Thomas R. Teehan
Senior Counsel
Rhode Island

September 28, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4270
The Narragansett Electric Company, d/b/a National Grid
Tariff Advice Filing Regarding the Terms and Conditions for Gas Marketers and the calculation of Gas Cost Recovery rates (R.I.P.U.C. NG-GAS No. 101, Sections 2, 5, and 6)
Supplemental Testimony of John F. Nestor, III

Dear Ms. Massaro:

Pursuant to Commission Rule 1.9(c), enclosed please find ten (10) copies of the Supplemental Direct Testimony of John F. Nestor, III with respect to the pending tariff advice filing of The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company") seeking to amend the Company's transportation Terms and Conditions relating to third-party gas marketers that are found in R.I.P.U.C. NG-GAS No. 101.

In its August 1, 2011 filing, the Company had proposed amendments to the Marketer tariffs for effect November 1, 2011. The Company's ability to implement most of the proposed changes, however, is dependent on new billing systems for support. Because the transition to those new billing systems will not occur on November 1 as anticipated, the Company is now requesting that its proposed tariff amendments go into effect April 1, 2011, except for one proposed tariff provision relative to capacity release. The reason that the Company continues to seek a November 1, 2011 effective date for that tariff provision is that the Company has already received requested pipeline paths from the Marketers.

In addition to Mr. Nestor's testimony, this filing contains clean and marked copies that show the proposed capacity release tariff changes for which the Company seeks a November 1, 2011 effective date.

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

Very truly yours,

Thomas R, Teehan

Enclosures

cc: Steve Scialabba, Division
Leo Wold, Esq.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

THE NARRAGANSETT ELECTRIC COMPANY
D/B/A NATIONAL GRID

DOCKET No. 4270

SUPPLEMENTAL DIRECT TESTIMONY
OF
JOHN F. NESTOR, III

SEPTEMBER 28, 2011

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John F. Nestor, III. My business address is 40 Sylvan Road, Waltham, Massachusetts 02451-1120.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. I previously submitted direct testimony in this proceeding on August 1, 2011.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to request a new effective date for the Marketer tariff filed on August 1, 2011 in this case. Specifically, except for one provision concerning capacity release which is attached separately, the Company requests that the new effective date for the Marketer tariff be April 1, 2011. The clean and marked versions of the proposed capacity release tariff provision are attached to this testimony. With respect to the capacity release tariff provision, the Company requests that this provision be allowed to go into effect November 1, 2011.

Q. WHY IS THE COMPANY SEEKING A NEW EFFECTIVE DATE FOR THE AUGUST 1, 2011 MARKET TARIFF?

A. As noted in the Direct Testimony of Michael A. Bauer in this case, the Company is in the process of converting its existing billing and Customer Choice systems in Rhode Island. That conversion initially had a scheduled conversion date of

November 1, 2011. (Bauer at 12) Recently, the implementation date for the new customer billing system and Customer Choice system has been extended. As such, these systems will not be ready for November 1, 2011, the effective date that the Company had requested for its proposed amendments to its Marketer tariffs. Therefore the Company is requesting that the effective date of the proposed amendments to its Marketer tariffs be April 1, 2012.

Extending the effective date of the proposed Marketer tariff until April 1, 2012 will provide additional time for the Company to complete implementation and testing of the customer billing and Customer Choice systems, as well provide additional time for the Commission and Division to review the Company's tariff filing.

Q. WHY IS THE COMPANY SEEKING APPROVAL OF THE CAPACITY RELEASE TARIFF PROVISION FOR NOVEMBER 1, 2011?

A. The Company is seeking approval of the capacity release tariff provision on November 1, 2011 because the Company has already surveyed the Marketers for their pipeline choices for November 1, 2011 and has received their pipeline path requests. In order to honor these requests for the upcoming year, the Company is seeking approval of the capacity release section of the proposed tariff.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes.

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TRANSPORTATION TERMS AND CONDITIONS

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1.06.0 Shipper And Transporting Pipeline Requirements:

Marketer warrants with respect to each Aggregation Pool, that it has entered into the necessary agreements for the purchase and delivery of a gas supply to the Point of Receipt which it wants Company to transport and that it has entered into the necessary transportation agreements for the delivery of gas supply to the Point of Receipt. Marketer acknowledges that it must arrange for the delivery of Actual Transportation Quantities to the Company sufficient to include both the Scheduled Transportation Quantities and the applicable Company Fuel Adjustments.

In addition, Marketer warrants that at the time of delivery of its gas supply to the Point of Receipt, Marketer shall have good title to such gas, free of all liens, encumbrances and claims whatsoever. Marketer shall indemnify the Company and save it harmless from all suits, actions, debts, accounts, damage, costs, losses and expenses arising from or out of any adverse legal claims of third parties to or against said gas supply.

1.07.0 Capacity Release:

Each Marketer serving any Customer migrating from Non-Firm Sales, Non-Firm Transportation or Firm Sales Service to FT-1 or FT-2 Transportation Service or from another Marketer's Aggregation Pool where they were previously assigned pipeline capacity by the Company, will be required to accept, for each such Customer account, an assignment of a portion of Company's firm interstate pipeline transportation capacity at maximum rates for an initial term of up to one year.

The Company will provide Marketers with the calculated base and thermal factors used to estimate each customer's peak day use. The factors are provided based on the results of the Company's application of the specific methodology in this tariff and certain historical data. Marketers may not assume that use of the factors will yield correct estimates of any customer's use for any future period or that the capacity provided as a result of the calculation will meet the customer's requirements under all conditions.

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TRANSPORTATION TERMS AND CONDITIONS

The quantity of capacity shall be set forth in the confirmation materials provided to the Marketer. For all Customers classified as Medium, Large or Extra-Large this quantity will be reviewed annually against the Customer's most recent usage patterns. Any change in Customer's required capacity will be reflected in a revised capacity release with the Marketer for effect on the following November 1st. In the event that a Marketer stops delivering gas on behalf of an existing capacity exempt customer, the customer will be prohibited from taking firm Company sales service. Such customers may select default transportation service as described in Item 2.04.0 below.

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Marketer shall be required to execute a Capacity Assignment Agreement at the time a Marketer establishes an Aggregation Pool or any other instruments reasonably required by Company or interstate pipeline necessary to effectuate such assignment. Marketer is responsible for utilizing and paying for the assigned capacity consistent with the terms and conditions of the interstate pipeline's tariffs and this tariff. Marketer is responsible for payment of all upstream pipeline charges associated with the assigned firm transportation capacity, including but not limited to demand and commodity charges, shrinkage, GRI charges, cash outs, transition costs, pipeline overrun charges, annual change adjustments and all other applicable charges. These charges will be billed directly to the Marketer by the interstate pipeline.

All Capacity Assignments for FT-1 Transportation Service will be effective with the commencement of service. Capacity Assignments for FT-2 Customers will be effective the 1st of the upcoming month for Transportation Service Applications received prior to the 10th. For FT-2 Transportation Service Applications received on or after the 10th of the month, the capacity release will not be effective until the 1st of the month subsequent to the upcoming month.

Capacity assignments will be effective for an initial term of up to one year through the following November 1st. The capacity assignments shall be reviewed each November 1st and be subject to annual adjustment as described above.

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TRANSPORTATION TERMS AND CONDITIONS

All releases hereunder will be subject to recall under the following conditions: (1) when required to preserve the integrity of the Company's facilities and service; (2) at the Company's option, whenever the Marketer fails to deliver gas in an amount equal to the Scheduled Transportation Quantity; and (3) any other conditions set forth in the capacity release transaction between the Marketer and the Company.

The Company shall assess a surcharge/credit to Marketers based on the difference between the charges of the upstream pipeline transportation capacity and the weighted average of the Company's upstream pipeline transportation capacity charges as calculated by the Company. To the extent that the charges of such released pipeline capacity are greater than the weighted average charges, the Marketer shall receive credit for such difference in charges based on the total quantity of capacity released by the Company to the Marketer. The per Dt charge is calculated by subtracting the charge per Dt for the released pipeline capacity from the Company's weighted average Upstream Transportation charges as identified in the Company's annual Gas Cost Recovery Filing. To the extent that the cost of such released pipeline capacity is less than the weighted average cost, the Marketer shall be surcharged for such difference.

During the calendar month of September, each Marketer will be required to submit a new Capacity Assignment Agreement indicating pipeline capacity path preferences based on the available paths identified in the Company's annual Gas Cost Recovery Filing. Each Marketer shall identify pipeline capacity preferences for: (1) existing customers, and (2) any new customers. Any changes from the Marketer's previous election will be effective November 1st in conjunction with the updating of customer capacity quantities described above.

Pipeline path allocations for the Marketers will be pro-rated based on the ratio of the Marketer's total forecasted deliveries compared to the total program. If a Marketer's pool represents 30% of the entire program, they will be

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Deleted: On or before August 1 each year, the Company shall calculate and provide to marketers, as defined in Section 6, Schedule C, Item 5.00, its best estimate of: (1) the over (under) recovery balance in its deferred gas cost account; and (2) the anticipated fixed costs for interstate pipeline capacity, storage and peaking supplies.¶
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TRANSPORTATION TERMS AND CONDITIONS

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Each Marketer's capacity assignment associated with Customers in an aggregation pool shall be reviewed on a monthly basis prior to the tenth (10th) calendar day of the month, and adjusted to reflect any net changes resulting from the addition and deletion of customers to the pool.

Deleted: Subject to availability, Marketers may change path preferences for assignment of pipeline capacity during the year for any new customers added to their Aggregation Pool by filing with the Company a new Capacity Assignment Agreement with at least 30 days advance notice. ¶

Deleted: The capacity released to a Marketer stays with the customer account on which it is based and as such, will be reassigned at such time that a Customer terminates their contract with a Marketer or reverts back to the Company as of the date of the customer's service termination.¶
¶

1.07.1 New Loads: New Customers classified as Large or Extra-Large electing FT-1 transportation service will not be required to take assignment of the Company's capacity resources as described in 1.07.0 above. The consumption of such Customers may be subject to annual review and confirmation by the Company. Customers who fail to meet the minimum requirement for the Large classification shall be required to take assignment of the Company's capacity resources after no less than 60 days notice. Marketers for such customers may be responsible for obtaining city gate capacity at a specific city gate on the Company's system as determined by the Company. Such determination will be based on the customer's location, load characteristics and distribution system requirements.

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TRANSPORTATION TERMS AND CONDITIONS

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