nationalgrid

November 15, 2013

Honorable Kathleen H. Burgess
New York State Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, NY 12223

Re: KeySpan Gas East Corporation d/b/a National Grid
Revision to Annual Imbalance Reconciliation Filing PSC 1

Dear Secretary Burgess:

KeySpan Gas East Corporation d/b/a National Grid ("Company") hereby transmits for filing a revision to its Annual Imbalance Reconciliation previously filed on October 15, 2013. This revision includes a response to Question 16 of the standardized utility questions, which was inadvertently omitted on the previous filing. No other changes have been made.

If you have any questions about this filing, please contact Melissa Nairn at (718) 403-2974.

Sincerely,

Melissa R. Nairn
Principal Analyst, Gas Pricing

# KEYSPAN GAS EAST CORPORATION D/B/A NATIONAL GRID
# (“KEDLI”)
# Annual Gas Cost Adjustment
# 12 Months Ended August 31, 2013

DEFINITIONS

1. System Receipts = Deliveries made to the Company by pipelines or local producers.
2. System Deliveries = Deliveries made by the Company to its customers.
3. Expense Adjustments = Billed by third parties to the Company
4. Revenue Adjustments = Billed by Company to its customers

QUESTIONS

**Question 1:**

**Explain how the purchase gas expense is developed for the annual reconciliation period.**

Response 1:

The Company determines purchase gas expense each month of the annual reconciliation period by estimating the current month’s purchase expense (estimated accrual), adding the prior month’s actual invoice costs to that estimate and then subtracting the prior month’s estimated accrual.

Purchase gas expense consists of:

- commodity cost of gas delivered to the city gate
- commodity cost of gas withdrawn from storage
- demand charges (net of capacity release and asset management credits)
- financial gains / losses of the Company’s hedging program

Expenses excluded from purchase gas expense are:

- commodity cost of gas injected into storage

**Question 2:**

**Identify each adjustment to purchase gas expense.**

Response 2:

The following gas costs are excluded from purchase gas expense:

- SC 12 Temperature Control (“TC”) gas costs
- SC 4 interruptible sales gas costs
- Off-system sales gas costs
- Cashout costs for power plant under deliveries

The following costs / credits are included in purchase gas expenses:

- Energy Supply Company ("ESCO") capacity release credits
- Off-system capacity release credits
- Cashout costs for power plant over deliveries
- ESCO revenue credits from bundled sales service, virtual storage service, balancing and cashouts

**Question 3:**

**Explain the source of reported system receipts (dth/mcf).**

Response 3:

System receipts are obtained each month from the Company's SCADA Monthly Summary Report.

**Question 4:**

**How does the Company validate the pipeline deliveries?**

Response 4:

The Company maintains check meters at each of the city gate delivery points and uses its SCADA system to compare each day its check metered quantities to the pipeline's metered deliveries. If the measured quantities differ by more than 2 %, the Company checks its metering equipment and/or requests that the pipeline do the same. The pipeline's measurement quantities are the basis for the pipeline's monthly bills unless a problem is identified in which case the Company's check meter quantities are used.

Energy Accounting then ensures that the deliveries invoiced by the pipelines each month match what has been validated.

**Question 5:**

**Explain how the GAC revenue is calculated.**

Response 5:

The GAC revenue is obtained from the Prorated GAC reports generated each month at the end of the billing cycle by the Customer Accounting System (CAS) which is the billing system for KEDLI. This report captures the aggregate GAC revenue billed each month to the Company's firm sales customers. Additional GAC Revenues are extracted from the monthly unbilled revenue calculations. The Company apportions GAC Revenues by component in a spreadsheet calculation.

**Question 6:**

**Identify each adjustment to GAC revenue.**

Response 6:

The individual components that are developed are as follows:

- Merchant function charges
- Pipeline refunds
- Off-system sales and capacity release revenues
- Prior period GAC imbalance refunds / surcharges
- Power plant delivery and value added charge revenues
- LIPA revenues

**Question 7:**

**Explain the source of reported system deliveries (dth/mcf).**

Response 7:

The reported system deliveries are obtained from reports generated by the CAS billing system at the end of the billing cycle each month: Unbilled Revenue, Balanced Billing, and the Early and Final Stat Report (also known as Billed Sales report). Gas Used by Company is obtained through meter reads as reported by field operation's personnel.

**Question 8:**

**Explain how negotiated contract volumes are handled in the annual reconciliation.**

Response 8:

The Company's LAUF calculation excludes receipts and deliveries for power plants served off the Company's distribution system.

- Measured city gate receipts are reduced by the amount of gas delivered to power plants. This is determined by grossing up the calendar month metered consumption of the power plants by the applicable contractual fuel losses (0% or 1%).

- Gas delivered to power plants is excluded from monthly metered deliveries.

**Question 9:**

**Explain how the commodity cost of gas is derived.**

Response 9:

The commodity cost of gas used in the lost and unaccounted for (“LAUF”) calculation is derived by using total commodity including hedge settlements less commodity assigned to off system sales and to interruptible transportation.

**Question 10:**

**How is Company use accounted for in the annual reconciliation?**

Response 10:

In the annual reconciliation, Company use is credited to the cost of gas and charged to the operating areas. In the LAUF calculation, Company use is included in monthly gas deliveries.

**Question 11:**

**Identify all of the prior period adjustments made in the filing.**

Response 11:

There are no prior period adjustments in this filing.

**Question 12:**

**Identify the source of the sales forecast used to develop the reconciliation rate.**

Response 12:

The sales forecast is prepared by the Gas Forecasting group under the direction of Dale Kruchten, Director Energy Market Analytics.

**Question 13:**

**Identify the hedging gains or losses in the reconciliation period**

Response 13:

Net hedging losses totaled $4,002,786.

**Question 14:**

**Identify the costs of hedging in the reconciliation filing.**

Response 14:

The Company incurs no costs on its hedging activities because it pays no commissions or fees to its counterparties that use over-the-counter (OTC) swaps and options.

**Question 15:**

**Identify the major drivers for the current period over/under.**

Response 15:

The approximate $8.1 million balance excluding interest to be refunded to customers is the result of multiple factors rather than a single driver.

Purchase gas expenses exceeded recoveries resulting in an under recovery of $12.9 million to be surcharged to customers. Additionally the Company realized a $2.5 million reward under the LAUF incentive mechanism to be surcharged to customers.

However, this under recovery was completely offset by:

- Off-system revenues: $7.2 million to be refunded
- Power plant revenues: $15.5 million to be refunded
- Pipeline refunds: $640,000 to be refunded

**Question 16:**

**Describe the capacity release sharing program currently in place, if any. Identify the gains and losses in the reconciliation period.**

Response 16:

Under the Company’s capacity release revenue sharing program, 85% of revenues realized from capacity release transactions, excluding those performed pursuant to the Company’s Retail Access Program, are credited to the SC 1, 2, 3, 15, 16 and 17 firm sales customers.  A total of $2.8 Million was credited to these customers during the reconciliation period.  Capacity release revenues realized from the Company’s Retail Access Program are credited 100% to firm sales customers.