

October 24, 2018

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4872 - 2018 Gas Cost Recovery Filing
Responses to PUC Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed please find 10 copies of National Grid's¹ responses to the Public Utilities Commission's First Set of Data Requests issued on October 18, 2018 in the above-referenced docket.

Thank you for your attention to this matter. If you have any questions, please contact me at 401-784-7415.

Very truly yours,



Robert J. Humm

Enclosures

cc: Docket 4872 Service List
Leo Wold, Esq.
Al Mancini, Division
John Bell, Division
Bruce Oliver, Division

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

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.



Joanne M. Scanlon

October 24, 2018
Date

Docket No. 4872 – National Grid – 2018 Annual Gas Cost Recovery Filing (GCR) - Service List as of 10/3/18

Name/Address	E-mail	Phone
Robert Humm, Esq. National Grid 280 Melrose St. Providence, RI 02907	Robert.Humm@nationalgrid.com ;	401-784-7415
	Celia.obrien@nationalgrid.com ;	
	Joanne.scanlon@nationalgrid.com ;	
	Theresa.Burns@nationalgrid.com ;	
Ann Leary Nancy Culliford Stephen A. McCauley John Protano Theodore Poe National Grid 40 Sylvan Road Waltham, MA 02541	Ann.Leary@nationalgrid.com ;	
	Nancy.culliford@nationalgrid.com ;	
	Elizabeth.Arangio@nationalgrid.com ;	
	Stephen.Mccauley@nationalgrid.com ;	
	John.protano@nationalgrid.com ;	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov ;	401-222-2424
	John.bell@dpuc.ri.gov ;	
	Al.mancini@dpuc.ri.gov ;	
	Jonathan.schrag@dpuc.ri.gov ;	
	Ronald.Gerwatowski@dpuc.ri.gov ;	
	dmacrae@riag.ri.gov ;	
	Jmunoz@riag.ri.gov ;	
Bruce Oliver Revalo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	Revilohill@verizon.net ;	703-569-6480

Tim Oliver	tim.b.oliver@gmail.com ;	
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Margaret Hogan, Commission Counsel Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov ;	401-780-2107
	Margaret.hogan@puc.ri.gov ;	
	Patricia.lucarelli@puc.ri.gov ;	
	Sharon.ColbyCamara@puc.ri.gov ;	
	Todd.bianco@puc.ri.gov ;	
Office of Energy Resources Christopher Kearns Nicholas Ucci	Christopher.Kearns@energy.ri.gov ;	
	Nicholas.ucci@energy.ri.gov ;	

PUC 1-1

Request:

Please provide a chart/table/graph of the change in fixed capacity, fixed supply and storage costs, and (variable) commodity costs over the last five (5) years.

Response:

Please see Attachment PUC 1-1, which details the change in the fixed capacity, fixed supply and storage costs, and variable commodity costs over the past five years.

	<u>Nov 12-Oct 13</u>	<u>Nov 13-Oct 14</u>	<u>Nov 14-Oct 15</u>	<u>Nov 15-Oct 16</u>	<u>Nov 16-Oct 17</u>	<u>Nov 17-Oct 18</u>
	(a)	(b)	(c)	(d)	(e)	(f)
<u>Annual Gas Costs</u>						
(1) Fixed Capacity	\$28,857,693	\$26,650,522	\$27,924,758	\$26,477,217	\$33,600,937	\$34,983,547
(2) Fixed Supply and Storage	\$12,340,158	\$15,870,758	\$17,126,496	\$15,845,387	\$15,182,579	\$21,291,125
(3) Variable Costs	\$139,957,667	\$174,439,444	\$139,683,242	\$85,418,128	\$85,128,361	\$119,951,922
(4) TOTAL SUPPLY COSTS	\$181,155,518	\$216,960,723	\$184,734,496	\$127,740,732	\$133,911,877	\$176,226,594
 <u>Year over Year difference</u>						
		12/13 vs 13/14	13/14 vs 14/15	14/15 vs 15/16	15/16 vs 16/17	16/17 vs 17/18
(5) Fixed Capacity		(\$2,207,172)	\$1,274,236	(\$1,447,541)	\$7,123,720	\$1,382,610
(6) Fixed Supply and Storage		\$3,530,600	\$1,255,738	(\$1,281,109)	(\$662,808)	\$6,108,546
(7) Variable Costs		\$34,481,777	(\$34,756,201)	(\$54,265,114)	(\$289,767)	\$34,823,560
(8) TOTAL SUPPLY COSTS		\$35,805,205	(\$32,226,227)	(\$56,993,764)	\$6,171,145	\$42,314,717

(a), (b), (c), (d), (e) are annual GCR Reconciliation Per Docket 4346, Docket 4436, Docket 4520, Docket 4576, Docket 4647, Docket 4719, and Docket 4872

(f) September 2018 Monthly Filing of GCR Deferred Balance, Docket 4719 which contains actual data for Nov.17-Sep.18, and forecasted data for Oct.18

Line (4): Line (1) + Line (2) + Line (3)

Line (5)

Col (b): Col (b), Line (1) - Col (a), Line (1)

Col (c): Col (c), Line (1) - Col (b), Line (1)

Col (d): Col (d), Line (1) - Col (c), Line (1)

Col (e): Col (e), Line (1) - Col (d), Line (1)

Col (f): Col (f), Line (1) - Col (e), Line (1)

Line (6)

Col (b): Col (b), Line (2) - Col (a), Line (2)

Col (c): Col (c), Line (2) - Col (b), Line (2)

Col (d): Col (d), Line (2) - Col (c), Line (2)

Col (e): Col (e), Line (2) - Col (d), Line (2)

Col (f): Col (f), Line (2) - Col (e), Line (2)

Line (7)

Col (b): Col (b), Line (3) - Col (a), Line (3)

Col (c): Col (c), Line (3) - Col (b), Line (3)

Col (d): Col (d), Line (3) - Col (c), Line (3)

Col (e): Col (e), Line (3) - Col (d), Line (3)

Col (f): Col (f), Line (3) - Col (e), Line (3)

Line (8): Line (5) + Line (6) + Line (7)

PUC 1-2

Request:

How did the anticipation of unfavorable spot market prices influence capacity, supply and storage procurement decisions?

Response:

Unfavorable spot market prices are one indication of a constrained market. Given the increase in customer requirements for this winter on both the design day and design season, the Company did not have sufficient resources in its portfolio and needed to go to the market to procure additional resources. The additional resources were needed to reliably meet forecasted customer requirements and ensure that the Company has access to these resources throughout the winter period.

PUC 1-3

Request:

What are the risks and benefits of not purchasing market area hedges this year? What would be the cost and potential value of the market area hedge?

Response:

Based on current forecasts, the risk of not purchasing the financial market area hedges for the 2018-19 winter season (December 2018 through March 2019) is not expected to exceed \$13 million.¹ This risk is based on the current forecasts and includes the additional physical transactions for this upcoming winter season. The benefits of not purchasing the additional financial market area hedges for this upcoming winter season include the following:

1. The Company's exposures have been reduced with physical transactions in its portfolio, which address both reliability and transferring much of the pricing risk to less volatile, production area-based pricing; and
2. An additional baseload financial hedge may lock in higher costs and limit opportunities to buy at lower cost supplies.

The incremental cost if a baseload hedge were purchased for all market area locations is approximately \$1.4 million.² The maximum potential value of the market area hedge is not expected to exceed \$13 million.

¹ This estimate is based on the monthly design forecast of the Tetco M3 market area and the 95th percentile price of the Tetco M3 gas location, which attempts to capture all but 5 percent of the extreme price scenarios. Please note that under extreme scenarios, if the actual forecast verifies greater than the design forecast, or if market area prices exceed the current 95th percentile estimate, then the current estimated maximum exposure of \$13 million may be exceeded.

² The physical transactions address the reliability issues and deliverability constraints at the Tennessee Gas Pipeline Zone 6 location as evidenced during the coldest days of the 2017-18 winter season; limited Tetco M3 market area risk remains.