

April 23, 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
30-Day Status Report**

Dear Ms. Massaro:

On behalf of National Grid¹, enclosed are ten (10) copies of the Company's 30-Day Status Report in response to the Rhode Island Public Utilities Commission vote at the hearing on March 24, 2014 regarding a review of the issues identified in Mr. Oliver's memorandum dated March 19, 2014 in the above-referenced docket.

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

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

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below. Paper copies of this filing are being hand delivered to the RI Public Utilities Commission and the RI Division of Public Utilities and Carriers.



April 23, 2014

Joanne M. Scanlon

Date

**Docket No. 4436 – National Grid – 2013 Annual Gas Cost Recovery Filing
("GCR") - Service List as of 3/5/14**

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**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

In Re: Review of National Grid's
Revised Gas Cost Recovery Filing

Docket No. 4436

**STATUS REPORT OF
THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID
(APRIL 23, 2014)**

This report of The Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company") is filed with the Rhode Island Public Utilities Commission ("PUC") in response to its vote at the hearing on March 24, 2014 in the above-referenced docket, which required reports from National Grid¹ every thirty (30) days regarding a review of the issues identified in the Memorandum dated March 19, 2014 from Bruce R. Oliver, Revilo Hill Associates, on behalf of the Division of Public Utilities and Carriers (the "Division"). Mr. Oliver identified five issues for consideration prior to the Company's next Gas Cost Recovery ("GCR") filing:

1. Review of gas cost hedging program.
2. Other means of limiting requirements for daily spot purchases of natural gas during periods of extreme weather.
3. Revision of the terms under which gas marketers deliver gas to National Grid.
4. Review of pricing for customers who return to gas supply service provided by National Grid.
5. Non-Firm customer compliance with service interruption requests and the adequacy of penalties for non-compliance given current market conditions.

The following activities have taken place since the March 24, 2014 hearing:

- The Company has met with the Division on two separate occasions to discuss the issues referenced above. The first occasion was directly following the March 24, 2014 hearing. The second occasion was via a teleconference call on April 21, 2014.
- The Company outlined its approach to the above issues, as detailed below, and discussed this approach with the Division.

¹ The Narragansett Electric Company d/b/a National Grid (herein referred to as "National Grid" or the "Company").

- During the April 21, 2014 call, the Division indicated that it is comfortable with the Company's approach. The parties have scheduled their next meeting for May 14, 2014.

An outline of the Company's approach and a status of each issue referenced above are provided below.

1. Review of Gas Cost Hedging Program

The Company has agreed to provide information to the Division on the following areas related to its hedging program:

- The benefits and costs of additional Mandatory hedge volumes;
- Review of the forecasted purchasing locations and the effectiveness of NYMEX only hedge transactions;
- Actual versus forecasted volume deviations for the unhedged locations (New England market area locations where the Company is currently buying supplies); and
- Available options for hedging these locations and the risks and rewards of each.

2. Review of Spot Market Purchases During Periods of Extreme Weather

The Company has agreed to review the potential for additional spot market purchases and the interplay with its hedging program.

3. Review of Transportation Terms and Conditions on Marketer Gas Delivery

4. Review of Pricing for National Grid-Supplied Gas Service

The Company is reviewing the terms and conditions of its existing Customer Choice program and including a focus on the following areas:

- Treatment of transportation customers who are not assigned capacity by National Grid, including "grandfathered"² customers, new customers, as defined by the Company's tariff, who will be firm transportation customers and are eligible to elect to be exempt from a mandatory capacity assignment, and non-firm transportation customers who request to convert to firm transportation service;

²"Grandfathered" customers are those customers who, prior to the implementation of the supplemental settlement agreement in Docket 2902, approved by the Commission in an October 27, 1999 Open Meeting and written order issued January 13, 2000, were existing transportation customers who did not receive pipeline capacity assignments from the Company. Through the supplemental settlement, this group of customers was given the one time election to either retain this exempt status or receive capacity assignment from National Grid.

- The continuation/termination of Default Transportation Service and the interplay between the Company's sales and transportation customers;
- The methodology for estimating gas supply costs and the rate design associated with the Company's GCR rates;
- How the mandatory capacity assignment programs are accounted for in the Company's filings;
- Capacity release path methodology; and
- A review of the Company's forecast for the volume of gas to be purchased and sold and the various components.

5. Customer Compliance with and Penalties Required by Non-Firm Transportation Terms and Conditions

While the Company does not believe that noncompliance has been an issue, the Company has agreed to review this and report back to the Division.

Respectfully Submitted,

**THE NARRAGANSETT ELECTRIC
COMPANY d/b/a NATIONAL GRID**

By its Attorney,



Jennifer Brooks Hutchinson (RI Bar #6176)

April 23, 2014