

October 22, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3868 – Annual Gas Cost Recovery 2007
Responses to Commission Data Requests – Set 2

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's responses to the Commission's second set of data requests issued in the above-captioned proceeding on October 9, 2007.

Thank you for your attention to this filing. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3868 Service List

Commission Data Request 2-1

Request:

Under NGrid Gas' current practice for locking gas prices, the Company will enter into financial hedges to the lock the price and sell the financial hedges when buying the actual physical quantity of gas for delivery. If the financial hedges that are sold result in a gain, will the Company incur a tax liability on the sale?

Response:

Yes, the gain would be taxable.

Commission Data Request 2-2

Request:

If the answer to question 1 is yes, will the tax liability be charged to ratepayers, thereby increasing the cost of gas compared to the cost that ratepayers would have paid when the company purchased actual physical supply during prior fiscal years?

Response:

The overall tax liability charged to customers will not change as a result of gains or losses on the sale of financial hedges because the gas adjustment is a reconciling mechanism. Any gain on the sale would be offset by a reduction in revenue from the customers, revenue which is taxable just as the revenue from the gain on the sale of the financial instrument is. The timing of the tax liabilities will be affected by the hedging results but over time, the tax consequences of all supply related revenues and expenses should net to zero.

Commission Data Request 2-3

Request:

Do all / most of the marketers who sell gas to firm transportation customers utilize the pipeline capacity of NGrid Gas?

Response:

All marketers providing FT-2 firm transportation service are assigned pipeline capacity for one hundred percent (100%) of the FT-2 customers in their aggregation pool. All marketers providing FT-1 firm transportation are assigned pipeline capacity for the non-capacity exempt customers in their aggregation pool. Approximately 86% of the customers subscribing to FT-1 transportation utilize the pipeline capacity of National Grid.

Commission Data Request 2-4

Request:

Do all / most of the marketers who sell gas to non-firm transportation customers utilize the pipeline capacity of NGrid Gas?

Response:

No, none of the marketers who sell gas to non-firm transportation customers utilize the pipeline capacity of National Grid Gas in Rhode Island. National Grid does not assign pipeline capacity to non-firm transportation customers.

Commission Data Request 2-5

Request:

Do marketers who provide gas to non-firm customers pay the same capacity release revenues to the Company as do marketers who serve firm transportation customers?

Response:

There are no capacity release revenues, since National Grid does not assign pipeline capacity to non-firm transportation customers in Rhode Island.

Commission Data Request 2-6

Request:

As of October 31, 2007, what approximate percentage of the gas supply needed for the 2007-08 GCR period will be price locked or in storage?

Response:

As of October 31, 2007, approximately 72% of the gas supply needed for the 2007/2008 GCR period will be locked in price.

Commission Data Request 2-7

Request:

As of October 31, 2007, what approximate percentage of gas supply needed for the winter supply period of November 2007 through March 2008 will be price locked or in storage?

Response:

As of October 31, 2007, approximately 87% of the requirements for the winter supply period will be locked in price through purchase or through financial hedges or in storage.

Commission Data Request 2-8

Request:

Please provide a one-page summary of 'locked gas supply volumes' as October 31, 2007. This summary should be in the same format as presented in the filing at GLB-4.

Response:

Please refer to the attached report.

Summary of Gas Procurement Incentive Program - Locked Volumes Ending September 30, 2007
National Grid - Rhode Island

<u>Month</u>	<u>#Monthly Forecasted Volumes-Dth</u>	<u>Mandatory Dth</u>	<u>Accelerated Dth</u>	<u>Discretionary Dth</u>	<u>Monthly "Locked" Dth</u>	<u>Percent "Locked"</u>	<u>Average NYMEX Price</u>	<u>Total Cost</u>
Jan-07	3,963,159	2,925,749	0	217,651	3,143,400	79%	\$9.903	\$31,128,635
Feb-07	3,434,017	2,537,696	0	102,704	2,640,400	77%	\$9.991	\$26,379,080
Mar-07	3,578,385	2,504,893	0	117,707	2,622,600	73%	\$10.047	\$26,349,752
Apr-07	2,602,332	1,562,010	0	108,990	1,671,000	64%	\$8.292	\$13,856,370
May-07	1,840,521	1,288,918	0	217,682	1,506,600	82%	\$8.166	\$12,303,435
Jun-07	1,384,944	971,370	0	174,630	1,146,000	83%	\$8.343	\$9,560,865
Jul-07	1,311,466	920,266	0	96,534	1,016,800	78%	\$8.296	\$8,434,868
Aug-07	1,326,199	929,969	0	210,231	1,140,200	86%	\$8.284	\$9,445,534
Sep-07	1,393,124	975,900	0	227,100	1,203,000	86%	\$8.210	\$9,876,935
Oct-07	2,205,940	1,323,576	0	376,624	1,700,200	77%	\$8.188	\$13,920,469
Nov-07	2,929,190	1,811,940	240,000	260,060	2,312,000	79%	\$9.000	\$20,808,205
Dec-07	3,757,623	2,258,784	372,000	252,116	2,882,900	77%	\$9.584	\$27,630,191
Jan-08	3,963,159	2,321,156	465,000	408,144	3,194,300	81%	\$9.786	\$31,257,938
Feb-08	3,434,017	1,941,985	464,000	374,815	2,780,800	81%	\$9.645	\$26,821,213
Mar-08	3,578,385	1,889,388	558,000	305,412	2,752,800	77%	\$9.451	\$26,017,202
Apr-08	2,602,332	1,408,170	0	25,830	1,434,000	55%	\$7.946	\$11,394,110
May-08	1,840,521	1,123,564	0	22,636	1,146,200	62%	\$7.790	\$8,929,196
Jun-08	1,384,944	780,360	0	14,640	795,000	57%	\$7.889	\$6,272,080
Jul-08	1,311,466	697,004	0	14,096	711,100	54%	\$7.976	\$5,671,689
Aug-08	1,326,199	651,155	0	13,445	664,600	50%	\$7.977	\$5,301,464
Sep-08	1,393,124	658,500	0	1,500	660,000	47%	\$8.093	\$5,341,290
Oct-08	2,205,940	816,385	0	7,415	823,800	37%	\$8.209	\$6,762,282
Nov-08	2,929,190	1,155,000	0	15,000	1,170,000	40%	\$8.618	\$10,083,450
Dec-08	3,757,623	1,333,000	0	20,100	1,353,100	36%	\$9.141	\$12,369,115
Jan-09	3,963,159	1,255,500	0	1,500	1,257,000	32%	\$9.414	\$11,833,755
Feb-09	3,434,017	940,800	0	37,200	978,000	28%	\$9.471	\$9,262,880
Mar-09	3,578,385	889,700	0	8,700	898,400	25%	\$9.283	\$8,339,481
Apr-09	2,602,332	468,000	0	6,000	474,000	18%	\$8.015	\$3,799,040
May-09	1,840,521	325,500	0	14,700	340,200	18%	\$7.851	\$2,670,818
Jun-09	1,384,944	192,000	0	6,000	198,000	14%	\$7.913	\$1,566,820
Jul-08	1,311,466	139,500	0	10,500	150,000	11%	\$7.900	\$1,185,000
Aug-08	1,326,199	93,000	0	7,000	100,000	8%	\$7.835	\$783,500
Sep-08	1,393,124	50,000	0	0	50,000	4%	\$7.920	\$396,000
		38,858,238	2,099,000	3,659,162	44,616,400		\$9.041	\$403,388,160

New forecast volumes for GCR effective for November 2006 forward.

Note: Includes both physical and financial positions

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were hand-delivered, electronically transmitted and delivered via U.S. Mail to the individuals listed below on October 22, 2007.



Joanne M. Scanlon
National Grid

Docket No. 3868 – National Grid – Annual Gas Cost Recovery Filing ("GCR") - Service List as of 9/12/07

Name/Address	E-mail	Phone/FAX
Laura Olton, Esq. National Grid 280 Melrose St. Providence, RI 02907	Laura.olton@us.ngrid.com	401-784-7667
	Peter.Czekanski@us.ngrid.com	401-784-4321
	Joanne.scanlon@us.ngrid.com	
Paul Roberti, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Proberti@riag.ri.gov	401-222-2424
	Sscialabba@ripuc.state.ri.us	401-222-3016
	RDIMeglio@riag.ri.gov	
Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	Boliver.rha@verizon.net	703-569-6480
David Efron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com	603-964-6526
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Lmassaro@puc.state.ri.us	401-780-2107
	PatriciaL@gw.doa.state.ri.us	401-941-1691
	Tmassaro@puc.state.ri.us	
John Farley, TEC-RI	jfarley316@hotmail.com	401-621-2240

**Summary of Gas Procurement Incentive Program - Locked Volumes Ending September 30, 2007
National Grid - Rhode Island**

<u>Month</u>	<u>#Monthly Forecasted Volumes-Dth</u>	<u>Mandatory Dth</u>	<u>Accelerated Dth</u>	<u>Discretionary Dth</u>	<u>Monthly "Locked" Dth</u>	<u>Percent "Locked"</u>	<u>Average NYMEX Price</u>	<u>Total Cost</u>
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