

January 24, 2013

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket No. 4323 - Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11
Compliance Filing**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed is an original and nine (9) copies of a four-volume set entitled “Compliance Filing.” This filing consists of the attachments to the Amended Settlement Agreement (“Settlement”) approved by the Rhode Island Public Utilities Commission (“Commission”) at its open meeting held on December 20, 2012. The attachments have been updated to reflect changes to the Settlement gas and electric revenue requirements as a result of the Company’s December 10, 2012 issuance of \$250 million of long-term debt and as contemplated in the approved Settlement. That debt issuance resulted in reductions of \$582,747 and \$393,949 to the Settlement costs of service for electric and gas, respectively. This Compliance Filing also reflects the approved rates for the recovery of uncollectible expense and the inclusion in rate base of capital additions that are currently being recovered through the Electric and Gas Infrastructure, Safety and Reliability (“ISR”) plans. In separate filings, the Company is providing the Commission with updates to the Distribution Adjustment Charge (Docket No. 4339), the Gas Cost Recovery charge (Docket No. 4346), and the gas and electric Energy Efficiency charges (Docket No. 4366) that are described below. Copies of those filings are included in Book 2 of this Compliance Filing.

The compliance revenue requirements, the newly approved uncollectible expense rates, and the Capital-related ISR rate adjustments have been reflected in the electric and gas rate design attachments as follows:

Electric Compliance Rates

- All base distribution charges, including customer, demand (per kW) and energy (per kWh) charges, have been changed to reflect the compliance revenue requirement of \$259,948,386¹.

¹ Reflects a reduction of \$582,747 from the Settlement cost of service of \$260,531,133 as a result of the Company’s December 10, 2012 \$250 million debt issuance.

- The ISR CapEx base charge has been set to \$0 to reflect the inclusion in base rates of the revenue requirement associated with capital investment that is currently being recovered through that charge. The O&M factor implemented on April 1, 2012 and the CapEx and O&M reconciling factors, reconciling actual to estimated capital investment for fiscal year 2012, implemented October 1, 2012, remain in effect.
- The Energy Efficiency Program charge has been revised from \$0.00895 per kWh to \$0.00906 per kWh to reflect the adjustment to include the approved uncollectible rate of 1.25%.
- Although the Standard Offer Administrative Cost Adjustment factor and the Transmission Uncollectible factor will be affected by the change in the uncollectible rate, the Company is not proposing any change to these charges until the next scheduled rate change applicable to these factors, which will be on April 1, 2013. However, the Company is reflecting the effect of this change in the typical bill impact analysis for each Class and will accrue the revenue associated with the increase in the uncollectible rate for the period February 1, 2013 through March 31, 2013 to reflect increased revenue earned but not reflected in the charges.

Gas Compliance Rates

- All base distribution charges, including customer and energy (per therm) charges, have been changed to reflect the compliance revenue requirement of \$166,765,895².
- The Energy Efficiency Program charge has been revised from \$0.0413 per therm to \$0.0417 per therm to reflect the adjustment to include the approved uncollectible rate of 3.18%.
- The Distribution Adjustment charges have been revised to reflect the updated uncollectible rate of 3.18% and to eliminate the Capital Expenditure Tracker and to zero out the ISR Component.
- The Gas Cost Recovery Factor (“GCR”) has been revised to include (a) the uncollectible rate of 3.18%; (b) a revision to the gas cost working capital to reflect the lead days of 21.51 days, cost of capital of 7.54%, and total cost of debt (short term and long term) of 2.86%; and (c) the revision to the Supply Related LNG O&M expense in the amount of \$1,148,275. As a result of these changes, the revised Low Load GCR rate will be \$0.6725 per therm, which is an increase of \$0.0050 per therm (0.7%) as compared to the currently approved rate, while the revised High Load GCR rate will be \$0.6240 per therm, which is



² Reflects a reduction of \$393,949 from the Settlement cost of service of \$167,159,844 as a result of the Company’s December 10, 2012 \$250 million debt issuance.

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an increase of \$0.0047 per therm (0.8%) as compared to the currently approved rate. The revised FT-2 Marketer Demand rate will be \$7.4178 per MDCQ dekatherm, which is an increase of \$0.0408 per MDCQ dekatherm (0.6%) as compared to the currently approved rate.

If you have any questions, please feel free to contact Celia O'Brien at (781) 907-2153 or Tom Teehan at (401) 784-7667.

Very truly yours,

Celia B. O'Brien
Thomas R. Teehan

cc: Docket 4323 Service List
Leo Wold, Esq.
Steve Scialabba, Division

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted to the individuals listed below. The Commission received hard copies of this transmittal.

Joanne M. Scanlon

January 24, 2013

Date

National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates

Docket No. 4323 – Service List updated on 6/22/12

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