STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID'S GAS CUSTOMER CHOICE PROGRAM	: : :	**DOCKET NO. 4523**

ORDER

On September 8, 2014, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed proposed changes to its Gas Customer Choice Program within its gas tariff, RIPUC NG-GAS No. 101 (tariff) with the Public Utilities Commission (PUC or Commission).[1] The proposed changes are in accordance with the PUC's March 24, 2014 Order in Docket No. 4436. That order required National Grid to review the terms under which gas marketers deliver gas to the Company and the pricing calculations for customers who return to National Grid's gas supply service.

Elizabeth D. Arangio, Director of Gas Supply Planning, and Ann E. Leary, Manager of New England Gas Pricing for National Grid USA Service Company, Inc. submitted prefiled testimony. Ms. Arangio stated that National Grid was proposing changes both because of last year's winter experience and because capacity releases to marketers --the Customer Choice Program-- has grown considerably, almost tripling, over the last ten years. She noted that when the Company filed a revision to its Gas Cost Recovery (GCR) factors to increase rates last February, Bruce Oliver, the Division of Public Utilities and Carriers (Division) consultant, had recommended that the Company review a number of issues including the terms under which marketers deliver gas and the

---

[1]National Grid Gas Customer Choice Program (Sept. 8, 2014); http://www.ripuc.org/eventsactions/docket/4523page.html.

pricing calculation for customers who return to the Company's gas supply service. After a thorough review and in order to provide for an orderly transition for customers, Marketers, and the Company, Ms. Arangio provided that the Company was proposing to implement changes in two phases, for effect November 1, 2014 and for effect November 1, 2015. Ms. Arangio explained that this filing would address two areas of concern: 1) reliability of the gas supply portfolio and 2) price inequities because of operational flexibilities allowed under the existing program.[2]

Ms. Arangio identified three changes the Company was proposing in the instant docket. With regard to pipeline delivery requirements, the Company was proposing to require a certain level of daily pipeline receipts. For the peaking assets calculation, the Company was proposing to modify the FT-2 Demand Rate and associated supplies in the calculation to reflect the usage of such assets. Finally, regarding daily nominations under operational flow order conditions, the Company was proposing a certain level of pipeline deliveries before FT-2 storage and peaking assets can be nominated.[3]

Ms. Arangio described the current status of the New England gas market. She explained that because both of the gas pipelines used by the Company[4] are fully subscribed and because New England had experienced declines in available liquefied natural gas (LNG), acquiring gas supplies during peak demand periods had become extremely difficult and expensive. She described the Customer Choice Program as an optional supplier choice program that allows customers to purchase gas from suppliers other than the Company for delivery by National Grid. She described the two types of

---

[2] Arangio Direct at 3-5 (Sept. 8, 2014).
[3] *Id.* at 5.
[4] The two gas pipelines used by the Company are the Tennessee Gas Pipeline and Algonquin Gas Transmission.

firm transportation (FT) service: FT-1, available only to Large and Extra-Large commercial and industrial (C&I) customers, and FT-2, available to all C&I customers. She explained that the Company plans only for pipeline assets for FT-1 service and requires daily balancing by the marketer. For the FT-2 service, the Company does not require daily gas usage be recorded at the delivery point so the balancing of deliveries and usage are assumed by National Grid. The Company does plan, however, for pipeline, storage, and peaking assets required to serve the FT-2 customers.[5]

Ms. Arangio explained that National Grid assigns capacity to ensure that there is adequate capacity upstream of its citygates and to maintain operational integrity of the system. She noted that mandatory capacity assignment also prevents certain customers from avoiding the cost of long-term capacity commitments by securing competitive supply. Under the current Customer Choice Program, Ms. Arangio stated, customers migrating to transportation service[6] are assigned a pro-rata share of the Company's interstate pipeline resources at the average cost of these resources.[7]

Ms. Arangio noted that not all customers under the Company's Customer Choice Program are assigned capacity. In 1999, pursuant to the settlement of a docket, new customers not previously served on firm sales service were given the opportunity to waive out of the Company's assignment of pipeline capacity. Once these customers exercised that waiver, they became ineligible to return to firm service. These customers are considered grandfathered.[8]

---

[5] Arangio Direct at 6-11.
[6] A transportation service customer procures its own gas supply which is then delivered to the customer's meter through the Company's distribution system.
[7] Arangio Direct at 11.
[8] *Id.* at 11-12.

Ms. Arangio explained the three specific changes that the Company is proposing. The first change she identified was to pipeline delivery requirements. She provided that the Company proposal requires marketers to deliver a minimum of 40% of total daily pipeline receipts on each upstream pipeline and the remaining 20% on the pipeline of choice. This proposal, she noted, will provide balance so that the Company's sales customers will not be left with only the most expensive pipeline capacity. She stated that the proposal provides for a discretionary penalty of 0.5 times the Daily Index for all differences less than the 40% minimum. The second proposed change she discussed related to the peaking asset calculation. She explained that the Company was proposing to modify the FT-2 demand rate and associated peaking purchases to include pipeline assets and associated supplies. She provided that the Company believes it is appropriate to include a portion of these more expensive supplies and assets used on colder days in order that the FT-2 class also pays a portion. Finally, she explained the proposed change to daily nominations, stating that marketers must satisfy FT-1 and FT-2 daily requirements with their sum total pipeline capacity release volumes before FT-2 storage and peaking assets can be nominated on a day when the Company issues an Operational Flow Order (OFO) aggravated by under-delivery.[9]

Ms. Arangio provided that the Company proposed the changes be implemented on November 1, 2014. She noted that the proposed changes would not apply to the grandfathered customers or other capacity exempt customers. Although the Company had discussed the proposed changes with the Division, Ms. Arangio stated that at the time of the filing, it had yet to consult with Marketers, customers, and other stakeholders, which is the reason more comprehensive changes have not yet been proposed. Toward

[9] *Id.* at 13-18.

that end, Ms. Arangio indicated that the Company will establish a collaborative group consisting of all interested persons to review the existing Customer Choice Program and to make recommendations for improvement prior to the 2015/2016 winter season.[10]

Ms. Leary provided testimony to describe the changes necessary to the tariff to implement the proposed revisions to the Customer Choice Program. She identified the two changes requiring a tariff change as: 1) the requirement that marketers deliver a minimum of 40% of their daily supply on the Algonquin and Tennessee pipelines and 2) the inclusion of certain pipeline assets in the calculation of the FT-2 Demand Rate and the associated peaking commodity rate to more accurately reflect the use of these pipeline assets. In addition to these two tariff changes, Ms. Leary listed other tariff changes to clarify the requirements for mandatory capacity assignment, capacity exemption, Transitional Sales Service (TSS), deferred cost responsibility, and default transportation service. Besides this clarification language, she provided that there were other minor administrative language and formatting changes that were necessary.[11]

Ms. Leary represented that National Grid was proposing the tariff changes because of a great number of Large and Extra-Large FT-1 customers returning to the Company for supply. When discussing the mandatory capacity assignment policy, Ms. Leary explained that National Grid assigns a pro rata share of its pipeline resources at its average cost to customers migrating to transportation service. She provided that the Company was not proposing changes to mandatory capacity assignment, but only wants to clarify its policy. The first change proposed is to delete reference to “Non-Firm Sales” and “Non-Firm Transportation” from the capacity release section since mandatory

[10] *Id.* at 18-20.
[11] Leary Direct at 2-4 (Sept. 8, 2014).

capacity assignment does not apply to customers receiving non-firm service. Additionally, she identified two new definitions: capacity exempt and capacity-exempt customer. These definitions were added to clarify that capacity exemption is based on the location or premises having a capacity exemption and is tied to gas usage without a mandatory pipeline capacity assignment from the Company. Additionally proposed is a sixty day timeframe for the new customer who requests a capacity exemption to obtain a Marketer before the Company will receive and be billed for Default Transportation Service. The new language sets forth a procedure for customers who request a pipeline capacity assignment.[12]

With regard to TSS that is available to customers who have a capacity assignment and migrate from firm transportation to firm sales service, Ms. Leary identified four changes necessary to clarify the terms and conditions. The first change would state that TSS is not available for capacity exempt customers. The second change would clarify general conditions to specify that customers transferring from firm transportation to firm sales and who have received an assignment of pipeline capacity will be subject to the provisions of TSS. The third change would clarify the language that a surcharge will be imposed on returning customers until the end of the billing cycle after April 30 unless that customer commits to take firm service for at least one year. Finally, the fourth change would clarify the language on storage and peaking costs associated with FT-1 customers returning to firm service.[13]

Ms. Leary provided that the Company was proposing to include the calculation of rates for Default Transportation Service previously approved by the Commission in the

---

[12] *Id.* at 4-8.
[13] *Id.* at 8-9

tariff. She explained Default Transportation Service as the service provided to Large or Extra-Large C&I FT-1 capacity-exempt customers who do not have a marketer. Those customers receive Default Transportation Service until they establish supply with a marketer. Ms. Leary also discussed the Company's proposal to add language to the tariff to clarify that customers who transfer to transportation service will be assessed either a charge or a credit to ensure that they pay their fair share of the deferred gas costs.

At the hearing on October 23, 2014, the Commission inquired further as to the specifics of National Grid's proposed tariff changes. Ms. Arangio and Ms. Leary responded to additional questions by the Commission. Ms. Arangio testified that the proposed changes were forwarded via email to the gas marketers on September 17, 2014. She also testified that representatives of the Company met with marketers on October 8, 2014 to explain the Company's proposed changes to the tariff. She noted that subsequent to the meeting on October 8, 2014, the Company received inquiries about the changes that were all responded to. She expressed that although the marketers did not receive a copy of the filing until two weeks after it was filed with the Commission, it is the Company's intention to send the marketers copies of future filings at the same time as they are filed with the Commission. She noted that all nine marketers were notified of the meeting but did not know if all nine attended the meeting. Ms. Arangio explained that the reason for having a discretionary penalty was to penalize marketers if they failed to abide by the 40/40 split on the two pipelines, not to penalize those marketers if there was a rounding issue or if the marketer was one dekatherm off. The penalty money would be used to credit gas costs. Mr. Oliver testified on behalf of the Division and recommended the Commission approve the Company's requested changes.[14]

Immediately following the hearing, the Commission deliberated on National Grid's proposal, finding that the proposal represented a good faith effort to ensure that costs are fairly allocated. The Commission was satisfied that the proposal will balance costs between the Company's sales and transportation customers. Finding the proposal to be fair and reasonable and in the best interests of National Grid's customers, the Commission unanimously approved it.

ACCORDINGLY, it is

(21905) ORDERED:

National Grid's proposed changes to the Customer Choice Program are approved.

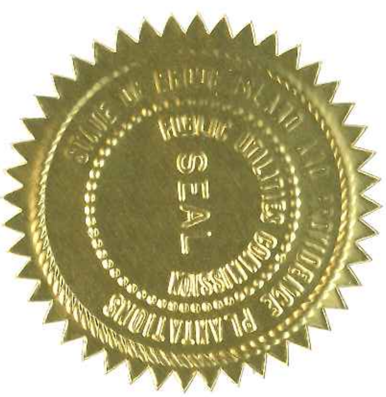
EFFECTIVE NOVEMBER 1, 2014 IN WARWICK, RHODE ISLAND PURSUANT TO AN OPEN MEETING DECISION ON OCTOBER 23, 2014. WRITTEN ORDER ISSUED MAY 11, 2015.

PUBLIC UTILITIES COMMISSION

Margaret E. Curran, Chairperson

Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr., Commissioner



[14] Hr'g Tr. 7-19 (Oct. 23, 2014).