



Laura S. Olton
General Counsel

March 24, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

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

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2005 MAR 24 PM 2:26
RHODE ISLAND PUBLIC UTILITIES COMMISSION

RE: Docket 2509 – Storm Fund Report for 2004

Dear Ms. Massaro:

In accordance with Commission Order 15360 (August 1997) in Docket 2509, enclosed please find (10) ten copies of The Narragansett Electric Company's Storm Fund Report for calendar year 2004.

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,

A handwritten signature in black ink that reads "Laura S. Olton".

Laura S. Olton

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, RI Division
John Bell, RI Division

Narragansett Electric
Storm Fund Report - March 2005

March 24, 2005

**The Narragansett Electric Company
Storm Fund Report - March 2005**

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 \$659,000, an increase of 3.35% compared with the previous threshold of \$638,000. This increase reflects the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the month of December 2004 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, 2005 through February 28, 2006 is based upon the average of the monthly rates for the twelve-month period ended February 28, 2005 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, 2005 is 4.29%.

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 2004, \$218,370 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. The Company did not charge any costs to the fund in 2004.

The Narragansett Electric Company
 Annual Escalation of Storm Fund Threshold
 For the Year Ended December 31, 2004

1. Annual Storm Fund Threshold	\$638,000
2. Times Change in Consumer Price Index	3.35%
3. Additional Storm Fund Threshold	\$21,373
4. Actual Annual Storm Threshold for 2005	\$659,373
5. Proposed Annual Storm Fund Threshold for 2005	\$659,000

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>
All Urban Consumers - Base Period 1982-84=100 @ 12/01/03	185.0	
All Urban Consumers - Base Period 1982-84=100 @ 12/01/04	191.2	3.35%

3/ Line 1 times Line 2

4/ Line 1 plus Line 3

5/ Line 4 rounded to the nearest thousand

The Narragansett Electric Company
Calculation of Average Annual Storm Fund Interest Rate
For the Year March 1, 2004 to February 28, 2005

<u>Federal Reserve Board Statistical Release Date 1/</u>	<u>10 Year Constant Maturity Treasury Bonds Interest Rate</u>
April 6, 2004	3.83%
May 4, 2004	4.35%
June 1, 2004	4.72%
July 6, 2004	4.73%
August 3, 2004	4.50%
September 7, 2004	4.28%
October 5, 2004	4.13%
November 2, 2004	4.10%
December 7, 2004	4.19%
January 4, 2005	4.23%
February 1, 2005	4.22%
March 1, 2005	4.17%
 Average Annual Rate	 <u>4.29%</u>

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

The Narragansett Electric Company
 Annual Report of Storm Fund Activity
 For the Year Ended December 31, 2004

Month	Beginning Balance (a)	Monthly Contribution (b)	Monthly Interest (e)	Storm Charges (f)	Adjustments (g)	Ending Balance (j)
January-04	\$13,412,961	\$86,750	\$49,467.47	\$0	\$0	\$13,549,178
February	\$13,549,178	\$86,750	\$49,971.47	\$0	\$0	\$13,685,900
March	\$13,685,900	\$86,750	\$45,929.83	\$0	\$0	\$13,818,580
April	\$13,818,580	\$86,750	\$46,376.52	\$0	\$0	\$13,951,706
May	\$13,951,706	\$86,750	\$46,824.71	\$0	\$0	\$14,085,281
June	\$14,085,281	\$86,750	\$47,274.42	\$0	\$0	\$14,219,305
July	\$14,219,305	\$86,750	\$47,725.63	\$0	\$0	\$14,353,781
August	\$14,353,781	\$86,750	\$48,178.37	\$0	\$0	\$14,488,709
September	\$14,488,709	\$86,750	\$48,632.63	\$0	\$0	\$14,624,092
October	\$14,624,092	\$86,750	\$49,088.41	\$0	\$0	\$14,759,930
November	\$14,759,930	\$86,750	\$49,545.74	\$0	\$0	\$14,896,226
December	\$14,896,226	\$86,750	\$50,004.60	\$0	\$218,370 (k)	\$15,251,351
Year Ended	\$14,896,226	\$1,041,000	\$579,020	\$0	\$218,370	\$15,251,351

(k) represents 50% of 2004 attachment fee revenue in excess of \$850,000