

April 30, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 2509 – Storm Contingency Fund
Annual Storm Fund Report for 2011**

Dear Ms. Massaro:

In accordance with Commission Order No. 15360 (August 19, 1997) and Paragraph 4(a) of the Joint Proposal and Settlement In Lieu of Comments Submitted by The Narragansett Electric Company and The Division of Public Utilities and Carriers (the “Settlement”) approved by the Commission in Docket 2509 , enclosed please find ten (10) copies of National Grid’s¹ Storm Fund Report for calendar year (“CY”) 2011.

Please note that the Company has made two modifications to the Storm Fund. First, the Company has recalculated the CY 2010 Storm Fund balance so as to include the incremental costs associated with Hurricane Earl, which occurred in September 2010. At the time the Company filed its 2010 Storm Fund Report, the Company was still uncertain as to whether this storm event would qualify for inclusion in the Storm Fund; consequently, the incremental costs of that event were not included in last year’s report. These costs are reflected in the Storm Fund Beginning Balance shown in column (a) of Attachment 2. Second, in reviewing previous Storm Fund filings, the Company discovered that it has been calculating interest based upon the average of the monthly rates for the twelve-month period ended February 28, 2011 for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board. Instead, per Commission Order No. 15360 and Paragraph 3 of the Settlement, the Company should have calculated interest based upon the customer deposit rate, which is based on the average rate over the prior calendar year. As such, the interest rates have been changed in each of the prior calendar years, and this change is reflected in the Storm Fund Beginning Balance shown in column (a) and the Monthly Interest shown in column (c) of Attachment 2.

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

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Leo Wold, Esq.
Steve Scialabba, RI Division
John Bell, RI Division

¹ Filed on behalf of The Narragansett Electric Company d/b/a National Grid (referred to herein as “National Grid” or the “Company”).

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report for Calendar Year 2011

April 30, 2012

**The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report - Calendar Year 2011**

In compliance with the Rhode Island Public Utilities Commission (“Commission”) order in Docket No. 2509 regarding Storm Funds, The Narragansett Electric Company (“Company” or “National Grid”) submits the following annual Storm Fund Report.

Annual Escalation of the Storm Fund Threshold

The new Storm Fund Threshold, calculated on Attachment 1 of this report, is **\$781,000**, an increase of **2.95%** compared with the previous threshold of **\$759,000**. This increase reflects the percentage change in the Seasonally Adjusted Consumer Price Index for All Urban Consumers (CPI-U) for the month of December 2011 as compared to the preceding year.

Annual Change in the Storm Fund Interest Rate

The interest rate to be applied to the Storm Fund for the period March 1, 2011 through February 28, 2012 is based upon the average of the monthly rates for the twelve-month period ended December 31, 2011 for 10-year Constant Maturity Treasury Bonds as reported by the Federal Reserve Board. As filed with the Commission on January 14, 2012, this average rate for the twelve-month period ended December 31, 2011 is **3.22%**.

Incremental Attachment Fee Revenue

Pursuant to the Distribution Rate Plan Second Amended Stipulation and Settlement approved in Docket No. 3617, 50 percent of all revenue received from attachment and other telecommunication company fees for use of distribution plant in excess of \$850,000 annually is to be credited to the Company’s Storm Fund. In December 2011, **\$539,084** was credited to the Storm Fund pursuant to this provision.

Annual Report of Storm Fund Activity

Attachment 2 reflects a preliminary report of the annual Storm Fund activity, pending final accounting of storm costs incurred during the calendar year period. This report shows the

Annual Report of Storm Fund Activity (continued)

opening balance of the Storm Fund, monthly contributions, monthly interest applied, preliminary charges and/or credits, other entries to the Storm Fund, and the closing balance of the Storm Fund.

Attachment 3 represents the monthly detail of the preliminary storm-related charges applied to the Storm Fund during calendar year 2011 by individual storm event. Details of the costs related to these qualifying Storm Fund storm events are provided in Attachments 4 through 7, as listed below.

Attachment 4: Storm Event – March 2010

Attachment 5: Storm Event – September 2010

Attachment 6: Storm Event – August 2011

Attachment 7: Storm Event – October 2011

The Narragansett Electric Company
d/b/a National Grid
Annual Escalation of Storm Fund Threshold

Line No.	Description	Amount (a)
1	2011 Annual Storm Fund Threshold	\$ 759,000
2	Times Change in Consumer Price Index	2.95%
3	Additional Storm Fund Threshold	<u>\$ 22,391</u>
4	Actual Annual Storm Threshold for 2012	<u>\$ 781,391</u>
5	Proposed Annual Storm Fund Threshold for 2012	<u><u>\$ 781,000</u></u>

Line Notes:

- 1 Annual Threshold based on the Distribution Rate Plan Second Amended Stipulation and Settlement dated October 15, 2004
- 2 Consumer Price Index, Seasonally Adjusted, as shown below:

	<u>Index</u>	<u>Percent Change</u>
All Urban Consumers - Base Period 1982-84=100 @ 12/01/10	220.3	
All Urban Consumers - Base Period 1982-84=100 @ 12/01/11	226.7	2.95%

- 3 Line 1 times Line 2
- 4 Line 1 plus Line 3
- 5 Line 4 rounded to the nearest thousand

The Narragansett Electric Company
d/b/a National Grid
Annual Report of Storm Fund Activity
For the Year Ended December 31, 2011

Line No.	Month	Beginning Balance (a)	Monthly Contribution (b)	Monthly Interest (c)	Storm Charges 2/ (d)	Adjustments (e)	Ending Balance (f)
1	January-11	\$ 21,577,502	1/ \$ -	\$ 58,619	\$ (16,252)	\$ -	\$ 21,619,869
2	February-11	21,619,869	-	58,734	(28,146)	-	21,650,457
3	March-11	21,650,457	-	58,095	(86,874)	-	21,621,679
4	April-11	21,621,679	-	58,018	(2,172)	-	21,677,524
5	May-11	21,677,524	-	58,168	(76,662)	-	21,659,030
6	June-11	21,659,030	-	58,118	-	-	21,717,149
7	July-11	21,717,149	-	58,274	(105)	-	21,775,318
8	August-11	21,775,318	-	58,430	251,009	-	22,084,757
9	September-11	22,084,757	-	59,261	(9,512,133)	-	12,631,885
10	October-11	12,631,885	-	33,896	(5,914,686)	-	6,751,095
11	November-11	6,751,095	-	18,115	(9,780,597)	-	(3,011,387)
12	December-11	<u>(3,011,387)</u>	-	<u>(8,081)</u>	<u>(2,131,026)</u>	<u>539,084</u>	<u>3/ (4,611,409)</u>
13	Year Ended 12/31/11	\$ 21,577,502	\$ -	\$ 569,649	\$ (27,297,645)	\$ 539,084	\$ (4,611,409)

1/ Reflects inclusion of Hurricane Earl and the recalculation of interest based on a calendar year rate in accordance with R.I.P.U.C. Docket no. 2509

2/ See Attachment 3

3/ Represents 50% of 2011 attachment fee revenue in excess of \$850,000

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Charges
For the Year Ended December 31, 2011

Line No.	Month	Mar-2010 Storm Event (a)	Sep-2010 Storm Event (b)	Aug-2011 Storm Event (c)	Oct-2011 Storm Event (d)	Total (e)
1	January-11	\$ -	\$ (16,252)	\$ -	\$ -	\$ (16,252)
2	February	(44,993)	16,847			(28,146)
3	March	(84,800)	(2,074)			(86,874)
4	April	(2,172)				(2,172)
5	May	(76,662)				(76,662)
6	June					-
7	July	(105)				(105)
8	August			251,009		251,009
9	September			(9,512,133)		(9,512,133)
10	October			(5,914,686)		(5,914,686)
11	November			(9,406,034)	(374,563)	(9,780,597)
12	December			(1,944,576)	(186,450)	(2,131,026)
13	Year Ended 12/31/11	\$ (208,733)	\$ (1,479)	\$(26,526,420)	\$ (561,013)	\$ (27,297,645)

Column Notes:

- (a) Represents preliminary costs associated with the March 2010 flood
- (b) Represents preliminary costs associated with Hurricane Earl
- (c) Represents preliminary costs associated with Tropical Storm Irene
- (d) Represents preliminary costs associated with the October 2011 snow storm

The Narragansett Electric Company
d/b/a National Grid
March 31, 2010 Storm Total O&M Restoration Costs
Summary of Normal and Incremental Costs

Line No.	Description	Total Restoration Costs (a)	Normal Costs (b)	Incremental Costs 1/ (c)
1	Payroll charges excluding payroll overheads for Narragansett employees	\$ -	\$ -	\$ -
2	Charges for transportation on Narragansett vehicles	65	65	-
3	Charges from outside companies	134,445	-	134,445
4	Charges for materials and supplies 2/	73,904	-	73,904
5	Charges for employee expenses	<u>384</u>	<u>-</u>	<u>384</u>
6	Total	<u>\$ 208,798</u>	<u>\$ 65</u>	\$ 208,733
7	Less Deductible			<u>-</u>
8	Amount Charged to Storm Contingency Fund			<u>\$ 208,733</u>

1/ Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

2/ Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of March 31, 2010

Line No.	Outside Companies	Jan-2011 (a)	Feb-2011 (b)	Mar-2011 (c)	Apr-2011 (d)	May-2011 (e)	Jul-2011 (f)	Amount (g)
1	Mirra Company Inc	\$ -	\$ -	\$ 111,296	\$ -	\$ -	\$ -	\$ 111,296
2	Massachusetts Electric Company			(61,066)				(61,066)
3	National Grid USA Service Co.					76,496		76,496
4	Vendors < \$10,000		1,594	3,682	2,172	166	105	7,719
5	Subtotal Outside Companies	\$ -	\$ 1,594	\$ 53,911	\$ 2,172	\$ 76,662	\$ 105	\$ 134,445
6	Incremental Company Payroll							-
7	Incremental Materials & Supplies		43,111	30,793				73,904
8	Incremental Employee Expenses		288	96				384
9	Total Incremental Costs	\$ -	\$ 44,993	\$ 84,800	\$ 2,172	\$ 76,662	\$ 105	\$ 208,733
10	Less Deductible							-
11	Amount Charged to Storm Contingency Fund	\$ -	\$ 44,993	\$ 84,800	\$ 2,172	\$ 76,662	\$ 105	\$ 208,733

The Narragansett Electric Company
d/b/a National Grid
September 03, 2010 Storm Total O&M Restoration Costs
Summary of Normal and Incremental Costs

Line No.	Description	Total Restoration Costs (a)	Normal Costs (b)	Incremental Costs 1/ (c)
1	Payroll charges excluding payroll overheads for Narragansett employees	\$ -	\$ -	\$ -
2	Charges for transportation on Narragansett vehicles	21	21	-
3	Charges from outside companies	1,108	-	1,108
4	Charges for materials and supplies 2/	370	-	370
5	Charges for employee expenses	-	-	-
6	Total	<u>\$ 1,500</u>	<u>\$ 21</u>	\$ 1,479
7	Less Deductible			-
8	Amount Charged to Storm Contingency Fund			<u>\$ 1,479</u>

1/ Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

2/ Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of September 03, 2010

Line No.	Outside Companies	Jan-2011 (a)	Feb-2011 (b)	Mar-2011 (c)	Jun-2011 (d)	Amount (e)
1	National Grid USA Service Co.	\$ 15,882	\$ (16,847)	\$ -	\$ -	\$ (965)
2	Items under \$10,000			2,074		2,074
3	Subtotal Outside Companies	\$ 15,882	\$ (16,847)	\$ 2,074	\$ -	\$ 1,108
4	Incremental Company Payroll					-
5	Incremental Materials & Supplies	370				370
6	Incremental Employee Expenses				0	0
7	Total Incremental Costs	\$ 16,252	\$ (16,847)	\$ 2,074	\$ -	\$ 1,479
8	Less Deductible					-
9	Amount Charged to Storm Contingency Fund	\$ 16,252	\$ (16,847)	\$ 2,074	\$ -	\$ 1,479

The Narragansett Electric Company
d/b/a National Grid
August 28, 2011 Storm Total O&M Restoration Costs
Summary of Normal and Incremental Costs

Line No.	Description	Total Restoration Costs (a)	Normal Costs (b)	Incremental Costs 1/ (c)
1	Payroll charges excluding payroll overheads for Narragansett employees	\$ 2,671,189	\$ 415,955	\$ 2,255,234
2	Charges for transportation on Narragansett vehicles	191,513	191,513	-
3	Charges from outside companies	24,108,555	-	24,108,555
4	Charges for materials and supplies 2/	631,725	102,199	529,526
5	Charges for employee expenses	<u>8,105</u>	<u>-</u>	<u>8,105</u>
6	Total	<u>\$ 27,611,086</u>	<u>\$ 709,666</u>	\$ 26,901,420
7	Less Deductible			<u>(375,000)</u>
8	Amount Charged to Storm Contingency Fund			<u>\$ 26,526,420</u>

1/ Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

2/ Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of August 28, 2011

Line No.	Outside Companies	Aug-2011 (a)	Sep-2011 (b)	Oct-2011 (c)	Nov-2011 (d)	Dec-2011 (e)	Amount (f)
1	ABC Professional Tree Service Inc	\$ -	\$ -	\$ 303,453	\$ -	\$ -	\$ 303,453
2	A Belloli & Sons Inc			12,306			12,306
3	Alliance Power Group LLC					679,693	679,693
4	Asplundh Tree Expert Co		79,880	474,076	1,098,377	436,938	2,089,271
5	Base Logistics LLC			82,451		282,738	365,190
6	Beechwood Hotel					13,496	13,496
7	Bemis LLC			46,134			46,134
8	Best Western Royal Plaza Hotel - Marlbor			110,900			110,900
9	Chesapeake Bay Helicopters Inc		28,500				28,500
10	Cole Construction Corp				32,590		32,590
11	Credit Collection Services			25,835			25,835
12	Davey Resource Group			43,071			43,071
13	D&D Power Inc			66,156			66,156
14	Doubletree Hotel Boston/Westborough			14,246			14,246
15	Energy Initiatives Group LLC				98,600		98,600
16	Environmental Consultants Inc		18,249	21,139			39,388
17	Grattan Line Construction Corporation			17,899			17,899
18	Grays Power Supply				3,170,364	41,597	3,211,961
19	Haverfield International Incorporated			18,215			18,215
20	Henkels & McCoy Inc				38,600		38,600
21	HSBC Corporate Card Services			164,506	138,350	30,947	333,803
22	I B Abel Inc				520,354		520,354
23	Lewis Tree Service Inc			10,518			10,518
24	LockeE Crane Services LLC		38,240				38,240
25	Marriott Hotel Services Inc				12,492		12,492
26	M J Electric LLC				15,768	167,450	183,218
27	MTV Solutions Inc				555,064		555,064
28	Nelson Tree Service Inc			1,283,876			1,283,876
29	N G Gilbert Corporation			782,097			782,097
30	Northeast Line Construction Corp			430,628			430,628
31	Performance Consulting Group LLC			134,349			134,349
32	Pike Electric Inc			79,632	76,056		155,688
33	Precise Kit Promotion Inc			25,084		32,476	57,560
34	Pro Unlimited Inc					40,346	40,346
35	Providence Marriott Downtown				88,795		88,795
36	Securitas Security Systems USA Inc		12,689				12,689
37	Sheraton ProvidenceE Airport Hotel				13,208		13,208
38	Southbridge Hotel & Conference Center			11,046			11,046
39	Southern Cross Corporation			60,220			60,220
40	SPE Utility Contractors LLC				1,245,358		1,245,358
41	Stanley Tree Service Inc		212,659	38,866	56,458		307,983
42	State Electric Corporation				1,714,793		1,714,793
43	Sturbridge Host Hotel & Conference Cntr				44,775		44,775
44	Sumpter Utilities Inc				680,947		680,947
45	The Davey Tree Expert Company		238,885	375,884	17,088		631,857
46	The Energy Group Inc				117,989	46,277	164,266
47	Thirau LLC			839,932		120,946	960,878
48	Three Phase Line Construction Inc				241,949		241,949
49	Tom's Market Catering		33,981				33,981
50	Twin River		102,687				102,687

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of August 28, 2011

Line No.	Outside Companies	Aug-2011 (a)	Sep-2011 (b)	Oct-2011 (c)	Nov-2011 (d)	Dec-2011 (e)	Amount (f)
1	Vegetation Control Service Inc	\$ -	\$ -	\$ 24,060	\$ -	\$ -	\$ 24,060
2	Massachusetts Electric Company		497,164	(30,648)	(410,335)		56,180
3	New England Power Company			240,425	(240,425)		-
4	Niagara Mohawk Power Corp		86,329				86,329
5	Granite State Electric Company		17,592				17,592
6	Narragansett Gas Company		942,648				942,648
7	National Grid USA Service Co.	99,005	3,862,148	126,298	11,639		4,099,090
8	KeySpan Corporate Services, LLC		537,334	53,450	16,999		607,783
9	Items under \$10,000	8,636	87,390	74,654	46,403	51,559	268,643
10	Subtotal Outside Companies	\$ 107,641	\$ 6,796,373	\$ 5,960,759	\$ 9,402,255	\$ 1,944,463	\$24,211,492
11	Incremental Company Payroll	-	2,311,096	(56,038)	-	176	2,255,234
12	Incremental Materials & Supplies	16,011	400,463	10,200	8	(93)	426,589
13	Incremental Employee Expenses	339	4,201	(235)	3,770	30	8,105
14	Total Incremental Costs	\$ 123,991	\$ 9,512,133	\$ 5,914,686	\$ 9,406,034	\$ 1,944,576	\$26,901,420
15	Less Deductible	(375,000)					(375,000)
16	Amount Charged to Storm Contingency Fund	\$ (251,009)	\$ 9,512,133	\$ 5,914,686	\$ 9,406,034	\$ 1,944,576	\$26,526,420

The Narragansett Electric Company
d/b/a National Grid
October 29, 2011 Storm Total O&M Restoration Costs
Summary of Normal and Incremental Costs

Line No.	Description	Total Restoration Costs (a)	Normal Costs (b)	Incremental Costs 1/ (c)
1	Payroll charges excluding payroll overheads for Narragansett employees	\$ 529,961	\$ 68,926	\$ 461,035
2	Charges for transportation on Narragansett vehicles	62,879	62,879	-
3	Charges from outside companies	471,211	-	471,211
4	Charges for materials and supplies 2/	-	-	-
5	Charges for employee expenses	<u>3,767</u>	<u>-</u>	<u>3,767</u>
6	Total	<u>\$ 1,067,818</u>	<u>\$ 131,805</u>	\$ 936,013
7	Less Deductible			<u>(375,000)</u>
8	Amount Charged to Storm Contingency Fund			<u>\$ 561,013</u>

1/ Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

2/ Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of October 29, 2011

Line No.	Outside Companies	Nov-2011 (a)	Dec-2011 (b)	Amount (c)
1	Asplindh Tree Expert Co	\$ -	\$ 37,774	\$ 37,774
2	Stanley Tree Service Inc		63,442	63,442
3	The Davey Tree Expert Company		61,549	61,549
4	Massachusetts Electric Company	31,663		31,663
5	Narragansett Gas Company	103,350		103,350
6	National Grid USA Service Co.	123,692		123,692
7	Items under \$10,000	26,110	23,632	49,742
8	Subtotal Outside Companies	\$ 284,815	\$ 186,396	\$ 471,211
9	Incremental Company Payroll	461,035		461,035
10	Incremental Materials & Supplies			-
11	Incremental Employee Expenses	3,713	53	3,767
12	Total Incremental Costs	\$ 749,563	\$ 186,450	\$ 936,013
13	Less Deductible	(375,000)		(375,000)
14	Amount Charged to Storm Contingency Fund	<u>\$ 374,563</u>	<u>\$ 186,450</u>	<u>\$ 561,013</u>