



May 2, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3617 - May 2005 Customer Credit Reconciliation Report

Dear Ms. Massaro:

Enclosed please find ten copies of The Narragansett Electric Company's ("Narragansett" or the "Company") May 2005 Customer Credit Reconciliation Report ("Report"). This Report is being filed pursuant to Section 7(C)(1) of the Second Amended Stipulation and Settlement approved by the Commission in Docket 3617 ("Docket 3617 Settlement"), which requires the Company to file, by May 1, 2005, a report with the Commission reconciling the estimated amounts included in the Customer Credit calculation in the Docket 3617 Settlement to actual amounts.

Exhibit 8 of the Docket 3617 Settlement sets forth the estimated Customer Credit of \$22,769,000. This amount is currently being refunded to customers during the twelve-month period beginning November 1, 2004.¹

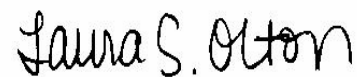
As set forth in the attached reconciliation Report, the Company has calculated an updated Customer Credit of \$27,638,000, which is an increase of \$4,869,000 from the original estimate. As stipulated in the Docket 3617 Settlement, the difference between the actual Customer Credit from the estimated \$22,769,000 Customer Credit, along with a reconciliation of the operation of the Customer Credit refund through October 31, 2005, will be refunded or recovered from customers via a Customer Credit adjustment factor and included in Narragansett's first annual reconciliation filing occurring after the expiration of the Customer Credit. The annual reconciliation filing is anticipated to be made in mid-November of this year.

¹ Pursuant to R.I.G.L. § 42-98-1.1, the Cities of Providence and East Providence have exercised their rights to forego the current receipt of the Customer Credit by Narragansett's customers residing in those communities, opting rather to use those communities' allocated share of the Customer Credit to fund a portion of the undergrounding costs of the Company's E-183 transmission line. Thus, Narragansett's customers residing in Providence and East Providence have not been receiving the Customer Credit amount on their bills.

Luly E. Massaro, Commission Clerk
Customer Credit Reconciliation Report
May 2, 2005
Page 2 of 2

Thank you for your attention to this filing. Please feel free to contact me if you have any questions regarding this Report.

Very truly yours,

A handwritten signature in black ink that reads "Laura S. Olton". The signature is written in a cursive, flowing style.

Laura S. Olton

Enclosures

cc: Docket 3617 Service List

THE NARRAGANSETT ELECTRIC COMPANY
MAY 2005 CUSTOMER CREDIT RECONCILIATION REPORT
RIPUC DOCKET 3617

I. INTRODUCTION

Pursuant to terms of the Distribution Rate Plan, Second Amended Stipulation and Settlement dated October 15, 2004 (the “Docket 3617 Settlement”), effective November 1, 2004, approved by the Commission in Order No. 18037, The Narragansett Electric Company (“Narragansett” or the “Company”) began refunding to its distribution customers, over a twelve-month period, a net credit estimated at \$22,769,000 (the “Customer Credit”).¹ This net credit related to customers’ share of shared earnings, exogenous event impacts and low income expansion lost revenue offsets pursuant to terms of the Company’s Third Amended Stipulation and Agreement dated March 14, 2000 and approved by the Commission in Docket 2930 (“Merger Settlement”) along with accrued service quality penalties for the years 2000 through 2003. Details of this estimated amount were included in Exhibit 8 of the Docket 3617 Settlement.

Section 7(C)(1) of the Docket 3617 Settlement provides that by May 1, 2005, Narragansett is required to file a report with the Commission reconciling estimated amounts included in the Customer Credit to actual amounts. As detailed on Attachment 1 of this report, the updated Customer Credit, including the Deferred Implementation credit (discussed more fully below) pursuant to Section 18 of the Docket 3617 Settlement, totals \$27,638,000, and although a final true-up of the bonus depreciation exogenous event (described more fully below) for 2004 cannot be made at this time, that true-up is not expected to materially change this updated amount. The difference between the original estimate and this update is an additional \$4,869,000 due to customers.

As stipulated in the Docket 3617 Settlement, footnote 10, the difference in the actual total Customer Credit from the original estimate of \$22,769,000, along with a reconciliation of the operation of the Customer Credit refund through October 31, 2005, will be included in Narragansett’s first annual reconciliation filing occurring after the expiration of the Customer Credit, anticipated to be in mid-November 2005. Any over or under recoveries of the Customer Credit will be allocated to customer classes employing

¹ Pursuant to R.I.G.L. 42-98-1.1, the Cities of Providence and East Providence have exercised their rights to forego the current receipt of the Customer Credit by Narragansett’s customers residing in those communities, opting rather to use those communities’ allocated share of the Customer Credit to fund a portion of the undergrounding costs of the Company’s E-183 transmission line. In the event that this undergrounding project is not undertaken or the Company receives alternative funding sources for the project, the Company shall notify the Cities and implement that portion of the Customer Credit not otherwise used to fund the undergrounding project for the Company’s customers in those communities.

the same methodology used to derive the customer class allocation of the Customer Credit currently being refunded and will be refunded or recovered over the following twelve months in a Customer Credit adjustment factor. The final reconciliation of the Bonus Tax Depreciation benefit will also be included with this annual reconciliation filing.

II. CUSTOMER SHARED EARNINGS

Under the Merger Settlement, cumulative earnings in excess of the approved allowed return on equity were to be shared between the Company and customers. For calculating the Company's return on equity, common equity is derived by multiplying rate base by the common equity ratio of the imputed capital structure contained in the Merger Settlement, or 50%.

During the Rate Freeze period, calendar years 2000 through 2004 as defined in the Merger Settlement, the earnings sharing formula is as follows:

Any accumulated earnings up to and including 150 basis points over the allowed 10.50% return on equity are retained by the Company. Any cumulative earnings from 150 to 250 basis points above the 10.50% return on equity shall be shared 50% with customers and 50% for the Company. Any cumulative earnings more than 250 basis points above the 10.50% return on equity shall be shared 75% with customers and 25% for the Company.

Exhibit 8 of the Docket 3617 Settlement contains the Company's estimate of the cumulative customer share of shared earnings at \$21,036,000, using actual data for the years 2000 through 2003 and estimated earnings for 2004.

As shown on Attachment 1, incorporating actual data for 2004, Narragansett's cumulative average return on equity amounted to 13.98% for the five-year period ending December 31, 2004 and its five year average common equity for the same period amounted to \$250,085,000. Applying the sharing formula as described above results in a total customer share of shared earnings of \$23,765,000 (see lines 15 through 29 on Attachment 1).

III. EXOGENOUS EVENTS

Section 2(A), footnote 2 of the Docket 3617 Settlement provides that Exogenous Events under the Merger Settlement occurring prior to the effective date of the Docket 3617 Settlement and which were not otherwise credited or charged to customers are to be included in the Customer Credit. The Company has identified two such Exogenous Events, both of which relate to Federally Initiated Cost Changes. Federally Initiated Cost Changes qualify as Exogenous Events under the Merger Settlement if they cause a change in the Company's revenue requirement by more than \$750,000. The two events, one of which was included in the estimated Customer Credit currently being refunded to

customers (Bonus Depreciation), and one which was not quantified at the time the Company filed the Docket 3617 Settlement (Medicare Act) are as follows:

1. The Job Creation and Worker Assistance Act of 2002

The Job Creation and Worker Assistance Act of 2002, signed into law in March of 2002, amended the Internal Revenue Code Section 168 by adding a subsection (k) - Special Allowance for Certain Property Acquired After September 10, 2001 and Before September 11, 2004 ("IRC 168(k)"). IRC 168(k) provides for additional first year tax depreciation deductions for certain qualified property ("Bonus Depreciation"). IRC 168(k), as enacted, provides for an additional 30% first year tax depreciation deduction for qualified property, in addition to the first year tax deduction pursuant to the Modified Accelerated Cost Recovery System on the remaining 70% of that property. In 2003, the first year Bonus Depreciation was increased from 30% to 50% for qualifying property placed in-service after May 5, 2003 and through December 31, 2004. Because the Company fully normalizes for differences in book and tax depreciation rates, IRC 168(k) gives rise to additional deferred taxes, which in turn reduces the Company's rate base and revenue requirement. During calendar year 2004, the first year the Bonus Depreciation benefit exceeded the Exogenous Event threshold for Narragansett, IRC 168(k) reduced the Company's revenue requirement by an estimated \$1,279,000 (see Exhibit 8, pages 5 through 11 of the Docket 3617 Settlement).

Because the Company maintains its financial and tax records on a fiscal year-ending March 31st, actual tax additions for the fiscal year-ending March 31, 2005 ("FY 05") will not be available until the third or fourth quarter of 2005, in time for the Company to file its FY 05 federal income tax return in December 2005. Consequently, a final true-up of the estimated \$1,279,000 benefit for 2004 cannot be completed at this time. A preliminary review of available information indicates that the final true-up of this benefit should not result in a material change to the \$1,279,000 estimated amount included in the Customer Credit currently being refunded to distribution customers over the twelve month period beginning November 1, 2004.

2. Medicare Act of 2003

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Medicare Act of 2003") was signed into law in December 2003 and became effective on July 1, 2004. The Medicare Act of 2003 introduces a new Medicare Part D – prescription drug benefit, beginning in 2006 and provides for, among other things, potential federal subsidies to employers that provide retiree prescription drug coverage, if the coverage is at least actuarially equivalent to the standard Medicare Part D prescription drug benefits. In addition, federal subsidies received pursuant to the Medicare Act of 2003 are tax-free. The provisions of the Medicare Act of 2003 have generated a decrease in Narragansett's actuarially determined expense for 'post-retirement benefits other than pensions' pursuant to FAS106 beginning July 1, 2004, and when combined with the added tax benefits of the anticipated tax free subsidies, generated a reduction in the Company's revenue requirement in 2004 of \$1,229,966.

At the time the Commission approved the Docket 3617 Settlement, the Company was still analyzing the impact of the Medicare Act of 2003 and consequently an estimate was not included in the estimated Customer Credit of \$22,769,000. At that time, the Company indicated that if the Medicare Act of 2003 qualified as an Exogenous Event for 2004, the Company would include such amount in its reconciliation of the Customer Credit in May 2005. Attachment 2 of this report provides the calculation of the 2004 revenue requirement impact of \$1,229,966 resulting from the Medicare Act of 2003.

IV. LOW INCOME EXPANSION

Section 20 of the Merger Settlement authorized the Company to recover the incremental low income expansion discounts in excess of \$600,000 per year (adjusted to \$640,000 pursuant to section 4(d) of the Merger Settlement) from all customers through a fully reconciling uniform per kWh adjustment factor. During the Merger Settlement Rate Freeze period (the five-year period ending December 31, 2004) Narragansett's cumulative average earnings fell within the 75 percent customer share bandwidth of the earnings sharing formula. Had the Company billed the entire amount of the incremental low income expansions discounts, the Company's pre-tax earnings would have increased by that same amount. Thus, rather than recover 100 percent of the incremental expansion costs from customers and then return 75 percent of this recovery to customers through the earnings sharing mechanism, the Company included an offset of 25 percent of the incremental expansion discounts directly as a reduction to the Customer Credit, producing the same net recovery from customers. Consequently, the Company included 25%, or \$1,320,000 of the estimated low income expansion discounts as an offset to the estimated Customer Credit currently being refunded.

The Docket 3617 Settlement became effective November 1, 2004. However, Section 18 of the Docket 3617 Settlement (Deferred Implementation) provided customers with the economic benefit of the Docket 3617 Settlement's reduced distribution rates as of October 1, 2004. Therefore, the low income expansion discounts are deemed to be included in the underlying distribution rates as of October 1, 2004. As such, the Company has calculated the actual incremental low income expansion discounts through September 30, 2004. For the period May 2000 through September 2004 the actual incremental low income expansion discounts amounted to \$4,739,406. Therefore, 25% of this total amount, or \$1,185,000, has been included as an offset in the updated Customer Credit. Attachment 3 of this report provides the calculation of these amounts.

V. DEFERRED IMPLEMENTATION CREDIT

Section 18 of the Docket 3617 Settlement provides for a deferred implementation credit to Narragansett's distribution customers, and further provides that such a credit is to be included in the Customer Credit reconciliation report. Pursuant to the ruling in *Providence Gas Co. v. Burke*, 474 A.2d 1993 (R.I. 1984), the earliest Narragansett was permitted to implement the rate changes provided for in the Docket 3617 Settlement was November 1, 2004. This deferred implementation credit is intended to provide customers with the same economic value they would have seen had the Company implemented the

Docket 3617 Settlement rate changes on October 1, 2004. This credit, which amounts to \$775,025, was calculated by comparing actual distribution revenues billed for October 2004 to revenues calculated by applying Docket 3617 Settlement rates to actual October billing units for each rate class, as detailed on Attachment 4.

VI. SERVICE QUALITY

Section 7(C)(1) of the Docket 3617 Settlement provides that cumulative service quality penalties for the five-year period ending December 31, 2004 are to be included in the Customer Credit. As that section indicates, service quality penalties for 2004, if any, had not yet been determined and were not included in the estimated Customer Credit. For 2004, Narragansett's service quality performance generated a net penalty offset, as detailed in the 2004 Service Quality report filed with the Commission on April 28, 2005. Consequently, the Company accumulated no additional service quality penalties during 2004. Therefore, the actual cumulative service quality penalties for the five-year period ending December 31, 2004 is the same as the Company estimated in the Docket 3617 Settlement, or \$1,774,097. Attachment 5 of this report provides a summary by year of Narragansett's service quality performance.

VII. SUMMARY

This review of the components of the Customer Credit produces an updated Customer Credit of \$27,638,000, or an increase of \$4,869,000 from the \$22,769,000 Customer Credit currently being returned to the Company's distribution customers over the twelve-month period ending October 31, 2005. Because the actual Bonus Depreciation benefit for 2004 is not known at this time, a final true-up of the Customer Credit will be required. This final true-up will be submitted with the Company's annual reconciliation filing in November 2005. The change in the individual components of the of the updated Customer Credit from the original estimate currently being refunded to distribution customers is as follows:

	<u>Updated Customer Credit</u>	<u>Customer Credit Currently Being Refunded</u>	<u>Difference</u>
Customer Shared Earnings	\$23,765,000	\$21,036,000	\$2,729,000
Bonus Depreciation	1,279,000	1,279,000	0
Medicare Act	1,230,000	0	1,230,000
Low Income Expansion Lost Revenue	(1,185,000)	(1,320,000)	135,000
Deferred Implementation Credit	775,000	0	775,000
Service Quality Penalties	<u>1,774,000</u>	<u>1,774,000</u>	<u>0</u>
Total	<u>\$27,638,000</u>	<u>\$22,769,000</u>	<u>\$4,869,000</u>

This difference and any net adjustment from the Bonus Depreciation true-up, along with the reconciliation of the performance of the Customer Credit currently being refunded, will be credited to customers via a Customer Credit adjustment factor over the twelve-month period covered by the Company's next annual reconciliation filing. As was the case with the current Customer Credit, the Customer Credit adjustment factor that otherwise would have been allocated to the Company's customers in the Cities of Providence and East Providence will be retained by the Company and used to support the undergrounding of the Company's E-183 transmission line, as described in footnote 1 of this report.

THE NARRAGANSETT ELECTRIC COMPANY

TRUE-UP OF ESTIMATED CUMULATIVE CUSTOMER SHARED EARNINGS AND CUSTOMER CREDIT AT DECEMBER 31, 2004
(\$000)

Line									
1	Actual Intrastate Earnings Available for Common - CY 2000	\$26,870	(a)						
2	Actual Intrastate Earnings Available for Common - CY 2001	\$35,077	(b)						
3	Actual Intrastate Earnings Available for Common - CY 2002	\$41,576	(c)						
4	Actual Intrastate Earnings Available for Common - CY 2003	\$34,937	(d)						
5	Actual Intrastate Earnings Available for Common - CY 2004	<u>\$36,353</u>	(e)						
6	Annual Average					\$34,963			
7									
8	Actual Average Common Equity - CY 2000	\$226,307	(a)						
9	Actual Average Common Equity - CY 2001	\$250,787	(b)						
10	Actual Average Common Equity - CY 2002	\$255,258	(c)						
11	Actual Average Common Equity - CY 2003	\$258,493	(d)						
12	Actual Average Common Equity - CY 2004	\$259,580	(e)						
13	Five Year Average					\$250,085			
14									
15	Average Annual Return					<u>13.98%</u>			Customer Share
16									
17	ROE in 50%/50% Bandwith (>12.00%, <13.00%)					1.00% * 50.00%	=		0.50%
18	ROE in 75%/25% Bandwith (>13.00%)					0.98% * 75.00%	=		0.74%
19									
20	Total Customer ROE Sharing								1.24%
21	Annual Average Equity								<u>\$250,085</u>
22									
23	Average Annual Customer Shared Earnings								\$3,089
24	Tax Gross-up								/ 65.00%
25									
26	Average Annual Customer Shared Earnings - Pre-tax								\$4,753
27	Number of Years							x	5
28									
29	Total Customer Shared Earnings 1/1/2000 - 12/31/2004								\$23,765
30									
31	Bonus Tax Depreciation Revenue Requirement Benefit - 2004								\$1,279 (f)
32	Medicare Act of 2003 Revenue Requirement Benefit - 2004								\$1,230 (g)
33	Company Share of Incremental Low Income Expansion Jan 1, 2000 - Sep 30, 2004 (25%)	\$4,739	*		25.00%	=			(\$1,185) (h)
34	Deferred Implementation Credit								\$775 (i)
35	Accrued Service Quality Penalties through December 31, 2004								<u>\$1,774</u> (j)
36	Total Net Customer Shared Earnings to be Refunded								<u>\$27,638</u>

- (a) December 31, 2000 Earnings Report - Revision 2 submitted February 28, 2003
(b) December 31, 2001 Earnings Report - Revised submitted February 28, 2003
(c) December 31, 2002 Earnings Report - Revised submitted February 12, 2004
(d) December 31, 2003 Earnings Report - Revised submitted March 31, 2005.
(e) December 31, 2004 Earnings Report submitted May 2, 2005.
(f) See Second Amended Stipulation and Settlement dated October 15, 2004, Exhibit 8, Page 5 of 11
(g) See Attachment 2
(h) See Attachment 3
(i) See Attachment 4
(j) See Attachment 5

The Narragansett Electric Company
Impact of FAS 106-2--Medicare Act of 2003

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	FAS 106 Costs For Q1 FY 05	Annualized Costs (A) x 4	Post-Act FAS 106 Costs For Q2-Q4 FY 05	Post-Act Annualized Costs (C) ÷ 3 x 4	Annualized Cost Impact of Medicare Act (B) - (D)	Total CY 05 Impact for 6 mos Ended 12/31/04 (E) x 50%	Actual O&M % Narra = 65.73% Svc Co = 75.63% (F) x Co.%	Service Company Allocation	Narra Exogenous Impact July - Dec 2004 (G) x (H)
Union retiree welfare plans--Narra Elec	\$1,240,956	\$4,963,824	\$2,779,664	\$3,706,219	\$1,257,605	\$628,803	\$413,312		
Non-union retiree welfare plans--Narra Elec	<u>\$1,204,336</u>	<u>\$4,817,344</u>	<u>\$3,055,575</u>	<u>\$4,074,100</u>	<u>\$743,244</u>	<u>\$371,622</u>	<u>\$244,267</u>		
Total Narra Electric	\$2,445,292	\$9,781,168	\$5,835,239	\$7,780,319	\$2,000,849	\$1,000,425	\$657,579	n/a	\$657,579
<hr/>									
Union retiree welfare plans--Svc Co	\$631,947	\$2,527,788	\$1,339,408	\$1,785,877	\$741,911	\$370,955	\$280,554		
Non-union retiree welfare plans--Svc Co	<u>\$3,203,902</u>	<u>\$12,815,608</u>	<u>\$8,048,909</u>	<u>\$10,731,879</u>	<u>\$2,083,729</u>	<u>\$1,041,865</u>	<u>\$787,962</u>		
Total NG-USA Service Co	\$3,835,849	\$15,343,396	\$9,388,317	\$12,517,756	\$2,825,640	\$1,412,820	\$1,068,516	13.28%	\$141,899
<hr/>									
Total									
Union retiree welfare plans	\$1,872,903	\$7,491,612	\$4,119,072	\$5,492,096	\$1,999,516	\$999,758	\$693,866		
Non-union retiree welfare plans	<u>\$4,408,238</u>	<u>\$17,632,952</u>	<u>\$11,104,484</u>	<u>\$14,805,979</u>	<u>\$2,826,973</u>	<u>\$1,413,487</u>	<u>\$1,032,229</u>		
	\$6,281,141	\$25,124,564	\$15,223,556	\$20,298,075	\$4,826,489	\$2,413,245	\$1,726,095		\$799,478
								Tax Gross - up	/ 65%
								Total Medicare Act O&M Impact - 2004	<u>1,229,966</u>

Column (A) and Column (C) are provided by actuaries.

The Narragansett Electric Company
Calculation of the Low Income Expansion Factor

	<u>May 2000 - December 2000</u>	<u>January 2001 - December 2001</u>	<u>January 2002 - December 2002</u>	<u>January 2003 - December 2003</u>	<u>January 2004 - September 2004</u>	<u>Total</u>
(1) Low Income Subsidy	\$241,376	\$1,068,405	\$1,832,330	\$2,362,572	\$2,036,100	\$7,540,782
(2) Company Share of Expansion Costs	<u>\$426,667</u>	<u>\$640,000</u>	<u>\$640,000</u>	<u>\$640,000</u>	<u>\$640,000</u>	<u>\$2,986,667</u>
(3) Net Subsidy	\$0	\$428,405	\$1,192,330	\$1,722,572	\$1,396,100	\$4,739,406
(4) Percentage of Net Subsidy to be Recovered by Company						<u>25%</u>
(5) Amount of Net Subsidy to be Recovered by Company						\$1,185,000

- (1) Page 2 and Page 3, Column (f)
- (2) Page 2 and Page 3, Column (g)
- (3) Line (1) - Line (2), but not less than zero
- (4) Per Settlement
- (5) Line (3) x Line (4), rounded to the nearest thousand

The Narragansett Electric Company
Calculation of Low Income Expansion Surcharge

Year 1. May 2000 through December 2000

<u>Month/Year</u>	<u>Number of Additional Customers</u>	<u>Monthly kWh Usage</u>	<u>Revenue on Rate A16</u>	<u>Revenue on Rate A60</u>	<u>Subsidy Revenue</u>	<u>Company Contribution</u>	<u>Customer Contribution</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
May-00	2,783	1,199,943	\$50,578	\$28,023	(\$22,555)		
Jun-00	3,491	1,486,100	\$62,780	\$34,556	(\$28,224)		
Jul-00	3,510	1,716,027	\$71,199	\$39,973	(\$31,227)		
Aug-00	3,433	1,595,236	\$66,620	\$37,152	(\$29,468)		
Sep-00	3,414	1,624,519	\$67,633	\$37,878	(\$29,755)		
Oct-00	3,294	1,425,129	\$60,067	\$33,153	(\$26,914)		
Nov-00	3,308	1,475,728	\$61,907	\$34,327	(\$27,580)		
Dec-00	4,913	2,536,609	\$104,444	\$58,791	(\$45,653)		
	28,146	13,059,291	\$545,228	\$303,852	(\$241,376)	\$426,667	\$0

Year 2. January 2001 through December 2001

<u>Month/Year</u>	<u>Number of Additional Customers</u>	<u>Monthly kWh Usage</u>	<u>Revenue on Rate A16</u>	<u>Revenue on Rate A60</u>	<u>Subsidy Revenue</u>	<u>Company Contribution</u>	<u>Customer Contribution</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Jan-01	5,084	2,868,365	\$116,944	\$66,375	(\$50,570)		
Feb-01	8,107	3,631,126	\$152,365	\$82,216	(\$70,150)		
Mar-01	9,760	4,275,643	\$179,984	\$96,794	(\$83,189)		
Apr-01	10,251	4,446,542	\$187,429	\$100,515	(\$86,914)		
May-01	11,967	4,223,610	\$183,668	\$93,756	(\$89,912)		
Jun-01	11,889	4,491,944	\$193,482	\$98,874	(\$94,608)		
Jul-01	11,851	5,332,698	\$223,872	\$120,879	(\$102,993)		
Aug-01	11,708	5,557,860	\$231,716	\$126,693	(\$105,023)		
Sep-01	11,632	5,538,571	\$230,825	\$125,975	(\$104,851)		
Oct-01	11,390	4,429,984	\$189,888	\$98,999	(\$90,889)		
Nov-01	11,358	4,534,384	\$193,538	\$101,393	(\$92,146)		
Dec-01	11,208	5,008,188	\$210,357	\$113,197	(\$97,160)		
	126,205	54,338,915	\$2,294,069	\$1,225,665	(\$1,068,405)	\$640,000	(\$428,405)

Year 3. January 2002 through December 2002

<u>Month/Year</u>	<u>Number of Additional Customers</u>	<u>Monthly kWh Usage</u>	<u>Revenue on Rate A16</u>	<u>Revenue on Rate A60</u>	<u>Subsidy Revenue</u>	<u>Company Contribution</u>	<u>Customer Contribution</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Jan-02	15,818	8,511,323	\$349,322	\$195,177	(\$154,144)		
Feb-02	16,994	7,661,937	\$321,460	\$172,626	(\$148,834)		
Mar-02	17,708	7,502,180	\$317,492	\$167,932	(\$149,561)		
Apr-02	17,823	7,211,806	\$307,256	\$160,360	(\$146,896)		
May-02	17,723	6,688,400	\$288,060	\$147,648	(\$140,413)		
Jun-02	17,506	6,761,489	\$290,208	\$149,108	(\$141,100)		
Jul-02	17,261	8,707,162	\$360,391	\$198,343	(\$162,048)		
Aug-02	17,280	9,897,758	\$404,367	\$228,177	(\$176,190)		
Sep-02	17,214	8,306,035	\$346,228	\$188,673	(\$157,556)		
Oct-02	16,672	6,463,299	\$277,740	\$143,069	(\$134,671)		
Nov-02	17,068	7,121,777	\$302,728	\$158,630	(\$144,098)		
Dec-02	18,230	9,535,813	\$393,598	\$216,777	(\$176,821)		
	207,297	94,368,979	\$3,958,849	\$2,126,519	(\$1,832,330)	\$640,000	(\$1,192,330)

- (c) Total of metered kWh usage for customers in Column (b)
- (d) Billing Units calculated on Rate A16
- (e) Billing Units calculated on Rate A60
- (f) Column (d) - Column (e)
- (g) Per Third Amended Stipulation and Settlement filed March 14, 2000 in RIPUC Docket No. 2930, Section 20;
Year 2000 amount prorated for 8 months
- (h) Column (f) + Column (g), but not greater than zero

The Narragansett Electric Company
Calculation of Low Income Expansion Surcharge

Year 4. January 2003 through December 2003

<u>Month/Year</u>	<u>Number of Additional Customers</u>	<u>Monthly kWh Usage</u>	<u>Revenue on Rate A16</u>	<u>Revenue on Rate A60</u>	<u>Subsidy Revenue</u>	<u>Company Contribution</u>	<u>Customer Contribution</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Jan-03	19,400	11,056,014	\$451,935	\$254,285	(\$197,650)		
Feb-03	20,584	10,905,175	\$449,451	\$248,989	(\$200,462)		
Mar-03	21,381	10,546,790	\$438,422	\$239,505	(\$198,917)		
Apr-03	21,518	9,469,895	\$399,550	\$212,552	(\$186,998)		
May-03	22,149	8,806,353	\$376,987	\$194,993	(\$181,994)		
Jun-03	21,920	8,731,628	\$373,682	\$193,147	(\$180,535)		
Jul-03	21,850	11,465,544	\$473,073	\$260,623	(\$212,450)		
Aug-03	21,654	12,803,097	\$521,290	\$296,170	(\$225,120)		
Sep-03	21,460	11,300,296	\$466,066	\$258,817	(\$207,249)		
Oct-03	21,094	8,907,972	\$378,007	\$198,422	(\$179,585)		
Nov-03	20,854	8,892,860	\$376,846	\$197,838	(\$179,008)		
Dec-03	21,618	11,569,921	\$476,286	\$263,684	(\$212,603)		
	255,482	124,455,545	\$5,181,597	\$2,819,024	(\$2,362,572)	\$640,000	(\$1,722,572)

Year 5. January 2004 through December 2004

<u>Month/Year</u>	<u>Number of Additional Customers</u>	<u>Monthly kWh Usage</u>	<u>Revenue on Rate A16</u>	<u>Revenue on Rate A60</u>	<u>Subsidy Revenue</u>	<u>Company Contribution</u>	<u>Customer Contribution</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Jan-04	22,633	13,398,000	\$545,442	\$308,505	(\$236,937)		
Feb-04	22,844	12,568,891	\$515,783	\$288,362	(\$227,421)		
Mar-04	23,554	11,891,517	\$492,917	\$270,610	(\$222,307)		
Apr-04	24,724	11,498,214	\$481,565	\$259,216	(\$222,349)		
May-04	25,105	10,122,305	\$432,420	\$223,946	(\$208,473)		
Jun-04	24,924	10,673,644	\$452,040	\$237,190	(\$214,851)		
Jul-04	24,515	12,060,423	\$501,508	\$272,532	(\$228,976)		
Aug-04	23,669	13,029,999	\$534,672	\$298,801	(\$235,871)		
Sep-04	24,668	12,958,724	\$534,613	\$295,699	(\$238,914)		
	216,636	108,201,717	4,490,961	2,454,861	(2,036,100)	\$640,000	(\$1,396,100)

- (c) Total of metered kWh usage for customers in Column (b)
- (d) Billing Units calculated on Rate A16
- (e) Billing Units calculated on Rate A60
- (f) Column (d) - Column (e)
- (g) Per Third Amended Stipulation and Settlement filed March 14, 2000 in RIPUC Docket No. 2930, Section 20;
Year 2000 amount prorated for 8 months
- (h) Column (f) + Column (g), but not greater than zero

The Narragansett Electric Company
Calculation of Deferred Implementation Credit

Old Rate Class	New Rate Class	Estimated Distribution Revenue for Oct 2004 (a)	Booked Oct-2004 Revenue (b)	Credit (c)=(b) - (a)
A16	A16	\$7,500,418.94	\$7,919,938.04	\$419,519.10
A18	A16	\$521,293.54	\$462,452.34	(\$58,841.20)
A32	A16	\$174,489.94	\$140,999.87	(\$33,490.07)
A34	A16	\$13,983.36	\$10,691.43	(\$3,291.93)
A60	A60	\$307,681.53	\$345,091.12	\$37,409.59
A62	A62	\$11,583.91	\$13,523.98	\$1,940.07
B32	B32	\$691.01	\$715.11	\$24.10
B62	B62	\$88,976.19	\$127,306.62	\$38,330.43
C06	C06	\$1,735,251.35	\$1,803,844.98	\$68,593.63
C08	C08	\$7,885.92	\$8,284.89	\$398.97
E30	E30	\$1,599.52	\$1,372.56	(\$226.96)
E40	E40	\$16,455.71	\$16,455.71	\$0.00
G02	G02	\$2,278,642.92	\$2,399,533.14	\$120,890.22
G22	C06	\$98,652.91		
G22	G02	\$537,348.58		
G22	G32	<u>\$121,822.06</u>		
Subtotal G22		\$757,823.55	\$819,722.33	\$61,898.78
G32	G32	\$2,705,147.53	\$2,807,140.33	\$101,992.80
G62	G62	\$312,140.12	\$333,108.72	\$20,968.59
M1A	M1A	\$6,812.36	\$7,000.00	\$187.64
M1B	M1B	\$3,406.18	\$3,500.00	\$93.82
N01	G62	\$62,046.72	\$39,619.12	(\$22,427.60)
R02	R02	\$5,631.54	\$3,308.11	(\$2,323.43)
S10	S10	\$59,373.06	\$63,087.27	\$3,714.21
S12	S14	\$436,003.11	\$448,731.78	\$12,728.67
S14	S14	\$209,306.42	\$215,883.83	\$6,577.41
T06	T06	\$10,707.39	\$9,985.25	(\$722.14)
T08	T08	\$13,443.53	\$12,148.66	(\$1,294.87)
T10	T10	\$2,975.37	\$3,436.08	\$460.71
V02	C06	\$6,679.83		
V02	G02	<u>\$3,515.34</u>		
Subtotal V02		\$10,195.17	\$10,308.59	\$113.42
X01	X01	<u>\$16,688.66</u>	<u>\$18,489.45</u>	<u>\$1,800.79</u>
		\$17,270,654.53	\$18,045,679.30	\$775,024.78

Column Notes:

- (a) Estimated distribution revenues were calculated by applying rates approved in Docket No. 3617 to October 2004 billing units for each rate class.
- (b) Actual distribution revenues for October 2004
- (c) Column (b) - Column (a)

The Narragansett Electric Company
Service Quality Results through 12/31/2004
Performance Penalty/Incentive

<u>Cumulative Results</u>	<u>2000</u> (a)	<u>2001</u> (b)	<u>2002</u> (c)	<u>2003</u> (d)	<u>2004</u> (e)	<u>Adjustments</u> (f)	<u>Cumulative</u> (g)
Reliability - Coastal Frequency	\$0	\$0	\$0	(\$295,455)	\$238,636	(\$238,636) (1)	(\$295,455)
Reliability - Capital Frequency	\$0	(\$22,727)	\$0	\$0	\$0	\$0	(\$22,727)
Reliability - Coastal Duration	\$0	\$0	\$0	(\$500,000)	\$0	\$0	(\$500,000)
Reliability - Capital Duration	\$0	(\$500,000)	\$0	(\$230,769)	\$0	\$0	(\$730,769)
Customer Service - Customer Contact	\$77,778	(\$77,778)	(\$200,000)	\$0	(\$22,222)	(\$77,778) (2)	(\$300,000)
Customer Service - Telephone Calls Answered	<u>\$0</u>	<u>(\$200,000)</u>	<u>\$102,632</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>(\$127,778) (3)</u>	<u>\$74,854</u>
	\$77,778	(\$800,505)	(\$97,368)	(\$876,224)	\$366,414	(\$444,192)	(\$1,774,097)

- (a) July 2001 Service Quality Performance filing, Attachment 2
- (b) July 2002 Service Quality Performance filing, Attachment 2
- (c) June 2003 Service Quality Performance filing, Attachment 2
- (d) September 2004 Service Quality Performance filing, Attachment 2
- (e) April 2005 Service Quality Performance filing, Attachment 2
- (f) See Notes below for explanations of Adjustments
- (g) Column (a) + Column (b) + Column (c) + Column (d) + Column (e) + Column (f)

Notes:

- (1) The Service Quality Plan adopted under the Merger Settlement expired on December 31, 2004. Therefore, the Reliability offset of \$238,636 earned in 2004 is not included in the Cumulative amount.
- (2) In accordance with Exhibit 7 of the Merger Settlement, Docket RIPUC 2930, offsets earned for the Customer Service standards can only be used in the year earned to offset any other standard. Therefore, the excess offset earned in 2000 of \$77,778 cannot be carried forward into 2001, and is not included in the Cumulative amount.
- (3) The \$150,000 offset earned in 2004 for telephone calls answered can be used to offset the penalty of \$22,222 for customer contact, but the excess offset of \$127,778 (\$150,000-\$22,222) is not included in the Cumulative amount because it can only be used in the year earned.

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon
The Narragansett Electric Company

May 2, 2005
Date

**Narragansett Electric Company – Distribution Rate Plan Stipulation & Settlement
– Docket 3617 - Service List as of 09/14/04**

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