

October 6, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4097 – Gas Cost Recovery (GCR) 2009
Responses to Division Data Requests - Set 1**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ responses to the Division of Public Utilities and Carrier's ("Division") First Set of Data Requests issued on September 21, 2009 in the above-captioned proceeding.

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

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4097 Service List
Steve Scialabba, Division

¹ Submitted on behalf of The Narragansett Electric Company d/b/a National Grid

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

October 6, 2009

Date

**Docket No. 4097 – National Grid – Annual Gas Cost Recovery Filing
("GCR") - Service List as of 10/5/09**

Name/Address	E-mail	Phone/FAX
Thomas R. Teehan, Esq. National Grid 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com	401-784-7667
	Peter.Czekanski@us.ngrid.com	401-784-4321
	Joanne.scanlon@us.ngrid.com	
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Lwold@riag.ri.gov	401-222-2424
	Sscialabba@ripuc.state.ri.us	401-222-3016
	Mtobin@riag.ri.gov	
	dmacrae@riag.ri.gov	
David C. Fixler, Esq. (for Direct Energy) Rubin and Rudman LLP 50 Rowes Wharf, 3 rd Floor Boston, MA 02110	dfixler@rubinrudman.com	617-330-7000
Bruce Oliver Revilo Hill Associates 7103 Laketree Drive Fairfax Station, VA 22039	Boliver.rha@verizon.net	703-569-6480
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
	Plucarelli@puc.state.ri.us	401-941-1691
	Sccamara@puc.state.ri.us	

Division Data Request 1-1

Request:

Please provide a detailed explanation of all actions the Company has taken over the last year to lower its costs of gas to its firm gas sales service customers and quantify the impact of those action on the gas costs that the Company uses to justify its proposed GCR charges.

Response:

Starting in April 2009 the Company no longer relied on an outside entity to fully manage the portfolio of transportation and storage assets. In the past the Company contracted with an outside entity to fully manage the portfolio of assets and to meet the requirements of the firm gas customers. The customers received a fixed asset management fee that was used to reduce gas costs. Under the internal management structure, the Company guarantees a \$1 million payment with the added benefit of increasing reliability, decreasing credit risk and providing the ability to receive greater cost savings by returning 80% of the value generated above the \$1 million to customers. This value is captured with the execution of strategies designed to lock in arbitrage values that the market presents across the portfolio of physical assets. To date the company has captured value using the excess transportation assets and the latent storage injection, withdrawal and capacity contractual rights. The value captured to date is presented in the responses to Division data requests Div 1-2 and Div 1-3.

The Company continues to manage the commodity price risk through implementation of the Gas Purchase Incentive Plan (GPIP). One change the Company has implemented in 2009 that it will continue for all future transactions is the process of settling the future hedges. The Company uses NYMEX futures to hedge the forward commodity risk. The normal process of closing out these positions on the exchange is to execute Market on Close (MOC) orders on the last day of trading for a particular futures contract. History has shown that the MOC price that we have received has averaged \$0.005/dt to \$0.01/dt less than the last day final settle. In the new process the company has been able to close out its futures position and enter into a swap which allows the company to get paid on its hedges above the last day settlement price. The Company has been able to enter these swaps at last day plus \$0.007/dt. This results in an incremental benefit to the customers of \$0.012/dt to \$0.017/dt on all hedged volumes. The Company expects to continue to close out all future positions for the new year.

Prepared by or under the supervision of: Elizabeth Arangio

Division Data Request 1-2

Request:

Please detail all incentives that the Company has earned to date under the Natural Gas Portfolio Management Plan that was implemented in the spring of 2009.

Response:

The Company provides the Natural Gas Portfolio Management Plan (NGPMP) quarterly report which details the total value that has resulted from execution of the optimization strategies. As of August 31, 2009 the value has not exceeded the \$1 million guarantee payment to the customers and therefore the Company has not earned an incentive as of yet. A copy of the Company's tracking report with results through the end of August is attached.

Prepared by or under the supervision of: Stephen McCauley

Narragansett Monthly Summary
National Grid Natural Gas Portfolio Management Plan
as of August 31 2009

1) FLOWING SUPPLY /STORAGE WITHDRAWAL

Month	Actual Flowing Cost			3rd Party Sales		Customer Costs		Earnings
	VOLUME	\$		VOLUME	\$	VOLUME	\$	
Apr-09	2,355,499	\$ 9,367,403.51		574,737	2,298,750.07	1,780,762	7,259,477.59	\$ 190,824.15
May-09	1,923,707	\$ 7,283,810.45		927,267	3,829,116.35	996,440	\$ 3,480,703.72	\$ 26,009.62
Jun-09 Fast	1,264,639	\$ 4,889,807.81		604,296	2,461,579.71	660,228	\$ 2,516,697.83	\$ 88,469.73
Jun-09 Final	1,408,618	\$ 5,452,370.30		658,140	2,686,192.98	750,478	\$ 2,854,387.11	\$ 88,209.78
Jul-09 Final	1,365,810	\$ 5,293,972.78		668,544	2,498,082.71	697,266	\$ 2,772,813.46	\$ (23,076.61)
Aug-09 Final	2,162,202	\$ 7,390,665.00		1,513,217	5,281,541.38	648,985	\$ 2,380,842.21	\$ 271,718.59
Total	9,215,835	\$ 34,788,222.04		4,341,905	16,593,683.48	4,873,931	18,748,224.09	\$ 553,685.54

2) STORAGE INJECTION

Month	Actual Storage Costs			Customer Inventory Costs	
	VOLUME	\$		VOLUME	\$
Apr-09	577,806	\$ 2,126,548.36		388,650	\$ 1,660,286.05
Apr-09	1,083,602	\$ 10,701,034.34		1,083,602	\$ 10,701,034.34
May-09	671,249	\$ 2,456,256.78		367,381	\$ 1,384,392.35
Jun-09 Fast	710,120	\$ 2,742,387.02		364,020	\$ 1,426,797.24
Jun-09 Final	769,854	\$ 2,969,829.46		364,020	\$ 1,426,797.24
Jul-09 Final	713,485	\$ 3,008,106.52		353,710	\$ 1,577,436.87
Aug-09 Final	101,486	\$ 398,413.57		358,422	\$ 1,560,008.66
Total	3,917,482	\$ 21,660,189.03		2,915,785	\$ 18,309,955.51

3) REALIZED HEDGING

Month	Hedging Gain/(Loss)*
Apr-09	\$ -
May-09	\$ 12,910.00
Jun-09	\$ 39,970.00
Jul-09	\$ (13,780.00)
Aug-09	\$ 123,582.21
Total	\$ 162,682.21

* Realized hedging gains and losses are included monthly in actual flowing costs

4) UNREALIZED ACTIVITY

Storage position long/(short) (dt)	853,852	
MTM as of August 31, 2009		\$1,045,816.85
Physical Storage Value as of July 31		(\$3,354,929.05)
Forward Storage Value (purchase)/sale		\$2,725,955.17

5) TOTAL UNREALIZED VALUE

\$416,842.97

6) TOTAL REALIZED AND UNREALIZED VALUE

\$970,528.51

7) MARGIN SHARING

Customer Guarantee	\$ 1,000,000
Customer Excess Earnings	\$ -
National Grid Incentive	\$ -

Backup Reference Documentation

<u>Category Title</u>	<u>Document Title</u>	<u>Description</u>
Actual Flowing costs	Flowing transaction detail	Actual transactions purchased and allocated to meet customer load and 3rd party sales
3rd Party Sales	Flowing transaction detail	Actual transaction volume and revenue to meet 3rd party sales
Customer Costs	Customer cost summary	Narragansett firm sales customer's cost of gas calculated from least cost dispatch model
Actual Storage costs	Storage inj transaction detail	Actual transactions purchased and allocated to be injected into storage
Customer Inventory Costs	Storage summary	Narragansett firm sales customer's inventory costs calculated from least cost dispatch model
Hedging	Swap Settlement Report	Financial settlements associated with optimization activity
MTM as of June 30, 2009	RI Optimization NEC Swaps	Mark to Market value of the storage hedge positions as of June 30,2009

Division Data Request 1-3

Request:

Please document all benefits that the Company's firm gas sales customers have received to date from Natural Gas Portfolio Management Plan that was implemented in the spring of 2009.

Response:

The Company provides a quarterly report detailing the total value that has resulted from executing the optimization strategies. As of August 31, 2009 the value has not exceeded the \$1 million guarantee payment and therefore the Company's firm gas sales customers have a benefit to date equal to 1/12th of the \$1 million guarantee for each of the first five months for a total benefit of \$416,667. Please also see the Company's response to Division Data Request 1-2

Prepared by or under the supervision of: Stephen McCauley

Division Data Request 1-4

Request:

Please document all benefits that Natural Gas Portfolio Management Plan is expected to provide to the Company's firm gas sales service customer during the projected GCR period for which the Company has proposed new GCR charges.

Response:

To date, all the value that has been captured under the Natural Gas Portfolio Management Plan ("NGPMP") is documented in the NGPMP quarterly report that was filed under cover letter dated July 27, 2009. The Company will continue to optimize the portfolio of assets using the arbitrage strategies available. The future value of the benefits that the Company will be able to provide to gas sales service customers will be dictated by the market prices and the availability of the assets not required to meet the Company's firm customers load requirements over the upcoming GCR period. The NGPMP will allow the Company to capture some of this extrinsic value benefit that has previously gone to third party asset managers. In addition to the monetary benefit the NGPMP allows the Company to better manage the supply reliability and diversify the credit risk associated with a single third party manager.

Prepared by or under the supervision of: Stephen McCauley

Division Data Request 1-5

Request:

Please provide the Company cost-benefit analyses upon which the Company relies to cost-justify each addition or major modification it has made to its Gas Asset Portfolio over the last year.

Response:

The Company did not add any fixed-cost resources to the Rhode Island portfolio of assets over the last year. The Company did enter into a contract with Distrigas for an Interruptible Liquid Service (ILS) Agreement in order to fill its LNG tanks for the 2009/2010 peak season..

Prepared by or under the supervision of: Elizabeth Arangio

Division Data Request 1-6

Request:

Please provide the Company cost-benefit analyses upon which the Company relies to cost-justify each addition or major modification it plans to make to its Gas Asset Portfolio during the period November 1, 2009 through October 31, 2010.

Response:

The Company has not added any new assets to the resource portfolio for the upcoming sendout year and is currently in the process of determining the need to renew its Firm Liquid Service (FLS) contract with Distrigas that expired on March 31, 2009.

There are, however, a number of the Company's long haul and short-haul capacity entitlements on both the Algonquin Gas Transmission and Tennessee Gas Pipeline, which will expire in October 2010 and October 2011, respectively. Absent the development of new incremental capacity projects that present cost-effective alternatives to the existing resource portfolio, the Company would expect to renew these contracts since they contribute to the flexibility and diversity to the Company's transportation contract portfolio and their costs are lower than those of recent incremental transportation projects (e.g. Maritimes, Marcellus Shale). The Company would then seek to meet its incremental peak day and seasonal requirements through the most cost-effective capacity additions or citygate-delivered services.

Prepared by or under the supervision of: Elizabeth Arangio