

NATIONAL GRID RATE POLICY

Customer Deferred Gas Costs

In accordance with Docket No. 3347 (July 24, 2001), Section 6, Schedule C of the Company's tariff (RIPUC NG Gas No. 101) provides that If a customer requesting service hereunder has been a sales service customer of the Company at the same service location within the preceding twelve month period, any under-recovered or over-recovered of gas costs attributable to such service under the Gas Cost Recovery Clause shall be determined and paid by the customer or credited to customer's account.

Because the price the Company charges customers for natural gas – the commodity itself – is based on cost projections for a future period. Any difference between that price and the actual cost of gas experienced during a given period is considered deferred gas cost. When the Company files for a price change, any deferral – positive or negative – is added to the latest cost projection and becomes part of the revised price for sales customers.

When a customer chooses to purchase gas from a third party supplier, the Company charges the customer for distribution services only. Thus, customers who migrate to transportation avoid their share of the deferred gas cost, leaving the sales service customers to absorb the balance. The Order in Docket No. 3347 decided that a more equitable treatment for all ratepayers is to assign costs to the customers who incurred those costs. This policy establishes that a customer switching to transportation service will be assigned their share of the deferred gas cost at the time transportation service is initiated. The calculation of the customer's deferred gas cost balance consists of two components: (1) the prior period deferred gas cost reconciliation amount reflected in the Company's current GCR rates; and (2) any incremental under-recovery or over-recovery of actual costs versus projected costs that accrue while the current rates are in effect. A worksheet providing the calculation for the two components is available from the Company.