

October 14, 2020

BY ELECTRONIC MAIL

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

RE: Docket 5066 – 2020 Gas Cost Recovery Filing
Response to Division’s Direct Testimony of Jerome D. Mierzwa

Dear Ms. Massaro:

Please accept this letter as National Grid’s¹ response to the Direct Testimony of Jerome D. Mierzwa on behalf of the Division of Public Utilities and Carriers (“Division”).

As explained in Sections II through IV of Mr. Mierzwa’s testimony, the Company has worked cooperatively with the Division to address its questions and concerns regarding: (1) the allocation of incremental costs associated with resources acquired to meet peak hour demand; (2) the allocation of reservation charges through the Company’s Customer Choice programs; (3) data exchange protocols to assist the Division in reviewing the Natural Gas Portfolio Management Plan; and (4) diversifying the timing of the accelerated mandatory purchases in the Gas Procurement Incentive Plan. Given the substance of Mr. Mierzwa’s testimony, the Company does not believe any rebuttal testimony is necessary on those subjects.

In Section V of his testimony, Mr. Mierzwa recommends that the Company update its Gas Cost Recovery (“GCR”) rate projections if the increase in NYMEX forward curve prices since August 6, 2020—the pricing used by the Company in developing its proposed GCR factors—would result in an increase of the proposed GCR factors in excess of five percent. While the NYMEX prices have increased from August 6, 2020, the Company’s hedging activities reduce the impact of the NYMEX price increases such that the observed increase in NYMEX prices would not likely result in a material increase in the Company’s proposed GCR factors. This is because the Company’s hedges account for approximately eighty percent of its projected winter (November 20 to March 21) gas purchases and approximately seventy-two percent of its total projected gas purchases for the year (November 1 to October 31).

In light of economic conditions and the ongoing COVID-19 Pandemic, the Company would hesitate to propose a further increase in GCR factors to address a relatively minor potential under-recovery of gas costs associated with the change in NYMEX prices. The

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

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Company will continue to monitor actual and projected over- or under-recoveries of 2020-2021 gas costs in its monthly Deferral Report and may request to adjust its GCR factors should the projected deferrals exceed five percent of total projected gas costs pursuant to the GCR provision of its tariff.

In Section IV of his testimony, Mr. Mierzwa recommends that “the Company further diversify the timing of its accelerated purchases and limit the use of accelerated purchase to a period when current NYMEX prices are lower than average historic prices.” Instead of looking at current NYMEX prices versus historical prices, the Company may prefer to compare equivalent forward months. If the longer-dated months are priced lower than the nearer-dated months, then accelerated trades should be executed. The Company will work with the Division and its consultant to provide a recommendation that would not limit the Company’s ability to execute accelerated purchases when natural gas prices are low.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Raquel Webster", with a stylized flourish at the end.

Raquel J. Webster

cc: Docket 5066 Service List
Leo Wold, Esq.
John Bell, Division
Al Mancini, Division
Jerome D. Mierzwa, Division Consultant

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.



October 14, 2020
Date

Joanne M. Scanlon
Docket No. 5066 – National Grid – 2020 Annual Gas Cost Recovery Filing (GCR) - Service List as of 9/3/2020

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