

November 15, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: January 2006 Retail Rate Filing and
Request for Approval of Dispensation of Settlement Proceeds**

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) are ten copies of two separate filings. The first is the Company’s Request for Approval of Dispensation of Settlement Proceeds. The second is the Company’s January 2006 Retail Rate Filing that we file each year at this time, related to our annual reconciliations. Each is briefly summarized below.

In the first filing, National Grid is making a proposal regarding the dispensation of \$16.5 million in proceeds to be received by the Company for the benefit of its customers. This filing is supported by the testimony and exhibits of Ronald T. Gerwatowski and Jeanne A. Lloyd. In summary, the Company is proposing to use \$8 million of the settlement proceeds to implement an “Enhanced Low Income Discount Program” for customers receiving service on the Company’s Residential Low-Income Rate A-60 for a period of four years. The discount would be applied against the first 450 kWh of monthly use and would be reflected on customer bills as a lower distribution energy charge. National Grid is proposing this discount, which is essentially the same as that proposed by the Division of Public Utilities and Carriers in Docket No. 3689, to help mitigate the rising cost of electricity to customers on Rate A-60. Also included in this filing is a proposal for the return of the balance of \$8.5 million to customers through a reduction in the non-bypassable transition charge during 2006.

The second filing is the Company’s January 2006 Retail Rate Filing which presents the reconciliation of its tariff adjustment provisions through September 2005, the estimate of its 2006 transmission expenses pursuant to its Transmission Service Cost Adjustment Provision, and the calculation of its weighted average non-bypassable transition charge pursuant to its Non-Bypassable Transition Charge Adjustment Provision. National Grid’s filing proposes rate

Luly Massaro, Commission Clerk
January 2006 Retail Rate Filing and
Dispensation of Settlement Proceeds
November 15, 2005
Page 2 of 2

changes resulting from these reconciliations, estimates and calculations effective for use on and after January 1, 2006. The Company's filing contains the direct testimony and exhibits of Jeanne A. Lloyd, Michael D. Laflamme and Susan L. Hodgson in support of the proposed rate changes.

As set forth in the testimony and exhibits contained in the second filing, the Company is reconciling its actual revenue and expenses for the 12 months ending September 30, 2005 under its Non-Bypassable Transition Charge Adjustment Provision and its Transmission Service Cost Adjustment Provision. The Company has also estimated its 2006 annual expenses under its Transmission Service Cost Adjustment Provision. The forecast of 2006 transmission costs is described in the testimony of Ms. Hodgson. In addition, the Company is also reflecting the impact of a settlement reached with various Rhode Island parties for the flow-through of proceeds received by New England Power Company associated with the bankruptcy of USGen New England, Inc. This settlement and its treatment is described by Mr. Laflamme in his testimony. As a result, the Company is proposing to decrease its Transition Charge for 2006 from the present level of 0.845¢ per kWh to 0.575¢ per kWh. The Company is also proposing to increase its Transmission Service Adjustment Factor for 2006 from 0.239¢ per kWh to 0.371¢ per kWh.

The rate changes presented by the Company's January 2006 Retail Rate Filing and the proposed reduction to the non-bypassable transition charge contained in the Dispensation of Settlement Proceeds Filing would decrease the total bill of a 500 kWh residential customer by \$0.72, or 1.0%, from \$70.58 to \$69.86. When taken with the scheduled termination of the Customer Credit, extended through December 31, 2005 by the Commission, the same 500 kWh residential customer would see a monthly increase of \$0.99, or 1.4%, from \$70.58 to \$71.57.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (508) 389-2877.

Very truly yours,



Thomas G. Robinson

Enclosures

cc: Docket 3706 Service List

National Grid

Request for Approval of
Dispensation of
Settlement Proceeds

Testimony and Exhibits
Of
Ronald T. Gerwatowski and
Jeanne A. Lloyd

November 15, 2005

Submitted to:
Rhode Island Public Utilities Commission
R.I.P.U.C. Docket No. _____

Submitted by:

nationalgrid

DIRECT TESTIMONY
OF
RONALD T. GERWATOWSKI

Table of Contents

I. Introduction.....1

II. Purpose of the Testimony2

III. Overview of the Company’s Filing.....3

IV. Description of Enhanced Low Income Discount Program5

V. Use of the Balance of the Funds6

VI. Conclusion7

1 **I. Introduction**

2 Q. Please state your full name and business address.

3 A. My name is Ronald T. Gerwatowski and my business address is 55 Bearfoot Road,
4 Northborough, Massachusetts, 01532.

5
6 Q. Please state your position.

7 A. I am Vice President of Distribution Regulatory Services for The Narragansett Electric
8 Company d/b/a/ National Grid (“Narragansett” or the “Company”). In my capacity as
9 Vice President, I am responsible for the Company’s distribution rates and regulatory
10 support group, which we refer to as the Distribution Regulatory Services Department.
11 This Department, for which I have supervisory responsibility, provides rate-related
12 support not only to Narragansett, but also to the other National Grid retail distribution
13 companies in Massachusetts and New Hampshire.

14
15 Q. Please describe your educational background.

16 A. I graduated from Westfield State College in 1978. I also attended the University of
17 Puerto Rico for one year in 1976-77. I received a Masters of Education degree from
18 Fitchburg State College in 1982. I then went to law school and received a Juris Doctor,
19 magna cum laude, from Boston College Law School in 1985, where I served on the Law
20 Review.

21
22 Q. Please describe your professional experience.

23 A. Before going to law school, I was a public school teacher in the Springfield,
24 Massachusetts school system. After graduating from law school, I was an associate at the

1 Boston law firm of Testa, Hurwitz & Thibealt in 1985 and 1986. I left the firm and
2 joined the legal department of New England Electric System (“NEES”) in 1987, the
3 predecessor to National Grid USA. In 1990, I was regulatory counsel for Narragansett,
4 where I practiced before the Rhode Island Public Utilities Commission (“Commission”)
5 until mid-1994. At that time, I returned to the corporate headquarters for NEES and
6 worked in the legal department on fuel-related regulatory matters pertaining to the
7 generation plants that were owned by NEES at the time. In 1998, after industry
8 restructuring in Rhode Island, I returned to Narragansett as General Counsel and
9 continued in that position until the spring of 2002. I then became General Counsel of
10 Niagara Mohawk Power Corporation in Syracuse, New York, after National Grid USA
11 acquired Niagara Mohawk. I served in that capacity until May 1, 2005, when I took my
12 current position as Vice President of Distribution Regulatory Services in New England.
13

14 Q. Have you previously testified before the Commission?

15 A. Yes.
16

17 **II. Purpose of the Testimony**

18 Q. What is the purpose of your testimony?

19 A. The purpose of my testimony is to describe the Company’s proposal for the dispensation
20 of \$16.5 million of proceeds that are available for customers as a result of a series of
21 settlements recently executed by the Company, the Commission and other Rhode Island
22 parties. Two of the settlements require approval of the Federal Energy Regulatory
23 Commission (“FERC”) and the third involves only state parties.
24

1 **III. Overview of the Company's Filing**

2 Q. Please provide an overview of the Company's filing.

3 A. The Company's filing sets forth a proposal for the use of a portion of the proceeds to be
4 received by the Company pursuant to a series of settlements entered into by the
5 Company, New England Power Company ("NEP"), the Commission, the Division of
6 Public Utilities and Carriers (the "Division"), and the Attorney General of Rhode Island
7 (the "RIAG") (the "FERC Settlements"). Both of these settlements require FERC
8 approval. The first FERC Settlement pertains to proceeds received from the USGen
9 Bankruptcy ("USGen Bankruptcy Settlement"). Under the USGen Bankruptcy
10 Settlement, the Company is allocated \$43.6 million, and that amount is used to pay down
11 a portion of the unrecovered fixed assets of Montaup Electric Company that are being
12 recovered through the CTC. In addition, \$10 million is allocated to the Company from
13 the bankruptcy in connection with an Administrative Claim.

14
15 The second FERC Settlement relates to the settlement of certain disputed accounting and
16 other issues relating to the NEP's Contract Termination Charge ("CTC Settlement"). The
17 CTC Settlement resolves the issues associated with the litigation and sale of NEP's
18 ownership share of Millstone Unit 3 and certain outstanding issues related to NEP's CTC
19 reconciliations for the years 2001 through 2004. Under the CTC Settlement, NEP agrees
20 to pay the Company \$10 million to resolve these issues and reduces its CTC to resolve
21 these issues.

22
23 A third settlement entered into by and among the Company, the Commission, the
24 Division, and the RIAG (the "State Settlement") resolves the ratemaking treatment of

1 disputed congestion costs which Narragansett has been incurring as a result of the
2 implementation of one of the wholesale Standard Offer Service agreements by a supplier.
3 Under the State Settlement, Narragansett would apply \$3.5 million of the \$10 million
4 associated with the Administrative Claim in the USGen bankruptcy to offset congestion
5 costs associated with that claim, and uses the remaining \$6.5 million for the direct benefit
6 of the Company's customers. The State Settlement is being provided as Exhibit RTG-1
7 to this filing, to which the CTC Settlement is attached.

8
9 The series of settlements can be confusing to follow, because there are two separate \$10
10 million payments being made from NEP to the Company, equating to one lump sum
11 payment of \$20 million – that is, \$10 million under the CTC Settlement and an additional
12 \$10 million from the Administrative Claim under the USGen Bankruptcy Settlement. To
13 restate the net effect of the settlements: the State Settlement specifies that \$3.5 million of
14 the \$10 million from the USGen Bankruptcy Settlement is to be set aside for the
15 Company to pay congestion costs, leaving \$6.5 million that is available to be credited for
16 the benefit of customers in Rhode Island. Together with the other \$10 million received
17 under the CTC Settlement, this leaves \$16.5 million that can be used for the benefit of
18 Rhode Island customers.

19
20 Q. What is the Company proposing in this filing?

21 A. The Company is proposing the means by which the \$16.5 million can be used for the
22 benefit of customers. Specifically, the Company is proposing that \$8 million of this
23 amount be used to fund a multi-year enhanced low income discount program. In turn, the
24 Company proposes to apply the remaining balance of \$8.5 million for the benefit of all

1 customers in 2006 by reducing other obligations that otherwise would be reflected in
2 rates in 2006, absent the refund.

3
4 In addition to my testimony, this filing consists of the testimony and exhibits of Jeanne
5 A. Lloyd, who explains the mechanics of how the Company would implement the
6 proposed enhanced low income discount program. In addition, she explains how the
7 balance of the proceeds not being used for the low income program would be credited for
8 the benefit of all customers.

9
10 **IV. Description of Enhanced Low Income Discount Program**

11 Q. Please explain the Company's proposal to implement an enhanced low income discount
12 program with \$8 million of the proceeds.

13 A. The Company proposes to allocate approximately \$2 million per year, through 2009, to
14 fund an enhanced discount for the low income rate class. This proposal actually follows
15 up on a proposal that had been made by the Division in Docket 3689. However, in that
16 docket, the Commission ruled that the Division's proposal could not be considered due to
17 notice issues and indicated at the hearing that a separate filing would need to be made for
18 the Commission to consider it. The Company is now essentially adopting the Division's
19 proposal, with only minor variation regarding implementation.

20 Q. In general, how would the program work?

21 A. The Company would establish a general ledger account in which the \$8 million would be
22 recorded. The \$8 million would accrue interest at the same rate as that applied to
23 customer deposits. The Company would then calculate, for each calendar year, a credit
24 for the low income rate class that is designed to provide a total class discount equal to

1 approximately \$2 million. The credit would be applied to the first 450 kWh of usage per
2 month. At the end of the year, the amount of the credits actually paid will be reconciled
3 to \$2 million, with any over payments or under payments of credits taken into account in
4 the design of the credit for the following year.

5
6 Q. When would the program commence?

7 A. Narragansett would implement the program upon the receipt of FERC approval of the
8 FERC Settlements. Therefore, the Company is proposing to begin billing the credit in the
9 first billing cycle of the next billing month following FERC approval.

10
11 Q. Why is the Company proposing a low income discount?

12 A. The Company agreed to work towards assisting its customers on the low income rate at
13 the time the October 1, 2005 Standard Offer Service rate increase was pending. At that
14 time, the Company was aware of some of the issues raised by low income advocates
15 about helping customers who have the most difficulty paying their bills. One driver
16 behind the Company agreeing to the CTC Settlement and State Settlement with Division
17 and Commission was to make available some funds that could be used to address the low
18 income concerns and provide a funding vehicle for the Division's proposal. The
19 Company still believes this is a worthwhile allocation of the funds.

20
21 **V. Use of the Balance of the Funds**

22 Q. What does the Company propose for the remaining balance of \$8.5 million?

23 A. The Company proposes that the balance of \$8.5 million be used first to reduce the 2006
24 nonbypassable transition charge that is shown in the Company's annual reconciliation

1 filing, which is being made concurrent with this filing. The testimony of Ms. Lloyd in
2 that annual filing provides more detail on this proposal.

3

4 Q. Why isn't the Company proposing to offset some of the standard offer increase?

5 A. We could do so. However, we propose to use the nonbypassable transition charge as the
6 vehicle because all customers pay the same volumetric nonbypassable transition charge.

7 As a result, the refund can be spread to all customer classes on a uniform per kWh basis.

8

9 **VI. Conclusion**

10 Q. Does this conclude your testimony?

11 A. Yes.

Exhibits

Exhibit RTG-1 State Settlement

Exhibit RTG-1
State Settlement

THE NARRAGANETT ELECTRIC COMPANY

Application of Lump Sum CTC refund related to the
Narragansett Electric Company CTC Reconciliation reports
for the years 2000 through 2004 and Certain Supply-Related Costs

SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

WHEREAS, this Settlement Agreement (“Settlement”) is entered into by and among the Narragansett Electric Company (“Narragansett”), the Rhode Island Public Utilities Commission (the “Commission”), the Division of Public Utilities and Carriers (“Rhode Island Division”) and the Department of the Attorney General (“Attorney General”) (altogether, the “Parties”) with respect to (1) the application of a \$10 million lump sum payment to be received by Narragansett from the New England Power Company (“NEP”), in connection with a settlement agreement, attached herewith as Attachment 1, related to issues associated with NEP’s and the former Montaup Electric Company’s (“Montaup’s”) Reconciliation of Contract Termination Charges (“CTC”) to Narragansett filed on December 1, 2000 (“2000 Reconciliation Report”), filed on November 30, 2001 (“2001 Reconciliation Report”), filed on November 26, 2002 (“2002 Reconciliation Report”), filed on November 26, 2003 (“2003 Reconciliation Report”), and filed November 24, 2004 (“2004 Reconciliation Report”) with the Commission (together “Reconciliation Reports”), and (2) certain supply-related costs associated with the provision of Standard Offer Service in connection with one supplier’s implementation of its wholesale agreement with Narragansett (“WSOS Issues”).

WHEREAS, the Parties have raised competing and disputed claims with regard to the issues reflected in the Reconciliation Reports, but wish to resolve those matters on mutually

agreeable terms, and without establishing any new precedent or principle applicable to any other proceedings.

WHEREAS, the Parties engaged in discovery and negotiation of issues related to the Reconciliation Reports pursuant to the informal dispute resolution process set forth in Section 3.5 of the NEP/Narragansett restructuring settlement approved by the Federal Energy Regulatory Commission (“FERC”) in Docket Nos. ER97-678-000 and ER98-6-000 (“Restructuring Settlement”) and the parallel provision in the Montaup restructuring Settlement approved by FERC in Docket No. ER97-2800-000.

WHEREAS, pursuant to such discovery and negotiation, the Parties have resolved the enumerated issues related to the Reconciliation Reports.

WHEREAS, the Parties acknowledge and affirm the ongoing and reconciling nature of the charges related to the Reconciliation Reports and relevant Commission filings addressed by this agreement.

WHEREAS, the Parties acknowledge that Narragansett has incurred and may continue to incur certain supply-related costs associated with one supplier’s implementation of its wholesale Standard Offer Service contract with Narragansett, and resolve the recoverability of such costs in this agreement.

WHEREAS, the Parties intend that customers receive the full value of the settled issues, and not some substitute regulatory treatment of lesser value, and agree that no terms of this Settlement or supporting schedules and calculations will be used or interpreted to diminish, in any way, the intended customer benefit related to this agreement.

NOW THEREFORE, in consideration of the exchange of promises and covenants hereinafter contained, the Parties hereby agree as follows:

1. Narragansett shall apply for the benefit of customers and make available for allocation by the Commission the \$10 million lump sum payment to be received from NEP related to the agreement contained in Attachment 1.

2. Narragansett also shall apply for the benefit of customers and make available for allocation by the Commission an additional \$6.5 million related to the \$10 million Administrative Claim proceeds received as a result of the USGenNE bankruptcy. In addition, Narragansett shall implement an incentive plan that fully and finally resolves, as between Narragansett and its customers, responsibility for the payment of congestion costs and the receipt of FTR Auction Revenues associated with Dominion's provision of wholesale standard offer service to Narragansett¹. Under that incentive plan, Narragansett shall retain \$3.5 million and be responsible for 100% of costs up to \$5.5 million. For costs incurred above \$5.5 million and up to \$10 million, Narragansett shall recover from retail customers 50% of the costs and shall be responsible for 50% of the costs. For costs in excess of \$10 million, Narragansett shall recover from retail customers 75% of the costs and shall be responsible for 25% of the costs. In the event that Narragansett is able to resolve the issues for less than \$3.5 million, Narragansett shall be authorized to retain the difference between the \$3.5 million and the amount that it pays to resolve the WSOS Issues and that difference shall be excluded from Narragansett Shared Earnings calculation as they relate to power supply activities and not distribution operations.

3. The Parties agree to the amendment to the NEP/Narragansett T1 Service Agreement included in Attachment 1 under which the Parties agree not to relitigate the issues resolved by this Settlement under Section 3.5 of the Stipulations and Agreements approved by the FERC in Docket Nos. ER97-678-000, ER98-6-000, and ER97-2800-000, the FERC's

¹ Customers will continue to be fully responsible for any ISO Schedule 2 and ISO Schedule 3 costs ("Uplift Costs") incurred by Narragansett that are associated with Dominion's provision of wholesale standard offer service to Narragansett as provided for in distribution rate plan settlement approved by the Commission in Docket 3617.

regulations, and the Federal Power Act for the purpose of seeking any further refunds, adjustments, or reductions.

4. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true and valid.

5. Except as specifically set forth in this Settlement as necessary to accomplish the customer benefit intended by this Settlement, this Settlement shall not constitute Rhode Island Commission's approval of, or precedent regarding any principle or issue, including, but not limited to, supply-related cost recovery.

6. The discussions which have produced this Settlement have been conducted on the explicit understanding that all offers of settlement and discussions relating thereto are and shall be privileged and confidential, shall be without prejudice to the position of any Party presenting such offer or participating in any such discussions, and are not to be used in any manner in connection with these or any other proceedings.

7. This Settlement is expressly conditioned upon the FERC's acceptance of the provisions in Attachment 1, without change or condition, and in the event that the FERC does not by order accept the provisions in Attachment 1 in their entirety, this Settlement shall be deemed withdrawn and shall not constitute any part of the record in any proceeding or be used for any other purpose, and the provisions of this settlement and the provisions in Attachment 1 shall be deemed to be null and void.

8. This Settlement also is expressly conditioned upon Massachusetts and New Hampshire parties consenting to the allocation of the \$10 million Administrative Claim to Rhode Island.

9. Any number of counterparts of this agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the parties to all the counterparts had signed the same instrument.

Respectfully submitted,

NARRAGANSETT ELECTRIC COMPANY

Thomas G. Robinson

Laura S. Olton (TSR)

By: Its Attorneys:

Thomas G. Robinson
25 Research Drive
Westborough, MA 01582

Laura S. Olton
280 Melrose Street
Providence, RI [zip]

November 14, 2005

THE DEPARTMENT OF THE ATTORNEY GENERAL

THE DIVISION OF PUBLIC UTILITIES AND
CARRIERS

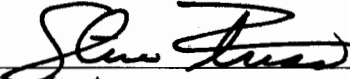


By. Their Attorney:

Paul Roberti
Assistant Attorney General
150 South Main Street
Providence, RI 02903

NOVEMBER
~~October~~ 14, 2005

THE RHODE ISLAND PUBLIC UTILITIES
COMMISSION


By: Its Attorney:

Steven Frias
Executive Counsel
89 Jefferson Boulevard
Warwick, RI 02888

November ~~14~~ 2005

SETTLEMENT AGREEMENT ATTACHMENTS

Attachment 1

Proposed Settlement at FERC to Amend the NEP/Narragansett T1
Service Agreement

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New England Power Company)

Docket No. ER-

**AGREEMENT TO AMEND NEP/THE NARRAGANSETT ELECTRIC
COMPANY T1 SERVICE AGREEMENT**

WHEREAS, New England Power Company (“NEP”), The Narragansett Electric Company (“Narragansett”), the Rhode Island Public Utilities Commission (“Rhode Island Commission”), Rhode Island Division of Public Utilities and Carriers (“Rhode Island Division”), and Rhode Island Attorney General (“Rhode Island Attorney General”)(together the “Parties”) entered into a comprehensive restructuring agreement with several other signatories that was approved by this Commission in Docket Nos. ER97-680-000 and ER98-6-000 for NEP, and parallel restructuring agreements in Docket No. ER97-2800-000 between the former Montaup Electric Company (“Montaup”), which has merged into NEP, and the former Blackstone Valley Electric Company and Newport Electric Company, which have merged into Narragansett (“Restructuring Agreements”).

WHEREAS, NEP and Narragansett entered into an amended service agreement under NEP’s FERC Electric Tariff, Original Volume No.1 (“NEP/Narragansett T1 Service Agreement”).

WHEREAS, under the Restructuring Agreements, NEP and Montaup are required to make annual reconciliations of the Contract Termination Charges (“CTC”).

WHEREAS, these annual reconciliations are subject to dispute resolution before this Commission under Section 3.5 of the Restructuring Agreements.

WHEREAS, NEP and Narragansett have filed the following reports with the Rhode Island Public Utilities Commission: Reconciliation of CTC to Narragansett filed on December 1, 2000 (“2000 Reconciliation Report”), November 30, 2001 (“2001 Reconciliation Report”), November 26, 2002 (“2002 Reconciliation Report”), November 26, 2003 (“2003 Reconciliation Report”), and November 24, 2004 (“2004 Reconciliation Report”) (together “Reconciliation Reports”).

WHEREAS, the Parties have raised competing and disputed claims with regard to the issues in these Reconciliation Reports, but wish to resolve those matters on mutually agreeable terms, and without establishing any new precedent or principle applicable to any other proceedings.

WHEREAS, the Parties acknowledge and affirm the ongoing and reconciling nature of the charges related to the Reconciliation Reports and relevant Rhode Island Public Utilities Commission filings addressed by this Settlement.

NOW THEREFORE, in consideration of settling the specified outstanding issues relating to the Reconciliation Reports as set forth in Section 3, below, the Parties hereby agree as follows:

1. NEP shall provide a lump sum payment of \$10 million to Narragansett. NEP shall also reflect as a credit to the CTC formula, for the period from January 1, 2005 through the end of the fixed recovery period or December 31, 2009 when this pollution

control financing credit will expire, Narragansett's 22.4 percent share of the actual transmission rate base supported by the pollution control debt actually billed by NEP through its monthly transmission bills times 3.72 percent, which represents the difference between the actual debt rate reflected in NEP's transmission bills of 7.87 percent and the settled pollution control debt rate of 4.15 percent. This prospective commitment is subject to the condition in NEP's Restructuring Agreement (Appendix 1, Section 1.1.4(e)) that to the extent that any of these financing savings are allocated to transmission rates by the Commission, they shall not also be allocated to the CTC.

2. The Parties agree that the provisions of Section 1 above finally resolve the following specified issues presented by the Reconciliation Reports, related to: (i) any transactions and agreements concerning NEP's and Montaup's former ownership interest in the Millstone III Nuclear Generation Station, and NEP's and Montaup's obligations related thereto including the level of proceeds from the settlement of NEP's and Montaup's litigation with Northeast Utilities and its affiliates concerning the operation of the Station, and from the sale of NEP's and Montaup's entitlements in the Station; (ii) the return on the final fuel cores and materials and supplies at any nuclear units in which NEP or Montaup held an ownership interest or entitlement; (iii) the return on Montaup's payments to buy out of the purchased power contract for a portion of the output from the Pilgrim Nuclear Unit; and (iv) the credit that NEP reflected in the CTC associated with the pollution control debt in NEP's capital structure and will reflect in the CTC prospectively.

The Parties stipulate that no further adjustments to the Reconciliation Reports associated with these specified issues are warranted, and, except for a breach of this

agreement, agree not to bring any action, claim or complaint associated with these specified issues set forth in the Reconciliation Reports, or to seek any adjustment to the reconciliations billed by NEP or Montaup associated with these specified issues before this Commission under Section 3.5 of the Restructuring Agreements, any other provision of the Commission's regulations, or the Federal Power Act.

The Parties have not together identified or discussed any additional unresolved issues related to the Reconciliation Reports and do not anticipate further proceedings involving any issues presented by those Reconciliation Reports and supply-related costs.

3. NEP and Narragansett shall amend the NEP/Narragansett T1 Service Agreement by adding the following Section 8 to the Contract Termination Charge Amendment of the NEP/Narragansett T1 Service Agreement:

NEP shall provide a lump sum payment of \$10 million to Narragansett to resolve the issues specified in the following paragraph that are associated with the 2000 Reconciliation Report, the 2001 Reconciliation Report, the 2002 Reconciliation Report, the 2003 Reconciliation Report, and the 2004 Reconciliation Report filed by NEP and Montaup Electric Company ("Montaup") (together "Reconciliation Reports"). In addition, NEP shall reflect as a credit to its annual CTC formula, for the period from January 1, 2005 through the end of the fixed recovery period or December 31, 2009 when this pollution control financing credit will expire, the Customer's 22.4 percent share of the actual transmission rate base supported by the pollution control debt actually billed by NEP through its monthly transmission bills times 3.72%, which represents the difference between the actual debt rate reflected in NEP's transmission bills of 7.87% and the settled pollution control debt rate of 4.15%. This prospective commitment is subject to the condition in the NEP's Restructuring Agreement (Appendix 1, Section 1.1.4(e)) that to the extent any of these financing savings are allocated to transmission rates by the Commission, they shall not also be allocated to the CTC.

With the refund of the \$10 million and the prospective credit implemented by NEP under the prior paragraph, the Customer accepts as final the resolution of the following specified issues presented by the Reconciliation Reports related to: (i) any transactions and agreements related to NEP's and Montaup's ownership interests in the Millstone III Nuclear Generation Station and NEP's and Montaup's obligations related thereto including the level of proceeds from the settlement of NEP's and Montaup's litigation with Northeast Utilities and its affiliates concerning the

operation of the Station, and from the sale of NEP's and Montaup's entitlements in the Station; (ii) the return on the final fuel cores and materials and supplies at any nuclear units in which NEP or Montaup held an ownership interest or entitlement; (iii) the return on Montaup's payments to buy out of the purchased power contract for a portion of the output from the Pilgrim Nuclear Unit; (iv) the credit that NEP reflects in the CTC associated with the pollution control debt in NEP's capital structure and will reflect in the CTC prospectively.

The Customer stipulates that no further adjustments associated with the issues specified in the prior paragraph are warranted, and agrees not to bring any action, claim, or complaint associated with these specified issues, or to seek any adjustment to the reconciliations billed by NEP or Montaup associated with these specified issues before the Federal Energy Regulatory Commission under Section 3.5 of NEP's and Montaup's Restructuring Agreements, any provision of the Commission's regulations, or the Federal Power Act.

4. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true and valid.

5. Except as specifically set forth in this Settlement as necessary to accomplish the customer benefit intended by this Settlement, the Commission's approval of this Settlement shall not constitute approval of, or precedent regarding any principle or issue in this proceeding.

6. The discussions which have produced this Settlement have been conducted on the explicit understanding, pursuant to Rule 602(3) of the Commission's Rules of Practice and Procedure, that all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussions and are not to be used in any manner in connection with these or any other proceedings.

7. This Settlement is expressly conditioned upon the Commission's acceptance of all provisions hereof without change or condition, and in the event that the Commission

does not accept this Settlement in its entirety, this Settlement shall be deemed withdrawn and shall not constitute any part of the record in any proceeding or be used for any other purpose, and each of its provisions shall be deemed null and void.

Respectfully submitted,
THE NARRAGANSETT ELECTRIC COMPANY
AND NEW ENGLAND POWER COMPANY

Thomas G. Robinson

Laura S. Olton (TOR)

By: Their Attorneys:

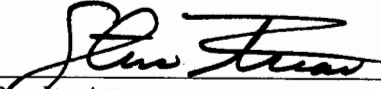
Laura Olton
280 Melrose Street
Providence, Rhode Island

Thomas G. Robinson
25 Research Drive
Westborough, MA 01582

Kenneth G. Jaffe
Allston and Bird

November 14, 2005

THE RHODE ISLAND PUBLIC UTILITIES
COMMISSION

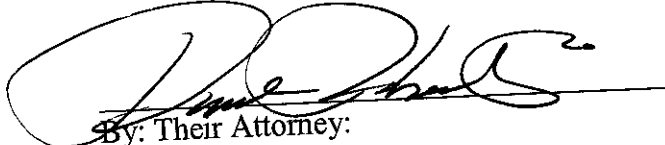

By: Its Attorney:

Steven Frias
Executive Counsel
89 Jefferson Boulevard
Warwick, RI 02888

November ~~14~~ 2005

THE DEPARTMENT OF THE ATTORNEY
GENERAL

THE DIVISION OF PUBLIC UTILITIES AND
CARRIERS



By: Their Attorney:

Paul Roberti
Assistant Attorney General
150 South Main Street
Providence, RI 02903

NOVEMBER 14, 2005
~~October~~

DIRECT TESTIMONY
OF
JEANNE A. LLOYD

Table of Contents

I.	Introduction and Qualifications	1
II.	Purpose of Testimony	2
III.	Enhanced Low Income Discount Program	2
IV.	Conclusion	6

1 **I. Introduction and Qualifications**

2 Q. Please state your full name and business address.

3 A. Jeanne A. Lloyd, 55 Bearfoot Road, Northborough, Massachusetts 01532.

4

5 Q. Please state your position.

6 A. I am a Principal Financial Analyst in the Distribution Regulatory Services Department of
7 National Grid USA Service Company, Inc. The Distribution Regulatory Services
8 Department provides rate related support to The Narragansett Electric Company d/b/a
9 National Grid (“National Grid” or “Company”).

10

11 Q. Please describe your educational background and training.

12 A. In 1980, I graduated from Bradley University in Peoria, Illinois with a Bachelor’s Degree
13 in English. In December 1982, I received a Master of Arts Degree in Economics from
14 Northern Illinois University in De Kalb, Illinois.

15

16 Q. Please describe your professional experience?

17 A. I was employed by EUA Service Corporation in December 1990 as an Analyst in the
18 Rate Department. I was promoted to Senior Rate Analyst on January 1, 1993. My
19 responsibilities included the study, analysis and design of the retail electric service rates,
20 rate riders and special contracts for the EUA retail companies. I assumed my present
21 position after the merger of New England Electric System and Eastern Utilities
22 Associates in April 2000. Prior to my employment at EUA, I was on the staff of the
23 Missouri Public Service Commission in Jefferson City, Missouri in the position of

1 research economist. My responsibilities included presenting both written and oral
2 testimony before the Missouri Commission in the areas of cost of service and rate design
3 for electric and natural gas rate proceedings.

4
5 Q. Have you previously testified before Rhode Island Public Utilities Commission
6 (“Commission”)?

7 A. Yes.

8
9 **II. Purpose of Testimony**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to present the manner in which the Company would
12 implement the low income credit discussed by Mr. Ronald T. Gerwatowski in his
13 testimony included in this filing. The Company’s proposal, described in more detail
14 below, is essentially identical to the proposal made by the Rhode Island Division of
15 Public Utilities and Carriers (“Division”) in Docket No. 3689.

16
17 **III. Enhanced Low Income Discount Program**

18 Q. Please describe the Company’s proposed enhanced low income discount program.

19 A. As described by Mr. Gerwatowski in his testimony, the Company is proposing to apply
20 \$2 million each year for the next four years in the form of a per kWh credit (“low
21 income credit”) applicable to the first 450 kWhs delivered per month to the bills of
22 customers taking service on low income Rate A-60.

23

1 Q. Why is the credit proposed to apply only to the first 450 kWh deliveries per month and
2 not all kWh deliveries?

3 A. Applying the credit to the initial block charge is consistent with the design of the current
4 distribution charges for Rate A-60. Rate A-60 distribution charges currently contain
5 three kWh usage blocks for the winter period and two blocks for the summer period. The
6 initial block charge for both seasons applies to the first 450 kWh delivered per month
7

8 Q. How is the credit calculated?

9 A. The calculation of the low income credit is shown in Exhibit JAL-1. The proposed
10 annual amount of the credit of \$2 million is divided by the projected initial block kWh
11 deliveries, resulting in a credit of 1.240¢ per kWh.
12

13 Q. How will the proposed credit factor be applied to customers' bills?

14 A. For billing purposes, the proposed credit will be reflected in a reduced initial block
15 distribution charge.
16

17 Q. What is the proposed effective date of the low income credit?

18 A. The Company proposes to implement the credit in the first cycle of the first full billing
19 month following approval of the FERC Settlements by FERC. Therefore, the effective
20 date will be the date of Cycle 1 billing of the month following receipt of all necessary
21 approvals.
22

23 Q. How will the rate change associated with the credit be implemented?

1 A. The rate change associated with the credit will be implemented on a “bills rendered”
2 basis. This means that all kWhs deliveries billed at the initial block rate, regardless of the
3 customer’s meter reading and billing cycle, will billed out at the reduced initial block
4 distribution rate.

5
6 Q. How does this differ from the way the Company normally implements rate changes?

7 A. Most of the Company’s rates, such as the Standard Offer Service rate or the transmission
8 adjustment factor, are effective on a “service rendered” or “usage on and after” basis
9 based upon a specific effective date. This is also known as “prorated billing” and is
10 dependent upon each customer’s meter reading cycle before and after the rate change
11 takes place. For example, if a rate change is effective on January 1 and a customer’s
12 meter is read on January 15 and registers 500 kWhs, and his prior meter reading is
13 December 16, reflecting a 30 day billing period with 15 days in the prior month and 15
14 days in the current month, the Company estimates that 250 kWhs were delivered in
15 December and 250 kWhs were delivered in January. The new rate, effective January 1,
16 would apply only to the 250 kWhs delivered in January.

17
18 In contrast, the reduced initial block distribution rate reflecting the proposed credit would
19 be applicable to all kWhs reflected in the bill, up to 450 kWhs, as registered on the meter,
20 regardless of the meter reading and billing cycle.

21
22 Q. Why is the Company proposing to implement the low income credit differently than other
23 rate changes?

1 A. The Company's billing system is not currently capable of billing the initial block
2 distribution charges on a service rendered basis. It would take considerable time and
3 resources to reprogram the billing system to achieve this capability. Therefore, in order
4 to implement the credit as expeditiously as possible, and to provide the full impact in the
5 first month of the low income credit, the Company is proposing to implement the low
6 income credit on a bills rendered basis.

7
8 Q. Has the Company provided a typical bill analysis to illustrate the impact of the proposed
9 low income credit?

10 A. Yes it has. The typical bill analyses for Rate A-60 are included in Exhibits JAL-2 and
11 JAL-3. Exhibit JAL-2 reflects the impact of the Company's proposal to increase the
12 Standard Offer Service rate from 8.2¢ per kWh to 10.5¢ per kWh effective January 1,
13 2006 filed with the Commission on October 31, 2005 in Docket No. 3706 as well as the
14 annual rate changes proposed by the Company submitted to the Commission concurrently
15 with this filing. In Exhibit JAL-3, the same bill impacts have been recalculated to reflect
16 the proposed low income credit included with the initial block distribution charge.

17
18 Q. What is the impact on a low income customer using 500 kWhs per month?

19 A. Exhibit JAL-2, page 1, shows that, absent the low income credit, the proposed Standard
20 Offer Service rate would increase the monthly bill for a customer using 500 kWhs per
21 month by \$12.98, or 22%, from \$59.10 to \$72.08. Exhibit JAL-3 shows that
22 implementing the proposed low income credit would reduce the monthly bill increase by
23 \$5.81, resulting in a total bill increase of \$7.17, or 12.1%, from \$59.10 to \$66.27.

1 **IV. Conclusion**

2 Q. Does this conclude your testimony?

3 A. Yes it does.

Exhibits

Exhibit JAL-1	Calculation of Low Income Credit
Exhibit JAL-2	Typical Bills Reflecting Proposed Rates for January 1, 2006
Exhibit JAL-3	Typical Bills Reflecting Proposed Rates for January 1, 2006 and Proposed Low Income Credit

Exhibit JAL-1
Calculation of Low Income Credit

National Grid
Calculation of Proposed Low Income Credit

(1) Proposed Annual Credit	(\$2,000,000)
(2) Forecasted Rate A-60 initial block kWh deliveries for 2006	<u>161,161,125</u>
(3) Proposed per kWh credit	(\$0.01240)

- (1) Per testimony of Ronald Gerwatowski
- (2) Company estimate
- (3) Line (1) ÷ Line (2), truncated after 5 decimal places

Exhibit JAL-2

Typical Bills Reflecting
Proposed Rates for January 1, 2006

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate
Impact on A-60 Rate Customers - Winter (December through March)
Without Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate			Increase/(Decrease)	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.68	\$8.54	\$3.14	\$14.28	\$10.94	\$3.34	\$2.60	22.3%
200	\$23.35	\$17.08	\$6.27	\$28.55	\$21.88	\$6.67	\$5.20	22.3%
300	\$35.04	\$25.63	\$9.41	\$42.82	\$32.81	\$10.01	\$7.78	22.2%
500	\$59.10	\$42.71	\$16.39	\$72.08	\$54.69	\$17.39	\$12.98	22.0%
750	\$91.86	\$64.06	\$27.80	\$111.32	\$82.03	\$29.29	\$19.46	21.2%
1250	\$157.10	\$106.77	\$50.33	\$189.54	\$136.72	\$52.82	\$32.44	20.6%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Standard Offer Rate:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x		\$0.00577	Transmission Energy Charge (1)	kWh x		\$0.00709
Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688	Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055	Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055
Tail Block Energy Charge	kWh x		\$0.02548	Tail Block Energy Charge	kWh x		\$0.02548
Transition Energy Charge	kWh x		\$0.00845	Transition Energy Charge	kWh x		\$0.00575
C&LM Adjustment	kWh x		\$0.00230	C&LM Adjustment	kWh x		\$0.00230
Customer Credit	kWh x		(\$0.00329)	Customer Credit	kWh x		\$0.00000
Gross Earnings Tax			4.00%	Gross Earnings Tax			4.00%
Standard Offer Charge	kWh x		\$0.08200	Standard Offer Charge	kWh x		\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$0.00239/kWh.

Note (2): Includes Transmission Adjustment Factor of \$0.00371/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate
Impact on A-60 Rate Customers - Winter (December through March)
With Control Credit for Water Heater

Monthly kWh	Present Rates Standard			Present Rates & Proposed Standard Offer Rate Standard			Difference	
	Total	Offer	Delivery	Total	Offer	Delivery	Amount	% of Total
100	\$11.13	\$8.54	\$2.59	\$13.73	\$10.94	\$2.79	\$2.60	23.4%
200	\$22.25	\$17.08	\$5.17	\$27.45	\$21.88	\$5.57	\$5.20	23.4%
300	\$33.39	\$25.63	\$7.76	\$41.17	\$32.81	\$8.36	\$7.78	23.3%
500	\$56.35	\$42.71	\$13.64	\$69.33	\$54.69	\$14.64	\$12.98	23.0%
750	\$87.73	\$64.06	\$23.67	\$107.19	\$82.03	\$25.16	\$19.46	22.2%
1250	\$152.98	\$106.77	\$46.21	\$185.42	\$136.72	\$48.70	\$32.44	21.2%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Standard Offer Rate:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x		\$0.00577	Transmission Energy Charge (1)	kWh x		\$0.00709
Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688	Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688
Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055	Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055
Tail Block Energy Charge	kWh x		\$0.02548	Tail Block Energy Charge	kWh x		\$0.02548
Transition Energy Charge	kWh x		\$0.00845	Transition Energy Charge	kWh x		\$0.00575
C&LM Adjustment	kWh x		\$0.00230	C&LM Adjustment	kWh x		\$0.00230
Customer Credit	kWh x		(\$0.00329)	Customer Credit	kWh x		\$0.00000
Water Heating Credit	kWh x		(\$0.00528)	Water Heating Credit	kWh x		(\$0.00528)
Gross Earnings Tax			4.00%	Gross Earnings Tax			4.00%
Standard Offer Charge	kWh x		\$0.08200	Standard Offer Charge			\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate
Impact on A-60 Rate Customers - Non-Winter (April through November)
Without Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate			Difference	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.68	\$8.54	\$3.14	\$14.28	\$10.94	\$3.34	\$2.60	22.3%
200	\$23.35	\$17.08	\$6.27	\$28.55	\$21.88	\$6.67	\$5.20	22.3%
300	\$35.04	\$25.63	\$9.41	\$42.82	\$32.81	\$10.01	\$7.78	22.2%
500	\$59.10	\$42.71	\$16.39	\$72.08	\$54.69	\$17.39	\$12.98	22.0%
750	\$91.86	\$64.06	\$27.80	\$111.32	\$82.03	\$29.29	\$19.46	21.2%
1250	\$157.37	\$106.77	\$50.60	\$189.80	\$136.72	\$53.08	\$32.43	20.6%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Standard Offer Rate:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x		\$0.00577	Transmission Energy Charge (1)	kWh x		\$0.00709
Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688	Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688
Tail Block Energy Charge	kWh x		\$0.03055	Tail Block Energy Charge	kWh x		\$0.03055
Transition Energy Charge	kWh x		\$0.00845	Transition Energy Charge	kWh x		\$0.00575
C&LM Adjustment	kWh x		\$0.00230	C&LM Adjustment	kWh x		\$0.00230
Customer Credit	kWh x		(\$0.00329)	Customer Credit	kWh x		\$0.00000
Gross Earnings Tax			4.0%	Gross Earnings Tax			4.0%
Standard Offer Charge	kWh x		\$0.08200	Standard Offer Charge	kWh x		\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate
Impact on A-60 Rate Customers - Non-Winter (April through November)
With Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate			Difference	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.13	\$8.54	\$2.59	\$13.73	\$10.94	\$2.79	\$2.60	23.4%
200	\$22.25	\$17.08	\$5.17	\$27.45	\$21.88	\$5.57	\$5.20	23.4%
300	\$33.39	\$25.63	\$7.76	\$41.17	\$32.81	\$8.36	\$7.78	23.3%
500	\$56.35	\$42.71	\$13.64	\$69.33	\$54.69	\$14.64	\$12.98	23.0%
750	\$87.73	\$64.06	\$23.67	\$107.19	\$82.03	\$25.16	\$19.46	22.2%
1250	\$153.24	\$106.77	\$46.47	\$182.93	\$136.72	\$46.21	\$29.69	19.4%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Standard Offer Rate:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x		\$0.00577	Transmission Energy Charge (1)	kWh x		\$0.00709
Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688	Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688
Tail Block Energy Charge	kWh x		\$0.03055	Tail Block Energy Charge	kWh x		\$0.03055
Transition Energy Charge	kWh x		\$0.00845	Transition Energy Charge	kWh x		\$0.00575
C&LM Adjustment	kWh x		\$0.00230	C&LM Adjustment	kWh x		\$0.00230
Customer Credit	kWh x		(\$0.00329)	Customer Credit	kWh x		\$0.00000
Water Heating Credit	kWh x		(\$0.00528)	Water Heating Credit	kWh x		(\$0.00528)
Gross Earnings Tax			4.0%	Gross Earnings Tax			4.0%
Standard Offer Charge			\$0.08200	Standard Offer Charge			\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

Exhibit JAL-3
Typical Bills Reflecting
Proposed Rates for January 1, 2006
and
Proposed Low Income Credit

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate and Low Income Credit
Impact on A-60 Rate Customers - Winter (December through March)
Without Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate Plus Proposed Low Income Credit			Increase/(Decrease)	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.68	\$8.54	\$3.14	\$12.98	\$10.94	\$2.04	\$1.30	11.1%
200	\$23.35	\$17.08	\$6.27	\$25.97	\$21.88	\$4.09	\$2.62	11.2%
300	\$35.04	\$25.63	\$9.41	\$38.94	\$32.81	\$6.13	\$3.90	11.1%
500	\$59.10	\$42.71	\$16.39	\$66.27	\$54.69	\$11.58	\$7.17	12.1%
750	\$91.86	\$64.06	\$27.80	\$105.51	\$82.03	\$23.48	\$13.65	14.9%
1,250	\$157.10	\$106.77	\$50.33	\$183.73	\$136.72	\$47.01	\$26.63	17.0%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Std Offer Rate & Low Inc Credit:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x		\$0.00577	Transmission Energy Charge (1)	kWh x		\$0.00709
Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.01688	Initial Block Energy Charge (1st 450 kWh)	kWh x		\$0.00448
Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055	Second Block Energy Charge (next 750 kWh)	kWh x		\$0.03055
Tail Block Energy Charge	kWh x		\$0.02548	Tail Block Energy Charge	kWh x		\$0.02548
Transition Energy Charge	kWh x		\$0.00845	Transition Energy Charge	kWh x		\$0.00575
C&LM Adjustment	kWh x		\$0.00230	C&LM Adjustment	kWh x		\$0.00230
Customer Credit	kWh x		(\$0.00329)	Customer Credit	kWh x		\$0.00000
Gross Earnings Tax			4.00%	Gross Earnings Tax			4.00%
Standard Offer Charge	kWh x		\$0.08200	Standard Offer Charge	kWh x		\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate and Low Income Credit
Impact on A-60 Rate Customers - Winter (December through March)
With Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate Plus Proposed Low Income Credit			Difference	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.13	\$8.54	\$2.59	\$12.43	\$10.94	\$1.49	\$1.30	11.7%
200	\$22.25	\$17.08	\$5.17	\$24.87	\$21.88	\$2.99	\$2.62	11.8%
300	\$33.39	\$25.63	\$7.76	\$37.29	\$32.81	\$4.48	\$3.90	11.7%
500	\$56.35	\$42.71	\$13.64	\$63.52	\$54.69	\$8.83	\$7.17	12.7%
750	\$87.73	\$64.06	\$23.67	\$101.38	\$82.03	\$19.35	\$13.65	15.6%
1,250	\$152.98	\$106.77	\$46.21	\$179.60	\$136.72	\$42.88	\$26.62	17.4%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Std Offer Rate & Low Inc Credit:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577		Transmission Energy Charge (1)	kWh x	\$0.00709	
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688		Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.00448	
Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055		Second Block Energy Charge (next 750 kWh)	kWh x	\$0.03055	
Tail Block Energy Charge	kWh x	\$0.02548		Tail Block Energy Charge	kWh x	\$0.02548	
Transition Energy Charge	kWh x	\$0.00845		Transition Energy Charge	kWh x	\$0.00575	
C&LM Adjustment	kWh x	\$0.00230		C&LM Adjustment	kWh x	\$0.00230	
Customer Credit	kWh x	(\$0.00329)		Customer Credit	kWh x	\$0.00000	
Water Heating Credit	kWh x	(\$0.00528)		Water Heating Credit	kWh x	(\$0.00528)	
Gross Earnings Tax		4.00%		Gross Earnings Tax		4.00%	
Standard Offer Charge	kWh x	\$0.08200		Standard Offer Charge		\$0.10500	

Note (1): Includes Transmission Adjustment Factor of \$0.00239/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate and Low Income Credit
Impact on A-60 Rate Customers - Non-Winter (April through November)
Without Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate Plus Proposed Low Income Credit			Difference	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.68	\$8.54	\$3.14	\$12.98	\$10.94	\$2.04	\$1.30	11.1%
200	\$23.35	\$17.08	\$6.27	\$25.97	\$21.88	\$4.09	\$2.62	11.2%
300	\$35.04	\$25.63	\$9.41	\$38.94	\$32.81	\$6.13	\$3.90	11.1%
500	\$59.10	\$42.71	\$16.39	\$66.27	\$54.69	\$11.58	\$7.17	12.1%
750	\$91.86	\$64.06	\$27.80	\$105.51	\$82.03	\$23.48	\$13.65	14.9%
1,250	\$157.37	\$106.77	\$50.60	\$183.99	\$136.72	\$47.27	\$26.62	16.9%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Std Offer Rate & Low Inc Credit:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577		Transmission Energy Charge (1)	kWh x	\$0.00709	
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688		Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.00448	
Tail Block Energy Charge	kWh x	\$0.03055		Tail Block Energy Charge	kWh x	\$0.03055	
Transition Energy Charge	kWh x	\$0.00845		Transition Energy Charge	kWh x	\$0.00575	
C&LM Adjustment	kWh x	\$0.00230		C&LM Adjustment	kWh x	\$0.00230	
Customer Credit	kWh x	(\$0.00329)		Customer Credit	kWh x	\$0.00000	
Gross Earnings Tax		4.0%		Gross Earnings Tax		4.0%	
Standard Offer Charge	kWh x	\$0.08200		Standard Offer Charge	kWh x	\$0.10500	

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.

File: S:\RADATA1\2005 neco\Year End Filing\Settlement\TYPBILLS.settlement.XLS\Input Section
Date: 14-Nov-05
Time: 03:41 PM

Calculation of Monthly Typical Bill
Comparison of Present Rates with Proposed Standard Offer Rate and Low Income Credit
Impact on A-60 Rate Customers - Non-Winter (April through November)
With Control Credit for Water Heater

Monthly kWh	Present Rates			Present Rates & Proposed Standard Offer Rate Plus Proposed Low Income Credit			Difference	
	Total	Standard Offer	Delivery	Total	Standard Offer	Delivery	Amount	% of Total
100	\$11.13	\$8.54	\$2.59	\$12.43	\$10.94	\$1.49	\$1.30	11.7%
200	\$22.25	\$17.08	\$5.17	\$24.87	\$21.88	\$2.99	\$2.62	11.8%
300	\$33.39	\$25.63	\$7.76	\$37.29	\$32.81	\$4.48	\$3.90	11.7%
500	\$56.35	\$42.71	\$13.64	\$63.52	\$54.69	\$8.83	\$7.17	12.7%
750	\$87.73	\$64.06	\$23.67	\$101.38	\$82.03	\$19.35	\$13.65	15.6%
1,250	\$153.24	\$106.77	\$46.47	\$177.12	\$136.72	\$40.40	\$23.88	15.6%

<u>Present Rates:</u>			A-60	<u>Present Rates & Proposed Std Offer Rate & Low Inc Credit:</u>			A-60
Customer Charge			\$0.00	Customer Charge			\$0.00
Transmission Energy Charge (1)	kWh x	\$0.00577		Transmission Energy Charge (1)	kWh x	\$0.00709	
Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.01688		Initial Block Energy Charge (1st 450 kWh)	kWh x	\$0.00448	
Tail Block Energy Charge	kWh x	\$0.03055		Tail Block Energy Charge	kWh x	\$0.03055	
Transition Energy Charge	kWh x	\$0.00845		Transition Energy Charge	kWh x	\$0.00575	
C&LM Adjustment	kWh x	\$0.00230		C&LM Adjustment	kWh x	\$0.00230	
Customer Credit	kWh x	(\$0.00329)		Customer Credit	kWh x	\$0.00000	
Water Heating Credit	kWh x	(\$0.00528)		Water Heating Credit	kWh x	(\$0.00528)	
Gross Earnings Tax		4.0%		Gross Earnings Tax		4.0%	
Standard Offer Charge			\$0.08200	Standard Offer Charge			\$0.10500

Note (1): Includes Transmission Adjustment Factor of \$.00239/kWh.