

March 19, 2014

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 4436 - Revised Gas Cost Recovery Filing**  
**Responses to PUC Data Requests – Set 2**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of the National Grid's<sup>1</sup> responses to the Public Utilities Commission's ("PUC") Second Set of Data Requests concerning the above-referenced proceeding.

Thank you for your attention to this filing. If you have any questions, please contact me at (401) 784-7288.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4436 Service List  
Leo Wold, Esq.  
Steve Scialabba  
Bruce Oliver

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company").

PUC 2-1

Request:

Please describe the analysis undertaken to determine that \$17.5 million should be recovered from April through October 2014 and that the remaining \$16.9 million should be recovered over the course of the next GCR year.

Response:

As part of evaluating the recovery of the \$34.5 million deferred balance, the Company calculated the GCR surcharge needed assuming the full amount would be recovered from customers during the remaining months of the current GCR year (April 2014 through October 2014) as provided for in the Company's tariff (Section 2, Schedule A, Sheet 2). This would result in customers paying for gas costs during the GCR year in which these costs were incurred. However, the GCR surcharge needed to recover the entire \$34.5 million deferred balance by the end of October 2014 resulted in over a 32% total bill impact for residential heating customers. Based on this large increase and the impact this would have on customers who were just coming out of a difficult winter season, the Company developed the proposal it filed in order to mitigate the immediate bill impact on customers and recover the projected deferred balance in two "steps".

After recognizing the significant increase in bills if this approach were taken would be difficult for our customers, the Company next considered recovering a portion of the projected deferral balance at such a level to strike a balance between acceptable bill impacts on customers and recouping cash which the Company has paid to its gas suppliers that has not been supported by the current GCR factors. The Company's approach targeted a bill impact in the range of 16% to 17% for a residential heating customer using on average 37 therms per month during the months of April through October. The Company determined that the GCR surcharge that would result in a bill impact in this range would recover approximately \$17.5 million of the projected deferred balance and result in a 16.3% bill increase.

The proposed recovery of \$17.5 million represents around one-half of the projected deferred balance. After consultation with the Division of Public Utilities and Carriers, the Company filed its proposal to recover approximately one-half of the projected deferred balance during April through October and recover the remaining deferred balance over the next GCR year as it believes this strikes the appropriate balance for both the Company and its customers.

The Narragansett Electric Company  
d/b/a National Grid  
R.I.P.U.C. Docket No. 4436  
2014 Revised Gas Cost Recovery Filing  
Responses to Public Utilities Commission’s Second Set of Data Requests  
Issued on March 10, 2014

PUC 2-2

Request:

Were other alternatives considered for recovery of the \$34.9 million under-collection in addition to that proposed by the Company? Provide the analysis of those alternatives.

Response:

In addition to the Company’s proposal to recover approximately ½ of the estimated \$34.9 million under-collection during April 2014 through October 2014 and the remaining amount during the 2014-2015 GCR year, the Company also considered recovering the entire estimated \$34.9 million under-collection during April 2014 through October 2014, thereby recovering the gas costs incurred during the 2013-2014 GCR year from those customers on whose behalf the Company purchased gas. However, in order to recover the incremental gas costs from the customers in the current GCR year, the Company would need to add a surcharge to the current GCR factors which would result in significant bill impacts to residential customers as compared to the current GCR factors. The Company calculated this surcharge would result in a 32% total bill increase to the bills of residential heating customers as compared to the current GCR factors and, therefore, opted to propose to mitigate the bill increases in consideration of both the impact on customers as well as the need for the Company to recover its gas costs.

Based on the alternatives the Company considered and the discovery received from the Public Utilities Commission (“PUC”), the Company is summarizing the Company’s proposal against other alternatives contemplated by the Company and presented in the PUC’s discovery. The table below does not reflect the \$37.4 million potential increase in gas commodity costs that would be reflected in the 2014-2015 GCR factors as discussed in the response to Information Request PUC 1-3.

	Proposal and Alternatives Considered/Posed	April 2014 – October 2014 Recovery of Deferred Balance	Residential Heating bill impacts during April 2014 – October 2014 vs. Existing Rates	November 2014 – October 2015 Recovery of 2013-2014 Deferred Balance*
1	Company’s Proposal	\$17.5 million	16.3%	\$16.9 million
2	Company’s Proposal Based on Updated Estimate of 2013-2014 Deferred Balance	\$17.5 million	16.3%	\$25.8 million
3	Company’s Alternative to Filed Proposal	\$34.5 million	32%	\$0
4	Data Request PUC 1-2	\$8.9 million	8.3%	\$34.5 million

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	Proposal and Alternatives Considered/Posed	April 2014 – October 2014 Recovery of Deferred Balance	Residential Heating bill impacts during April 2014 – October 2014 vs. Existing Rates	November 2014 – October 2015 Recovery of 2013-2014 Deferred Balance*
5	Data Request PUC 1-3	\$0	0%	\$43.3 million