

January 18, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

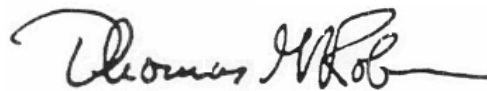
**RE: Docket 3716 – Proposed Revision to Line Extension Policies
Responses to Commission’s Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed on behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) are ten copies of the Company’s responses to the Commission’s Data Requests issued on January 4, 2006 in the above-captioned proceeding.

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

Very truly yours,



Thomas G. Robinson

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, Division
Roger Warren, RI Builder’s Assoc.

Commission Data Request 1-1

Request:

Referring to the Filing Letter, page 2 of 5, paragraph 4, please provide updated costs estimates to justify the continued use of the 1999 underground CLF cost minus the cost of conduit. When was the per foot factor of \$3.88 for underground conduit developed?

Response:

The current cost per foot of \$16.36 was developed in 1999. This included an estimate for conduit materials of \$3.88. The current average cost per foot, however, is much higher than the 1999 estimate, as explained below.

In 2005, the Company performed an analysis to estimate its costs for underground line extensions. The Company compiled a summary of actual costs for 10 underground jobs from 2003 and 2004. Based on the cost data for those 10 jobs, the analysis concluded that the Company’s cost per centerline foot, excluding the conduit materials, was \$22.61. As mentioned in the Filing Letter, the Company plans to conduct further analysis in 2006 using more current data that is expected to support an increase for both the Overhead and Underground per foot costs.

Prepared by or under the supervision of: William J Goguen and Gary J. Dionne

Commission Data Request 1-2

Request:

For each of the last two (2) years, how many feet of conduit material have been supplied to customers?

Response:

Under all three of the Company’s line extension policies, the Company has supplied a total of 710,345 feet of conduit over the last two years. This conduit is typically installed in parallel, usually two or three conduits side by side. Therefore, the total feet of conduit is not equivalent to the centerline feet.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-3

Request:

For each of the last two (2) years, how much has the Company billed to customers for conduit material supplied to those customers?

Response:

Over the past two years, the Company has supplied to customers as part of a line extension provided under Policy 1 and Policy 2 approximately 32,200 centerline feet of conduit in excess of the allowed distance (i.e two poles and two spans under Policy 1 and 150 feet per house lot under Policy 2). Using the inherent cost of conduit of \$3.88 embedded in the total cost per centerline foot of \$16.36, the resulting amount received from customers in the form of a construction advance associated with conduit, exclusive of any applicable tax on the construction advance, was \$124,936.

Under Policy 3, customers are subject to a revenue justification formula to establish the value of any required construction advance. Since the construction advance payment under Policy 3 is based on the Company’s estimated cost of construction for the job less a revenue credit as determined by the formula, the Company does not have the cost of the conduit materials that were billed to customers broken out for Policy 3 installations.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-4

Request:

For each of the last two (2) years, how much has the Company paid for conduit material supplied to customers?

Response:

The Company paid \$1,167,700 for the conduit materials supplied to customers over the last two years.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-5

Request:

Referring to the Filing Letter, page 3 of 5, paragraph 1, if the current cost per CLF for overhead and underground service is being reevaluated and the proposed charges may change in 2006, why is the Company not waiting to file an all-inclusive Line Extension Policy change which would include the updated costs?

Response:

The Company believes that the proposed conduit policy change will result in immediate improvement in service to its customers. This belief is supported by feedback the Company has received from the Rhode Island Builders Association. The Builders Association has expressed its eagerness for the Company to implement the proposed conduit policy change so as to gain more control over construction timelines. Because the requested change is supported by the builders, the Company did not want to delay the filing seeking the change in order to wait for more updated cost data for new fees.

Prepared by or under the supervision of: William J. Goguen and Gary J. Dionne

Commission Data Request 1-6

Request:

Please advise why the payment schedule options for underground lines differs from that for overhead lines.

Response:

The Company draws a distinction between overhead and underground because, typically, constructing distribution systems underground is done for aesthetic reasons. The Company believes that it is not necessary to finance an “aesthetic” underground installation, which is the choice of the customer seeking the installation, and a more expensive option than overhead.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-7

Request:

Referring to the Filing Letter, page 4 of 5, paragraph 2, please provide evidence of the statement related to Section 4 of Policy 1, which states that “this change is designed to limit the Company’s bad debt exposure as a high percentage of these accounts are currently in arrears.”

Response:

According to Company records as of December 7, 2005, the Company had thirty-one accounts that were being billed for line extension charges under the sixty month payment option described in Section 4 of Policy 1. As shown in the chart below, of these thirty-one accounts, eighteen, or approximately 58% of the total, were one month or more in arrears. Half of these eighteen accounts, or approximately 29% of the total accounts, were at least four months in arrears.

Current Accounts	13
1 to 4 Months in Arrears	9
≥ 4 Months in Arrears	<u>9</u>
Total Accounts	31

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-8

Request:

Has the Company written off the accounts referred to in Data Request 1-3? How many of the accounts (out of the total accounts) have been written off, what is the related dollar amount, and what percentage of total write-offs does this dollar represent?

Response:

(The Company’s response assumes that the reference to Data Request 1-3 was intended to be a reference to Data Request 1-7.)

Over the past two years, none of the thirty-one accounts has been written off. However, the Company has identified three of the accounts, aggregating \$4,171, which are scheduled to be written off this month. Unlike normal accounts receivable, these accounts are not charged to the reserve for bad debts but rather are charged back to the original plant investment accounts which were credited when the customer contribution requirement was originally recorded. This treatment results in an increase in plant investment in an amount equal to the customer contribution balance being written off. Consequently, the write-off of these accounts has no effect on the Company’s total net write-offs but it does have an impact on rate base.

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-9

Request:

Referring to Policy 1 (Redlined), page 2 of 5, Section 4, please provide evidence to support the change from \$1,500 to \$6,000 in order to qualify for overhead installation charge financing. Specifically, why is \$6,000 the appropriate amount?

Response:

The amount of \$6,000 was chosen for two general reasons. First, it appeared to be a reasonable amount that could easily be financed by the customer through a bank in conjunction with home construction financing, as described below. Second, \$6,000 translates into a monthly payment of approximately \$100 per month.

A request for a line extension for a residential structure typically arises in the context of new home construction. As such, a customer can add the cost of a line extension to the construction financing for the new home. Housing prices have risen considerably since 1992, when the \$1,500 figure was first established as a convenience for customers. Over ten years have passed without any change.

In addition, there is a considerable amount of administrative costs associated with billing the five year payment option. Currently, the billing cannot be included on the Company’s electric bill. Thus, a separate process is required to generate invoices for these charges each month and these bills are tracked independently. By increasing the amount to \$6,000, the Company estimates it will reduce this billing activity by approximately 60% over time. There are currently 31 customers who have chosen this option under today’s Policy 1, and if the proposed \$6,000 threshold had been in effect, only 12 customers would have been eligible for the payment plan provision of the policy.

Prepared by or under the supervision of: Robert Bowcock and Ronald T. Gerwatowski

Commission Data Request 1-10

Request:

For each of the past two (2) years, what is the average cost of Overhead Installations under the current Policy 1? In how many situations (out of the total number of Overhead Installations under Policy 1) over the past two (2) years would this change have made Section 6 to Policy 1 inapplicable?

Response:

(The Company’s response assumes that the reference to Section 6 of Policy 1 was intended to be a reference to Section 4.)

Since April 2004, the Company experienced 860 requests for new residential service under Policy 1. In 42 cases, the customer was required to pay a construction advance with an average customer cost of \$4,535. Thirty of these requests qualified for the five year payment option under Policy 1, of which 13 customers chose the five year payment option. Of the 13 customers who chose the five year payment option, 6 were billed an amount less than \$6,000, which would have been ineligible for the five year payment option pursuant to the Company’s proposed change to Policy 1.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-11

Request:

Referring to Policy 1 (Redlined), page 2 of 5, Section 3, paragraph iii, Policy 2 (Redlined), page 2 of 5, Section 3, paragraph iii, and Policy 3 (Redlined), page 4 of 6, Section 5, paragraph iii, please define “excessive.”

Response:

The cost of tree trimming and blasting associated with providing a line extension is incurred by the Company when it can be done in conjunction with regular line work by Company crews. It is deemed “excessive” when the level of difficulty requires that an outside company be employed to remove ledge through blasting or clear the space needed for the line work. No customer has been charged for “excessive” tree trimming or blasting expenses over the last two years.

Prepared by or under the supervision of: Robert Bowcock

Commission Data Request 1-12

Request:

Referring to Policy 1 (Redlined), page 3 of 5, Section 8, second paragraph, please advise of the Tariff to which this paragraph refers.

Response:

There is no specific reference to any of the Company’s filed tariffs in Policy 1, Section 8. The Company’s Terms and Conditions for Distribution Service (“T&Cs”), R.I.P.U.C. No. 1192, Section 3 and Section 17, provide for the installation of overhead and underground distribution line extensions. The specific terms and conditions applicable to the installation of these facilities are in Policies 1, 2 and 3, which are incorporated by reference in these two sections of the T&Cs.

Section 8 of Policy 1 defines the calculation of the “Underground Charge” that the Customer will be required to pay if the Customer requests an underground distribution line in lieu of the standard overhead line. The “Underground Charge” is based upon a predetermined “Underground Cost Per Foot” which, under the proposed revisions, is filed with Policy 1 as an attachment.

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-13

Request:

Referring to Policy 2 (Redlined), page 2 of 5, Section 3, last line, when is the customer expected to pay the nonrefundable Overhead Installation Charge?

Response:

Policy 2, Section 3, paragraph 1, provides: “The additional (*Overhead Installation*) charge shall be paid by the Developer in advance of the Company’s construction.”

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-14

Request:

Referring to Policy 2 (Redlined), page 4 of 5, Section 5, final paragraph, why is the Company proposing a 10% bandwidth between the Tariffed rate and that which may be charged to customers?

Response:

The 10% “bandwidth” has been present in the Company’s line extension policy since 1993, when the Commission first approved the policy in Docket No. 2072. The original intention was to provide a mechanism through which the Company could update its costs that are the responsibility of its customers periodically as costs change over time, without triggering the need for a formal Commission approval. The Company negotiated this provision with the Rhode Island Builders Association at that time, which had no objection to the provision, as long as the charge did not change by more than 10% from one year to the next. Of course, the Commission always retains the authority to open an investigation of the filed cost, even if the change is 10% or less.

Prepared by or under the supervision of: Ronald T. Gerwatowski

Commission Data Request 1-15

Request:

Should the title of Policy 3 reflect the fact that there are times when it will be applied to residential customers?

Response:

In considering the question above, the Company suggests the following title revision for Policy 3.

**LINE EXTENSION AND CONSTRUCTION ADVANCE POLICY
FOR COMMERCIAL, INDUSTRIAL AND EXISTING RESIDENTIAL
CUSTOMERS**

This title revision would also require an update to the policy reference included in Section 3 of the Company’s T&Cs.

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-16

Request:

Referring to the Filing Letter, page 3 of 5, “Policy 3: Credit for Underground Installation”, please explain how Customers are receiving the full value of the revenue credit under the revisions to Policy 3, pointing to the specific provisions (or deleted language) of Policy 3 that affect this change.

Response:

Under the proposed Policy 3, customers will receive the full value of the revenue credit as a result of the deletion of Section 5(B) from the currently effective Policy 3. This change is reflected in Section 6 of Policy 3 (Redlined) on page 4 of 6. The deleted section reads as follows: “If the underground line requested would result in a higher cost to serve the Customer than what would have been required with standard overhead service, the Company will require the Customer to make a contribution toward the cost of the underground service over and above what would be required under the Construction Advance Formula for a Regular Service as defined in the Cost of Construction Estimate Guidelines.” The effect of this language was to limit the value of the revenue credit for Policy 3 customers to the estimated cost of a standard overhead service connection. By deleting this section, the Company has enabled Policy 3 customers to receive the full value of the revenue credit without limitation.

Prepared by or under the supervision of: William J. Goguen

Commission Data Request 1-17

Request:

Referring to Policy 3, Section 9, please define “significant engineering”.

Response:

The term “significant engineering” does not have a single definition. Provided below is a partial listing of specific types of service requests that, in the Company’s opinion, would require “significant engineering”.

- Any proposed request for non standard service such as second feeder service, fast firm back up, etc.
- Any proposed service that is large enough to require expansion or construction of substation facilities, expansion or construction of new transmission or supply lines, main line feeder extensions, construction of new distribution feeders, or man hole and duct systems to service the proposed load.
- Any proposed service that would require non standard designs such a pipe jacking under railroad facilities, directional drilling under highways, rivers or railroad.
- Any proposed service that would require advance permitting for environmental, DOT, railroad, or any other public or private entity that requires permitting in advance of utility construction.
- Any proposed service that would require advance right of way (easement) research or property acquisitions in support of proposed service design alternatives.
- Any proposed service that would require complex protection, relay and metering designs.
- Any requests for redesign of existing proposed service method due to customer design changes or requests for alternative service methods or additional cost estimates.
- Any project that is presented as proposed where the customer is looking for a preliminary design or an estimated cost to serve, and there are no definitive plans to proceed with the project at the time of request.

THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID
Docket No. 3716 – Line Extension Policies
Responses to Commission’s Data Requests – Set 1
Issued January 4, 2006

Commission Data Request 1-17 (continued)

The Company notes that other than updating the section number, it has not proposed any changes to Section 9 of Policy 3 in the December 12, 2005 filing.

Prepared by or under the supervision of: Gary J. Dionne

Certificate of Service

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



Joanne M. Scanlon
National Grid

January 18, 2006
Date

National Grid Proposed Revision to Line Extension Policies Filing

Name/Address	E-mail Distribution	Phone/FAX
Laura S. Olton, Esq. National Grid 280 Melrose St. Providence, RI 02901-1438 Thomas G. Robinson, Esq. National Grid 25 Research Drive Westborough, MA 01582	Laura.olton@us.ngrid.com	401-784-7667
	Thomas.robinson@us.ngrid.com	401-784-4321
	Ronald.Gerwatowski@us.ngrid.com	
	Joanne.scanlon@us.ngrid.com	
Paul Roberti, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903 Steve Scialabba RI Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02888	Proberti@riag.ri.gov	401-222-2424
		401-222-3016
	RDIMeglio@riag.ri.gov	
	Steve.scialabba@ripuc.state.ri.us	
Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02889	Lmassaro@puc.state.ri.us	401-941-4500
	Cwilson@puc.state.ri.us	401-941-1691
	Anault@puc.state.ri.us	
Roger Warren, Executive Director RI Builders Association 450 Veterans Parkway, #301 East Providence, RI 02914-5380		401-438-7400