STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE:	**THE NARRAGANSETT ELECTRIC**	:	
	COMPANY d/b/a NATIONAL GRID	:	
	2020 GAS CUSTOMER	:	**DOCKET NO. 5067**
	CHOICE PROGRAM	:	

ORDER

On September 1, 2020, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed for approval of changes to its 2020 Gas Customer Choice Program with the Public Utilities Commission (Commission or PUC).[1] The proposed changes are to the Company's gas tariff, RIPUC NG-GAS No. 101 (Gas Tariff), and are being made to address cost allocations among the Company's capacity eligible firm transportation customers and to enhance operational flexibilities via pipeline assets physically released to Marketers. The Company requested that the proposed changes take effect November 1, 2020.

National Grid's Customer Choice Program is an optional firm transportation program that allows its commercial and industrial (C&I) customers to purchase their gas supply from third party Marketers instead of from National Grid. The Marketers provide gas supply and transportation of the gas to the Company's citygates, where National Grid then transports the gas to the Marketers' customers. There are two types of transportation service offered by the Company: FT-1 service and FT-2 service.

FT-1 service is available only to Large and Extra-Large C&I customers. FT-1 customers are classified as either capacity-exempt or capacity-assigned. FT-1 capacity-exempt customers are not assigned any capacity of National Grid's firm interstate pipeline transportation capacity

[1] All filings in this docket are available at the PUC offices located at 89 Jefferson Boulevard, Warwick, Rhode Island or at http://www.ripuc.org/eventsactions/docket/5067page.html.

resources and are not allocated storage and capacity resources.[2] FT-1 customers have their gas usage recorded on a daily basis. The marketer is responsible for planning the FT-1 customers' daily requirements and is required to balance their deliveries and usage. Unlike FT-1 customers, FT-2 customers are allocated a portion of storage and peaking capacity resources that can be used by the marketer when a customer's daily requirements cannot be met by the assigned interstate pipeline firm transportation capacity. National Grid records the FT-2 customers' gas usage on a monthly basis and balances their usage and deliveries on a daily basis. It informs the Marketers of what is required for the upcoming day and is responsible for the difference between what it forecasts and actual quantities through storage and peaking services. FT-2 service is available to all C&I customers. Marketers serving FT-1 capacity-assigned customers and FT-2 customers are given a capacity assignment by National Grid to meet a portion of their customers' gas supply requirements and the remainder of the requirements is acquired by the marketer from other sources.

National Grid assigns capacity under its Customer Choice Program which enables it to ensure adequate primary firm capacity upstream of its citygates needed to maintain supply adequacy and the operational integrity of the distribution system. Mandatory capacity assignments also prevent customers who choose competitive options from avoiding responsibility for the Company's long-term capacity commitments.[3]

Currently, National Grid sets aside a certain portion of its intrastate pipeline transportation portfolio for release to Marketers. Marketers rank each of the paths by order of preference for release annually. The Company then allocates pipeline assets. As previously stated, FT-2

[2] Two groups of FT-1 customers in the Customer Choice Program are capacity exempt: 1) new Large or Extra-Large C&I customers who were not previously served on firm sales service and who waived assignment; and 2) transportation customers transporting prior to November 1, 1997 who waived mandatory capacity assignment.
[3] Arangio-Carroll Jt. Test. at 8-9 (Sept.1, 2020).

customers are also allocated storage and peaking resources to meet peak day demand requirements which are managed by the Company at the citygates. The marketer is charged by the pipeline for the capacity released. The Company will either assess a surcharge if the cost of the released pipeline capacity is less than the weighted average cost of the Company's firm pipeline transportation portfolio (WACOD) or provide a credit if the cost of the released pipeline capacity greater than the WACOD.[4]

National Grid is served by two interstate pipelines, Algonquin Gas Transmission, LLC (Algonquin) and Tennessee Gas Pipeline Company, LLC (Tennessee). Algonquin delivers to eleven of the Company's citygates; Tennessee delivers to four of the Company's citygates. The capacity currently released to marketers provides for firm delivery at only two take stations: 1) the Dey Street take station for Algonquin or 2) the Cranston take station for Tennessee. The pipelines invoice Marketers for all capacity released. Because of the current capacity assignment procedures and marketers' gas supply being delivered only to Dey Street and Cranston, there are often surpluses at these two take stations and deficiencies at other take stations. Also, at times, Algonquin and Tennessee may issue Operational Flow Orders (OFO) which require the Company to balance takes and deliveries at each of its take stations. If National Grid does not comply with the OFO, it can be penalized.

In Docket No. 4963, National Grid's Annual Gas Cost Recovery Filing (GCR), the Division of Public Utilities and Carriers (Division) expressed concern that significant gas supply reservation (demand) charges were being required to fill several of the Company's pipeline paths. Typically, Marketers do not elect a path as a preference that requires gas supply reservation charges. Since the gas supply reservation costs are not included in the weighted average cost of

[4] *Id.* at 9-12.

firm pipeline transportation, these costs are assumed by the Company's retail customers. The Commission ordered the Company to work with the Division to evaluate the current cost allocation procedures for interstate pipeline firm transportation capacity assigned to the Company's firm transportation customers and to modify the current approach addressing the allocation of fixed gas supply reservation charges. The Commission ordered that this be done in National Grid's 2021 GCR filing. Since the decision on the GCR is typically made at the end of October, the Company chose to file this separately asking that a decision be made by October 13, 2020, so if approved, it could implement any changes by November 1, 2020.[5]

In this filing, National Grid is proposing three changes to its Customer Choice Program which the Company expressed will ensure equal access to assets within its gas supply portfolio to its sales and capacity eligible customers. The first change will allocate a broader set of pipeline assets to marketers. The second change will eliminate the current practice whereby marketers rank by preference paths identified by the Company as available, and then the Company allocating them accordingly. The third change will eliminate the current cost adjustment that reconciles the paths released to marketer with the full supply portfolio.[6]

National Grid is proposing to release a pro-rata share of each of its interstate pipeline firm transportation capacity paths with a maximum daily deliver quantity (MDQ) of at least 2,000 Dth. This, it expressed, will allow it to ensure reliability by better aligning deliveries where customers are physically using gas by facilitating the delivery of gas to more citygate stations. It will also enable the Company to better address OFOs. To accomplish this, the Company is proposing to aggregate like contracts and to release capacity from one of each set of common contracts. It is

[5] Arangio-Carroll Jt. Test. at 4-5, 23 (Sept. 1, 2020); Docket No. 4963, Order No. 23923.
[6] Arangio-Carroll Jr. Test. at 6-7 (Sept. 1, 2020).

also proposing a threshold for paths with deliverability greater than 2,000 Dth/day and will retain responsibility for transportation associated with storage deliveries. The Company believes that minimizing the number of releases will benefit marketers and the Company by eliminating the burden incurred by the release and scheduling of dozens of contracts with very small volumes. National Grid also asserts that aggregation of like contracts provides Marketers access to the same asset as the Company without the burden of having to maintain multiple contracts.[7]

National Grid is proposing to release 58% of a marketer's total release from its Algonquin contracts and 42% from its the Tennessee contracts. National Grid is also proposing to discontinue allocating pipeline capacity based on marketer preference which will, to the extent possible, position the Marketers and all of National Grid's other customers equally with respect to asset allocation. Doing this will eliminate the surcharge/credit needed now to reconcile differences that arise because assets are not equally distributed among its customers and Marketers.[8]

National Grid is proposing to recover peaking assets needed for design hour reliability from all customers through the Distribution Adjustment Charge and filed for this recovery in Docket No. 5040. To minimize imbalances due to increasing severity, frequency, and duration of interstate pipeline constraints, National Grid has had to contract for incremental supplies. It asserts that all customers should have to bear these costs since the imbalances cannot be attributed to one group of customers. National Grid has consulted with the Division, has presented its proposal to Marketers, and is continuing to meet with both groups. It is proposing the changes take effect November 1, 2020.[9]

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[7] *Id.* at 16-17.
[8] *Id.* at 18-21.
[9] *Id*. at 21-23.

On September 28, 2020, the Division filed a memorandum responding to the Company's proposal. It noted that in Docket No. 4963, the Company's 2019 GCR case, it had expressed concern that National Grid was required to pay high gas supply reservation (demand) charges to get firm gas supplies to fill a few of the Company's interstate pipeline delivery paths. It expressed that Marketers typically would not select these paths when choosing their preferences and that because the demand charges were not included in the weighted average cost of the Company's firm pipeline transportation capacity portfolio, this charge was imposed solely on the Company's retail sales customers. The Division stated that in Docket No. 4963, the Commission ordered the Company to collaborate with the Division to address the allocation of the demand charges and to modify the procedures for assigned interstate pipeline firm transportation capacity.[10]

In the Distributed Adjustment Charge (DAC) filing made on August 3, 2020, Docket No. 5040, the Company, in response to the concerns raised by the Division in Docket No. 4963, proposed recovering design peak hour reliability costs needed to maintain reliability from all customers for the November 1, 2020 through October 31, 2021 period. National Grid estimated these costs to be $5.2 million.[11] Upon review of the Company's DAC filing, the Division found that two of the Company's other contracts, Everett FT Contracts, will be used to meet peak hour demands and that National Grid will incur demand charges to reserve this capacity. The two contracts, one for 20,000 Dth/day which expires at the end of the winter 2021/2022, and the other for 5,000 Dth/day, which was recently executed, have reservation charges (demand charges) greater than the fixed demand costs associated with the Everett FT contracts. Under the Company's proposal, these costs are only to be recovered by FT-2 Marketers and sales customers.

[10] Mierzwa Mem. (Sept. 28, 2020).
[11] These costs were revised by the Company on September 28, 2020 and October 9, 2020. The final revision on October 9, 2020 reflected costs of $6.1 million.

The Division observed that the 5,000 Dth/day contract would have been unnecessary to meet peak hour requirements but for the FT-1 customers being assigned capacity by National Grid and recommended that these demand costs also be recovered by all customers including the FT-1 customers through the DAC. Further, it recommended that recovery of the fixed demand charges associated with the 20,000 Dth contract be revisited should National Grid choose to execute a replacement arrangement that requires payment of gas supply reservation charges. The Division's recommendation for approval of the Company's tariff modifications was conditioned on the Commission's approval of recovery of the gas supply reservation charges associated with the Everett 5,000 Dth/day gas supply arrangement from all customers. It expressed that it found the Company's proposal adequately addressed the concerns raised in Docket No. 4963, would simplify the capacity assignment process by eliminating the surcharge/credit adjustment, and would assist the Company's ability to comply with OFOs.[12]

On October 2, 2020, Direct Energy Business, LLC, Direct Energy Business Marketing, LLC, and Direct Energy Services, LLC (hereinafter referred to collectively as "Direct Energy") filed a Motion to Intervene and submit comments in the matter. National Grid did not object to the Motion to Intervene which the Commission granted on October 7, 2020. Direct Energy's comments represented that it currently serves a large number of National Grid's small, medium, and large commercial and industrial gas customers. Direct Energy expressed its support of the Company's plan to implement changes to the Customer Choice Program in phases. It noted the importance of continued collaboration with the Company and stated that it supports the Company's proposal that is more equitable for all market participants. It asked that the Commission compel

[12] Mierzwa Mem. (Sept. 28, 2020).

the Company to continue to collaborate throughout the phases of proposals which will likely affect the prices Marketers charge their customers.[13]

On October 7, 2020, the Commission held an Open Meeting to discuss and deliberate on National Grid's proposal. It found that the proposals were reasonable and will enable National Grid to better align its deliveries with where customers are using gas thus enhancing operational flexibilities. It found that the Company has collaborated with stakeholders and is assured of its commitment to continue to do so. The Commission unanimously approved National Grid's request to: 1) allocate a broader set of pipeline assets to Marketers by making all significant capacity paths on Algonquin and Tennessee available to Marketers, whereby Marketers will receive a pro-rata share of each capacity path, including access to multiple delivery points associated with each path; 2) eliminate the current pipeline capacity path preference methodology; and 3) eliminate the cost adjustment. Approval of the proposed changes was conditioned on the Commission's approval of the Division's recommendation that recovery of the gas supply reservation charges associated with the 5,000 Dth/day Everett contract be recovered through the DAC from all customers.[14]

Accordingly, it is hereby

(23943) ORDERED:

1. The Narragansett Electric Company d/b/a National Grid's proposal to allocate a broader set of pipeline assets to Marketers by making all significant capacity paths on

[13] Comments of Direct Energy (Oct. 2, 2020).
[14] On October 28, 2020, the Commission approved the Division's recommendation in Docket No. 5040, the Distribution Adjustment Charge, that recovery of the gas supply reservation charges associated with the 5,000 Dth/day Everett contract be recovered through the DAC from all customers.

Algonquin and Tennessee available to Marketers, whereby Marketers will receive a pro-rata share of each capacity path, including access to multiple delivery points associated with each path is approved.

2. The Narragansett Electric Company d/b/a National Grid's proposal to eliminate the current pipeline capacity path preference methodology is approved.

3. The Narragansett Electric Company d/b/a National Grid's proposal to eliminate the cost adjustment is approved.

EFFECTIVE AT WARWICK, RHODE ISLAND ON NOVEMBER 1, 2020 PURSUANT TO AN OPEN MEETING DECISION ON OCTOBER 7, 2020. WRITTEN ORDER ISSUED NOVEMBER 9, 2020.

PUBLIC UTILITIES COMMISSION

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Ronald T. Gerwatowski, Chairperson

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Marion S. Gold, Commissioner

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Abigail Anthony, Commissioner

NOTICE OF RIGHT TO APPEAL: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.