

March 29, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 2509 – Storm Fund Report for 2006

Dear Ms. Massaro:

In accordance with Commission Order 15360 (August 1997) in Docket 2509, enclosed please find (10) ten copies of National Grid's¹ Storm Fund Report for calendar year 2006.

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,



Laura S. Olton

Enclosures

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

¹ Filed on behalf of The Narragansett Electric Company, d/b/a National Grid.

RECEIVED
2007 MAR 29 AM 9:28
PUBLIC UTILITIES COMMISSION

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report for Calendar Year 2006

March 29, 2007

**The Narragansett Electric Company
d/b/a National Grid
Storm Fund Report - March 2007**

In compliance with the Commission's Order in Docket 2509 regarding Storm Funds, National Grid 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 \$699,000, an increase of 2.58% compared with the previous threshold of \$681,000. This increase reflects the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the month of December 2006 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, 2007 through February 28, 2008 is based upon the average of the monthly rates for the twelve-month period ended February 28, 2007 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, 2007 is 4.83%.

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 2006, \$184,297 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 were two eligible storms which occurred during 2006, totaling approximately \$1.1 million, after deductibles. Please see below for a description of the storm activities.

July 18-19, 2006 Storm

Rhode Island experienced a series of fast-moving thunderstorms from approximately

9:30 p.m. on July 18 to 1:30 a.m. on July 19. These thunderstorms included elevated winds and torrential downpours that lasted over a relatively short duration but displayed an increased intensity.

The storm was accompanied by straight-line winds and damaging lightning strikes. According to the National Weather Service, straight-line winds are powerful gusts that first impact straight down (i.e., vertically) from the storm clouds and then rush forward in one direction. Wind gusts of 60 to 80 mph are possible with such conditions. During the night of July 18, wind gusts of 48 mph were reported in both Providence and North Kingstown.

The thunderstorms caused extensive damage across the state; the extent of the damage was such that it warranted the assistance of 28 Company line crews from outside of Rhode Island and 50 contractor line crews, in conjunction with local Company personnel to restore service. This damage is better quantified by reviewing storm totals. On July 18 and 19, the Company experienced 281 interruption events with a total of 87,381 customers interrupted. On average, these totals resulted in a 202-minute outage per customer affected.

Attachment 4 provides detail of the amounts charged to the Storm Fund for the July 18-19, 2006 Storm. This information is shown by major type of cost and includes corresponding vendor detail.

October 28-29, 2006 Storm

The New England region experienced a significant rain/wind storm event between October 28 and 29, 2006. This storm event, which occurred over a weekend (Saturday morning through Sunday afternoon), had two distinct wind “peaks” in Rhode Island – the first during the afternoon of October 28 and the second around mid-day on October 29. The wind peaks were caused by the merging of competing areas of low pressures over New England that produced a series of tight pressure gradients between the merging weather systems.

The more intense of the reported wind peaks occurred on October 28. Through mid-day on October 29, wind gusts of 43 mph noted in both Newport and Pawtucket, while Providence reported a wind gust of 51 mph. These winds were also accompanied by heavy rainfall that ranged between one and two inches (locally) across Rhode Island.

The damage resulting from the passage of the extended storm event necessitated the assistance of 24 contractor line crews. These resources were in addition to the 39 Company line crews that also provided restoration assistance over the two-day event. These personnel responded to 193 interruption events with a total of 36,064 customers interrupted. On average, these totals resulted in a 113-minute outage per customer affected.

Attachment 5 provides detail of the amounts charged to the Storm Fund for the October 28-29, 2006 Storm. This information is shown by major type of cost and includes corresponding vendor detail.

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

1. 2006 Annual Storm Fund Threshold	\$681,000
2. Times Change in Consumer Price Index	2.58%
3. Additional Storm Fund Threshold	\$17,570
4. Actual Annual Storm Threshold for 2007	\$698,570
5. Proposed Annual Storm Fund Threshold for 2007	\$699,000

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</u> <u>Change</u>
All Urban Consumers - Base Period 1982-84=100 @ 12/01/05	197.7	
All Urban Consumers - Base Period 1982-84=100 @ 12/01/06	202.8	2.58%

3/ Line 1 times Line 2

5/ The ending balance does not reflect the use of up to \$2,000,000 of the fund for undergrounding the E-183 transmission line as provided

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, 2006 to February 28, 2007

<u>Federal Reserve Board</u> <u>Statistical Release Date 1/</u>	<u>10 Year Constant</u> <u>Maturity Treasury Bonds</u> <u>Interest Rate</u>
April 4, 2006	4.72%
May 2, 2006	4.99%
June 6, 2006	5.11%
July 5, 2006	5.11%
August 1, 2006	5.09%
September 5, 2006	4.88%
October 3, 2006	4.72%
November 7, 2006	4.73%
December 5, 2006	4.60%
January 2, 2007	4.56%
February 6, 2007	4.76%
March 6, 2007	4.72%
 Average Annual Rate	 <u>4.83%</u>

1/ Monthly Selected Interest Rates are released the first Tuesday of every month for the preceding month, with the exception of the month of July 2006 which was released on the first Wednesday of the month due to the July 4th holiday.

5/ The ending balance does not reflect the use of up to \$2,000,000 of the fund for undergrounding the E-183 transmission line as provided

The Narragansett Electric Company
d/b/a National Grid
Annual Report of Storm Fund Activity
For the Year Ended December 31, 2006

Month	Beginning Balance (a)	Monthly Contribution (b)	Monthly Interest (c)	July Storm Charges (d)	October Storm Charges (e)	Adjustments (f)	Ending Balance (g)
January-06	\$17,325,096	\$86,750	\$61,782	\$0		\$0	\$17,473,629
February	\$17,473,629	\$86,750	\$62,313	\$0		\$0	\$17,622,692
March	\$17,622,692	\$86,750	\$63,579	\$0		\$0	\$17,773,020
April	\$17,773,020	\$86,750	\$64,122	\$0		\$0	\$17,923,892
May	\$17,923,892	\$86,750	\$64,668	\$0		\$0	\$18,075,310
June	\$18,075,310	\$86,750	\$65,215	\$0		\$0	\$18,227,276
July	\$18,227,276	\$86,750	\$65,765	\$0 1/		\$0	\$18,379,791
August	\$18,379,791	\$86,750	\$66,317	(\$145,800) 2/		\$0	\$18,387,058
September	\$18,387,058	\$86,750	\$66,343	(\$468,939)		\$0	\$18,071,211
October	\$18,071,211	\$86,750	\$65,201	(\$77,761)		\$0	\$18,145,401
November	\$18,145,401	\$86,750	\$65,469	(\$647)		(\$289,571) 3/	\$18,007,401
December	\$18,007,401	\$86,750	\$64,970	\$0		(\$138,436)	\$18,204,982
Year Ended 12/31/06	\$18,007,401	\$1,041,000	\$775,744	(\$693,148)		(\$428,008)	\$18,204,982 5/

1/ Represents storm charges of \$372,435 less \$372,435 deductible.

2/ Represents storm charges of \$148,365 less remaining deductible of \$2,565.

3/ Represents storm charges of \$664,571 less \$375,000 deductible.

4/ Represents 50% of 2006 attachment fee revenue in excess of \$850,000.

5/ The ending balance does not reflect the use of up to \$2,000,000 of the fund for undergrounding the E-183 transmission line as provided for in RIGL 42-98-1.1 upon the petition by the Attorney General. If the \$2,000,000 is taken into account, the ending balance would be \$16,202,389.

The Narragansett Electric Company
d/b/a National Grid
July 18 & 19, 2006 Storm Total O&M Restoration Costs
Between Normal and Incremental Costs

	<u>Total Restoration Costs</u>	<u>Normal Costs</u>	<u>Incremental Costs (1)</u>
Payroll charges excluding payroll overheads for Narragansett employees	\$409,841.99	\$92,379.38	\$317,462.61
Charges for Transportation on Narragansett Vehicles	\$44,361.88	\$44,361.88	\$0.00
Charges from outside companies	\$748,631.06	\$0.00	\$748,631.06
Charges for materials and supplies (2)	\$64.09	\$14.45	\$49.64
Charges for employee expenses	\$2,004.40	\$0.00	\$2,004.40
Total	<u>\$1,204,903.42</u>	<u>\$136,755.71</u>	<u>\$1,068,147.71</u>

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

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

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of July 18 & 19, 2006

<u>Outside Companies</u>	<u>Amount</u>	<u>Jul-2006</u>	<u>Aug-2006</u>	<u>Sep-2006</u>	<u>Oct-2006</u>	<u>Nov-2006</u>
Thiro-New England	\$174,429.31			\$174,429.31		
Hawkeye Electric LLC	\$248,901.28			\$248,901.28		
Harlan Electric Company	\$70,092.07				\$70,092.07	
The Davey Tree Expert Co.	\$31,139.39			\$31,139.39		
Lewis Tree Service	\$46,293.84		\$46,125.84	\$168.00		
Massachusetts Electric	\$116,025.89	\$101,146.55	\$14,879.34			
National Grid USA Service Co.	\$48,010.09	\$418.53	\$26,489.18	\$13,448.15	\$7,654.23	
Items under \$10,000	<u>\$13,739.19</u>	<u>\$0.00</u>	<u>\$13,050.60</u>	<u>\$688.59</u>	<u>\$0.00</u>	<u>\$0.00</u>
Subtotal Outside Companies	\$748,631.06	\$101,565.08	\$100,544.96	\$468,774.72	\$77,746.30	\$0.00
Incremental Company Payroll	\$317,462.61	\$270,399.23	\$46,416.31	\$0.00	\$0.00	\$647.07
Incremental Materials & Supplies	\$49.64	\$0.00	\$0.00	\$49.64	\$0.00	\$0.00
Incremental Employee Expenses	<u>\$2,004.40</u>	<u>\$470.37</u>	<u>\$1,403.88</u>	<u>\$115.02</u>	<u>\$15.13</u>	<u>\$0.00</u>
Total Incremental Costs	\$1,068,147.71	\$372,434.68	\$148,365.15	\$468,939.38	\$77,761.43	\$647.07
Less Deductible	<u>(\$375,000.00)</u>	<u>(\$372,434.68)</u>	<u>(\$2,565.32)</u>			
Amount Charged to Storm Fund	<u>\$693,147.71</u>	<u>\$0.00</u>	<u>\$145,799.83</u>	<u>\$468,939.38</u>	<u>\$77,761.43</u>	<u>\$647.07</u>

The Narragansett Electric Company
d/b/a National Grid
October 28 & 29, 2006 Storm Total O&M Restoration Costs
Between Normal and Incremental Costs

	CY 2006 Total Restoration Costs	CY 2006 Normal Costs	CY 2006 Incremental Costs (1)
Payroll charges excluding payroll overheads for Narragansett employees	\$545,419.66	\$121,478.07	\$423,941.59
Charges for Transportation on Narragansett Vehicles	\$33,140.94	\$33,140.94	\$0.00
Charges from outside companies	\$361,059.60	\$0.00	\$361,059.60
Charges for materials and supplies	\$11,577.17	\$2,578.51	\$8,998.66
Charges for employee expenses	\$9,007.71	\$0.00	\$9,007.71
Total	<u>\$960,205.08</u>	<u>\$157,197.52</u>	<u>\$803,007.56</u>

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

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

The Narragansett Electric Company

d/b/a National Grid

Costs associated with Storm of October 28 & 29, 2006

<u>Outside Companies</u>	<u>CY 2006</u> <u>Amount</u>	<u>Nov-2006</u>	<u>Dec-2006</u>	<u>Jan-2007</u>	<u>Feb-2007</u>
Thiro USA	\$0.00			\$106,824.95	
Harlan Electric Company	\$17,538.88		\$17,538.88		
Three Phase Line Construction	\$32,855.44	\$32,855.44			
Northeast Line Construction Corp.	\$24,995.60	\$24,995.60			
Lewis Tree Service	\$47,463.36	\$46,639.92	\$823.44		
JCR Construction	\$0.00			\$36,365.11	
The Davey Tree Expert Co	\$35,407.98		\$35,407.98		\$2,398.55
ABC Professional Tree Service	\$23,913.42	\$23,913.42			
MJ Electric Inc.	\$35,803.69		\$35,803.69		
National Grid USA Service Co.	\$123,904.35	\$105,384.54	\$18,519.81	\$539.71	
Items under \$10,000	<u>\$19,176.88</u>	<u>\$8,228.52</u>	<u>\$10,948.36</u>	<u>\$202.50</u>	<u>\$0.00</u>
Subtotal Outside Companies	\$361,059.60	\$242,017.44	\$119,042.16	\$143,932.27	\$2,398.55
Incremental Company Payroll	\$423,941.59	\$421,521.03	\$2,420.56	\$0.00	\$0.00
Incremental Materials and Supplies	\$8,998.66	\$0.00	\$8,998.66	\$0.00	\$0.00
Incremental Employee Expenses	<u>\$9,007.71</u>	<u>\$1,032.68</u>	<u>\$7,975.03</u>	<u>\$51.69</u>	<u>\$53.35</u>
Total Incremental Costs	\$803,007.56	\$664,571.15	\$138,436.41	\$143,983.96	\$2,451.90
Less Deductible	<u>(\$375,000.00)</u>	<u>(\$375,000.00)</u>			
Amount Charged to Storm Fund	<u>\$428,007.56</u>	<u>\$289,571.15</u>	<u>\$138,436.41</u>	<u>\$143,983.96</u>	<u>\$2,451.90</u>

Incremental costs for January and February will be included in next year's report.