracting the "Forecasted Supply Cost" rate (column B) from the "Actual Supply Cost" rate (column D). The forecasted and actual supply cost rates are calculated by dividing the respective supply costs by the respective volumes. The "Winter Supply Cost Surprise" and "Difference between Actual and Forecasted $" are independent calculations with different determinants, which is why the "Winter Supply Cost Surprise" amounts do not have a direct correlation to the amounts for the "Difference between Actual and Forecasted $." The fact that the denominator in each rate calculation is different, reflecting volumes for that particular year, means that the resulting unitized values for each year will not be correlated, as seen in the results in the table above.

[1] Actual kWh and Actual Supply Costs for Winter 2016 are based on initial settlement for some months.

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Most of the "Difference between Actual and Forecasted $" for Winter 2014 is due to the deviation between forecasted monthly spot market costs from the actual monthly spot market costs. For Winter 2016, most of the "Difference between Actual and Forecasted $" was due to the deviation between the forecasted monthly volumes from the actual monthly volumes.

The "Winter Supply Cost Surprise" is the difference in supply cost rates. For both winters, the "Winter Supply Cost Surprise" amounts are due mostly to the deviation between forecasted monthly spot market costs from the actual monthly spot market costs.

To illustrate this, the Company analyzed two scenarios. In the first scenario the Company made the actual spot market costs equal to the forecasted spot market costs. Therefore any changes to the "Winter Supply Cost Surprise" and difference in supply cost values would be due to the deviation between the forecasted monthly volumes from the actual monthly volumes.

			A		B	C		D	C - A	D - B
Start	End	Group	Forecasted kWh	Forecasted Supply Cost $	Forecasted Supply Cost (¢/kWh)	Actual kWh	Actual Supply Cost $	Actual Supply Cost (¢/kWh)	Difference between Actual and Forecasted $	Winter Supply Cost Surprise (¢/kWh)
10/1/2013	3/31/2014	Residential	1,583,860,771	124,264,197	7.846	1,627,383,398	126,184,575	7.754	1,920,378	(0.092)
10/1/2015	3/31/2016	Residential	1,520,489,637	156,336,894	10.282	1,359,118,847	138,989,813	10.226	(17,347,081)	(0.056)

This scenario shows that $17 million of the $22 million difference in supply costs for Winter 2016 is due to the load forecasts deviating from the actual loads. The "Winter Supply Cost Surprise" is not significantly impacted by the change in loads.

In the second scenario the Company made the actual volume equal to the forecasted volume. Therefore any changes to the "Winter Supply Cost Surprise" and difference in supply cost values would be due to the deviation between forecasted monthly spot market costs from the actual monthly spot market costs.

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				A	B		C	D	C - A	D - B
Start	End	Group	Forecasted kWh	Forecasted Supply Cost $	Forecasted Supply Cost (¢/kWh)	Actual kWh	Actual Supply Cost $	Actual Supply Cost (¢/kWh)	Difference between Actual and Forecasted $	Winter Supply Cost Surprise (¢/kWh)
10/1/2013	3/31/2014	Residential	1,583,860,771	124,264,197	7.846	1,583,860,771	131,444,910	8.299	7,180,714	0.453
10/1/2015	3/31/2016	Residential	1,520,489,637	156,336,894	10.282	1,520,489,637	151,031,066	9.933	(5,305,829)	(0.349)

This scenario shows that $7 million of the $9 million difference in supply costs for Winter 2014 is due to the spot market forecasts deviating from actual costs. This scenario also illustrates that the spot market forecasts are mostly responsible for the "Winter Supply Cost."

Prepared by or under the supervision of: Margaret M. Janzen