

October 29, 2015

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4573 – 2015 Distribution Adjustment Charge (DAC)
Responses to Record Requests 3 and 4

Dear Ms. Massaro:

On behalf of National Grid, I have enclosed ten (10) copies of the Company's responses to Record Requests 3 and 4 issued at the Commission's Evidentiary Hearing on October 26, 2015 in the above-referenced docket.

Please be advised that the Company's responses to Record Requests 1 and 2 will be forthcoming.

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 4573 Service List
Leo Wold, Esq.
Steve Scialabba, Division
Bruce Oliver, Division

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 Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

October 29, 2015

Date

**Docket No. 4573 – National Grid –2015 Annual Distribution Adjustment
Charge Filing (“DAC”) - Service List as of 9/18/15**

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File an original & nine (9) copies w/:	Luly.massaro@puc.ri.gov ;	401-780-2107

Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Patricia.lucarelli@puc.ri.gov ;	
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Record Request No. 3

Request:

Reference is made to the Company's AGT Program. Is a cost-benefit analysis to customers available for the program? If so, please provide it.

Response:

The Advanced Gas Technology (AGT) program is designed to promote the development and use of natural gas technologies that will increase the use of natural gas during periods of low demand.

As stated in the Settlement Agreement approved in Docket No. 2025, "All firm customers benefit through the addition of the Customized Commercial/Industrial Program (later renamed to AGT program) because it promotes better utilization of the distribution system (load profiles of the DSM programs are better than the Company's system load profile), which results in lower unit gas capacity costs for all firm customers. Furthermore, the level of the rebate is less than the NPV ("Net Present Value") of the incremental distribution margin". The addition of an AGT customer will reduce the per unit gas capacity costs for all customers as long as the AGT customer is a sales customer or transportation customer subject to mandatory capacity assignment. In addition, a cost-benefit analysis is performed each time an application is received for an AGT rebate. Since the rebate given to AGT customers is capped at 75% of the NPV, the Company will always receive some incremental distribution revenues resulting from the additional AGT usage which will eventually benefit all customers by spreading fixed costs over large customer base.

Although the Company collects approximately \$300,000 each year for its AGT program through its base rates, the AGT funds are not dispersed until a cost/benefit analysis has been performed for each request. The AGT rebate program is designed so that rebate awarded will always be less than the incremental distribution revenues resulting from the increase gas usage, thereby benefitting all other firm customers. For example, a \$300,000 AGT rebate awarded to an Extra Large High Load factor customer¹ would generate incremental revenues of approximately \$800,000 over the next 15 years, equating to a NPV of \$400,000. Since the NPV of the incremental revenue exceeds the AGT rebate, all other firm customers benefit. In addition, if this AGT customer was a sales or transportation customer with mandatory assignment, this customer would be responsible for approximately \$40,000 each year in fixed gas capacity costs. Therefore in this example, firm customers would receive a \$700,000 benefit (\$100,000 in

¹ In this example, the Company assumed the customer would use approximately 500,000 therms each year and would be installing AGT equipment with a 15 year usage life.

Record Request No. 3, page 2

distribution revenues and \$600,000 savings in fixed gas capacity costs over the 15-year life of the AGT equipment) for the \$300,000 investment in the AGT rebate assuming the customer is a sales or transportation customer with capacity assignment. If the customer is a firm transportation customer with capacity exempt status, then firm customers would receive a \$100,000 benefit.

Record Request No. 4

Request:

Have or are the companies who have participated in the AGT program purchasing their gas supply from National Grid (as opposed to a third party marketer)?

Response:

Since 2007, three customers (Customer A, Customer B, and Toray Plastics (America) Inc.) have participated in the AGT program. Customer A is a firm sales customer receiving gas supply from National Grid, Customer B is a firm transportation customer receiving gas supply from a third party marketer, and Toray is a firm transportation customer with capacity exempt status receiving gas supply from a third party marketer. Although Customer B receives their gas supply from a third-party marketer, the Company assigns a pro rata share of the Company's capacity resources to the customer's marketer in accordance with the Company's Transportation Terms and Conditions. Therefore, the Marketer is responsible for a portion of the Company's fixed demand costs. For reference, in the last twelve months ending October 2015, these two customers generated capacity costs totaling \$68,717. Since Toray is a capacity exempt customer, they are not assigned any of the Company's capacity resources. However, as described in response to Record Request No. 3, all customers, including Toray, generated incremental distribution revenue which benefited all customers.