

October 20, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 2509 – Updated Storm Fund Report for 2008

Dear Ms. Massaro:

In accordance with Commission Order 15360 (August 1997) in Docket 2509, enclosed please find (10) ten copies of National Grid's¹ Updated Storm Fund Report for calendar year 2008.

Thank you for your attention to this filing. Should you have any questions regarding this report, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

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.

Updated
The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report for Calendar Year 2008

October 20, 2009

Updated

**The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report – October 2009**

In compliance with the Commission's order in Docket 2509 regarding Storm Funds, The Narragansett Electric Company submits the following annual changes to the Storm Fund.

Annual Escalation of the Storm Fund Threshold

The new Storm Fund Threshold, calculated on Attachment 1 of this report, is \$729,000, an increase of 0.20% compared with the previous threshold of \$728,000. This increase reflects the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the month of December 2008 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, 2009 through February 28, 2010 is based upon the average of the monthly rates for the twelve-month period ended February 28, 2009 for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board. As shown in Attachment 2, this average rate for the twelve-month period ended February 28, 2009 is 3.49%.

Incremental Attachment Fee Revenue

Pursuant to the Distribution Rate Plan Second Amended Stipulation and Settlement approved in Docket No. 3617, 50% 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 2008, \$247,000 was credited to the Storm Fund pursuant to this provision.

Annual Report of Storm Fund Activity

Attachment 3 is a report of the annual Storm Fund activity. This report shows the opening balance in the fund, monthly contributions, monthly interest applied, charges and/or credits, and other entries to the Storm Fund. There was one eligible storm which occurred during 2008 as well as residual charges from the November 3-4, 2007 storm, totaling \$0.9 million, after deductible. Please see below for a description of the storm activity.

July 23, 2008 Storm

On Wednesday, July 23, 2008 a frontal system moved through Southern New England with a warm front moving through first, increasing low level moisture. A cold front then moved through the area providing a lifting mechanism for showers and severe thunderstorms to develop. High levels of moisture contributed to heavy downpours that resulted in flash flooding in Rhode Island and portions of Massachusetts. All of this coupled with strong wind shear allowed a tornado to form. The tornado began as a waterspout over Narragansett Bay, traveled east-northeast reaching land over the southern portion of Warren, Rhode Island. The tornado continued for 4.2 miles until it reached the Massachusetts border. Wind speeds were estimated to be 65-90mph along the path of the tornado.

In Bristol, Kent, and Providence counties, many roads and highways were impassable due to flash flooding. In East Providence, 4.5 inches of rain fell in 45 minutes. In Kent County, radar rainfall rates were 8-10 inches per hour. Hail fell in a swath from West Warwick to Cranston; penny to golf ball size hail was reported.

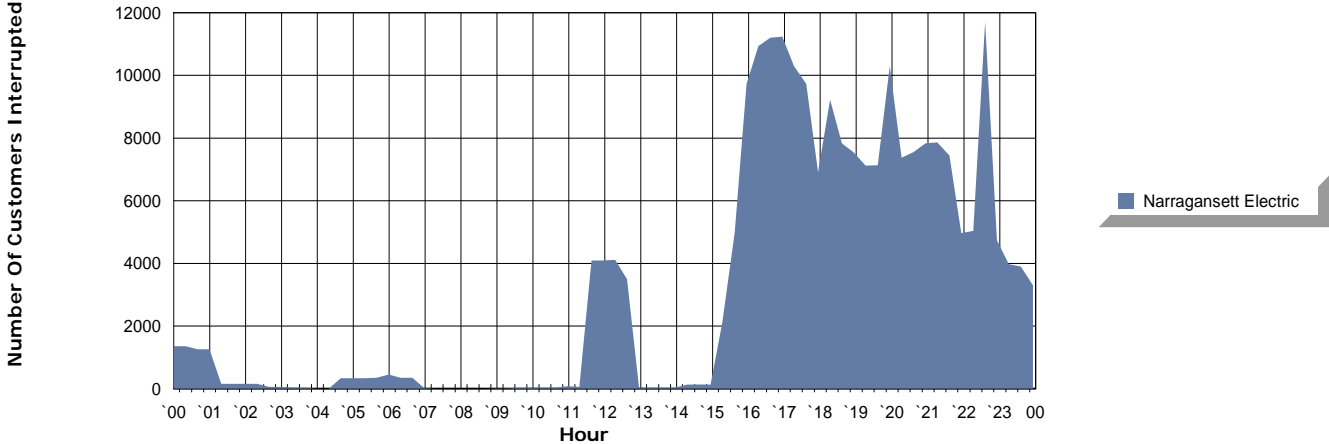
This weather event began at approximately 1500 hours and ended at approximately 2200 hours. Peak wind gusts reached 40mph and numerous lightning strikes affected the area.

The damage resulting from the passage of this storm required assistance from additional internal and contractor resources. These resources included approximately 86 contractor line crews, 30 wires down standby personnel, and 20 tree crews. These resources were in addition to the 41 Company line crews and 10 trouble men that also provided restoration assistance during the storm event.

The Company responded to a total of 179 interruptions that affected 30,369 customers for 4,817,651 customer minutes of interruption. On average, these interruptions resulted in 0.06 SAIFI, 10.15 minutes of SAIDI and 159 minutes of interruption per customer affected. As shown in the following chart, approximately 11,100 customers were interrupted at peak, which occurred at approximately 5:00 PM on July 23, 2008.

Number of Customers without Power

Wednesday, July 23, 2008



The Narragansett Electric Company

d/b/a National Grid

Annual Escalation of Storm Fund Threshold

| | |
|--|-----------|
| 1. 2008 Annual Storm Fund Threshold | \$728,000 |
| 2. Times Change in Consumer Price Index | 0.20% |
| 3. Additional Storm Fund Threshold | \$1,456 |
| 4. Actual Annual Storm Threshold for 2009 | \$729,456 |
| 5. Proposed Annual Storm Fund Threshold for 2009 | \$729,000 |

1/ Annual Threshold based on the Distribution Rate Plan Second Amended Stipulation and Settlement dated October 15, 2004.

2/ Consumer Price Index:

| | <u>Index</u> | <u>Percent Change</u> |
|--|--------------|-----------------------|
| 2/ Represen All Urban Consumers - Base Period 1982-84=100 @ 12/01/07 | 211.2 | |
| All Urban Consumers - Base Period 1982-84=100 @ 12/01/08 | 211.6 | 0.20% |

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

Calculation of Average Annual Storm Fund Interest Rate
For the Year March 1, 2008 to February 28, 2009

| Federal Reserve Board Statistical Release Date 1/ | 10 Year Constant Maturity Treasury Bonds Interest Rate |
|--|--|
| April 1, 2008 | 3.51% |
| May 6, 2008 | 3.68% |
| June 3, 2008 | 3.88% |
| July 1, 2008 | 4.10% |
| August 5, 2008 | 4.01% |
| September 2, 2008 | 3.89% |
| October 7, 2008 | 3.69% |
| November 4, 2008 | 3.81% |
| December 2, 2008 | 3.53% |
| January 6, 2009 | 2.42% |
| February 3, 2009 | 2.52% |
| March 3, 2009 | 2.87% |
| Average Annual Rate | <u>3.49%</u> |

1/ Monthly Selected Interest Rates are released the first Tuesday of every month for the preceding month.

The Narragansett Electric Company

d/b/a National Grid

Annual Report of Storm Fund Activity
For the Year Ended December 31, 2008

| Month | Beginning Balance (a) | Monthly Contribution (b) | Monthly Interest (c) | Nov-2007 Charges (d) | Jul-2008 Charges (e) | Adjustments (f) | Ending Balance (g) |
|---------------------|-----------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|--------------------|--------------------------|
| January-08 | \$19,129,092 | \$86,750 | \$76,820 | (\$181,785) 1/ | | \$0 | \$19,110,877 |
| February | \$19,110,877 | \$86,750 | \$76,747 | (\$184,312) 1/ | | \$0 | \$19,090,062 |
| March | \$19,090,062 | \$86,750 | \$70,790 | (\$2,033) 1/ | | \$0 | \$19,245,568 |
| April | \$19,245,568 | \$86,750 | \$71,368 | (\$20,517) 1/ | | \$0 | \$19,383,169 |
| May | \$19,383,169 | \$86,750 | \$71,880 | | | \$0 | \$19,541,799 |
| June | \$19,541,799 | \$86,750 | \$72,469 | | | \$0 | \$19,701,018 |
| July | \$19,701,018 | \$86,750 | \$73,061 | | \$0 2/ | \$0 | \$19,860,829 |
| August | \$19,860,829 | \$86,750 | \$73,655 | | (\$72,238) 3/ | \$0 | \$19,948,996 |
| September | \$19,948,996 | \$86,750 | \$73,983 | | (\$449,150) | \$0 | \$19,660,578 |
| October | \$19,660,578 | \$86,750 | \$72,911 | | \$253 | \$0 | \$19,820,492 |
| November | \$19,820,492 | \$86,750 | \$73,505 | | \$0 | \$0 | \$19,980,747 |
| December | \$19,980,747 | \$86,750 | \$74,101 | | (\$1,222) | \$247,000 4/ | \$20,387,375 |
| Year Ended 12/31/08 | \$19,129,092 | \$1,041,000 | \$881,288 | (\$388,648) | (\$522,357) | \$247,000 | \$20,387,375 |

1/ Represents remaining storm charges from the November 3, 2007 storm.

2/ Represents storm charges of \$160,644 less deductible of \$160,644.

3/ Represents storm charges of \$286,594 less deductible of \$214,356.

4/ Represents 50% of 2008 attachment fee revenue in excess of \$850,000.

**The Narragansett Electric Company
d/b/a National Grid
July 23, 2008 Storm Total O&M Restoration Costs
Between Normal and Incremental Costs**

| | Total Restoration <u>Costs</u> | Normal <u>Costs</u> | Incremental <u>Costs (1)</u> |
|---|--------------------------------------|------------------------|---------------------------------|
| Payroll charges excluding payroll overheads for Narragansett employees | \$282,696.32 | \$56,905.72 | \$225,790.60 |
| Charges for Transportation on Narragansett Vehicles | 14,854.91 | 14,854.91 | 0.00 |
| Charges from outside companies | 669,805.14 | 0.00 | 669,805.14 |
| Charges for employee expenses | <u>1,761.24</u> | <u>0.00</u> | <u>1,761.24</u> |
| Total | <u>\$969,117.61</u> | <u>\$71,760.63</u> | <u>\$897,356.98</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.

**The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of July 23, 2008**

| <u>Outside Companies</u> | <u>Amount</u> | <u>Jul-2008</u> | <u>Aug-2008</u> | <u>Sep-2008</u> | <u>Oct-2008</u> | <u>Nov-2008</u> | <u>Dec-2008</u> |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-----------------|-------------------|
| Thiro USA, Inc. | \$266,348.55 | | | \$265,094.74 | \$32.01 | | \$1,221.80 |
| Harlan Electric Company | 172,149.55 | | | 172,149.55 | | | |
| Hawkeye Electric, LLC | 44,455.09 | | 44,349.22 | 105.87 | | | |
| Lewis Tree Service | 26,398.20 | | 26,054.88 | 343.32 | | | |
| The Davey Tree Expert Co | 21,588.13 | | 19,370.98 | 2,217.15 | | | |
| JCR Construction Co | 12,697.48 | | 9,733.16 | 2,964.32 | | | |
| ABC Professional Tree Service, Inc. | 11,010.35 | | 11,010.35 | | | | |
| Massachusetts Electric Co. | 12,943.46 | 1,861.60 | 11,040.91 | 40.95 | | | |
| National Grid USA Service Co. | 97,910.82 | 34,598.55 | 60,771.06 | 3,257.10 | (715.89) | | |
| Items under \$10,000 | <u>4,303.51</u> | <u>0.00</u> | <u>3,710.14</u> | <u>234.17</u> | <u>359.20</u> | <u>0.00</u> | <u>0.00</u> |
| Subtotal Outside Companies | 669,805.14 | 36,460.15 | 186,040.70 | 446,407.17 | (324.68) | 0.00 | 1,221.80 |
| Incremental Company Payroll | 225,790.59 | 123,702.73 | 99,564.06 | 2,523.81 | 0.00 | 0.00 | 0.00 |
| Incremental Employee Expenses | <u>1,761.24</u> | <u>480.93</u> | <u>989.07</u> | <u>219.45</u> | <u>71.79</u> | <u>0.00</u> | <u>0.00</u> |
| Total Incremental Costs | 897,356.97 | 160,643.81 | 286,593.83 | 449,150.43 | (252.89) | 0.00 | 1,221.80 |
| Less Deductible | <u>(375,000.00)</u> | <u>(160,643.81)</u> | <u>(214,356.19)</u> | | | | |
| Amount Charged to Storm Fund | <u>\$522,356.98</u> | <u>\$0.00</u> | <u>\$72,237.64</u> | <u>\$449,150.43</u> | <u>(\$252.89)</u> | <u>\$0.00</u> | <u>\$1,221.80</u> |