



December 20, 2004

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 3648 – The Narragansett Electric Company’s Annual Rate Reconciliation Responses to Hearing Record Requests**

Dear Ms. Massaro:

Enclosed please find ten copies of The Narragansett Electric Company’s responses to the Record Requests issued at the evidentiary hearing held on December 13, 2004 in the above-captioned proceeding.

Thank you for your attention to this transmittal. Should you have any questions regarding this filing, please do not hesitate to contact me at (401) 784-7667.

Very truly yours,

Laura S. Olton

Enclosures

cc: Docket 3648 Service List  
John Farley, TEC-RI

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 1

Request:

With regard to the \$2.6M associated with new transmission plant in service (from Data Response to TEC-RI 1-4), please identify the infrastructure improvements being made by NEP.

Response:

The \$2.6 million referenced in the response to TEC-RI Data Request 1-4 is the portion of New England Power Company's (NEP) total transmission revenue requirement associated with the return on an incremental \$35 million in new transmission plant from the prior 12-month period. The \$35 million in new transmission plant relates to the additions identified in the attached charts.

Prepared by or under the supervision of: Carol A. Currier

**New England Power Company  
September 1, 2003 through August 31, 2004  
Transmission Plant in Service - Lines & Substations**

**Summary by FERC Account**

FERC Acct.	Description	Balance as of 01-Sep-2003	Balance as of 31-Aug-2004	Difference
350	Land and Land Rights	\$ 30,534,279	\$ 30,651,487	\$ 117,208
352	Structures and Improvements	\$ 5,824,016	\$ 4,235,159	\$ (1,588,857)
353	Station Equipment	\$ 402,367,596	\$ 416,755,016	\$ 14,387,420
354	Towers and Fixtures	\$ 20,624,548	\$ 20,731,115	\$ 106,567
355	Poles and Fixtures	\$ 174,336,652	\$ 183,119,757	\$ 8,783,105
356	Overhead Conductors and Devices	\$ 142,389,483	\$ 155,573,632	\$ 13,184,149
357	Underground Conduit	\$ 5,150,911	\$ 5,150,922	\$ 11
358	Underground Conductors and Devices	\$ 23,287,437	\$ 23,313,999	\$ 26,562
359	Road and Trails	\$ 4,306,825	\$ 4,409,685	\$ 102,860
	<b>Total</b>	<b>\$ 808,821,747</b>	<b>\$ 843,940,772</b>	<b>\$ 35,119,025</b>

<b>Summary Check:</b>	<b>Total</b>
FERC Account	<b>\$ 35,119,025</b>
Lines Total	\$ 22,368,377
Substations Total	\$ 12,750,648
<b>Total Lines &amp; Subs</b>	<b>\$ 35,119,025</b>

**New England Power Company**  
**September 1, 2003 through August 31, 2004**  
**Transmission Plant in Service - Lines & Substations**

**Summary of Lines by Location (=> +/--\$100K)**

Location ID (lines)	Description	Balance as of 01-Sep-2003	Balance as of 31-Aug-2004	Difference
0216	W23 Line MDC	\$ 768,904	\$ 26,839	\$ (742,065)
4131	Millbury - Ayer 343	\$ 8,509,302	\$ 8,311,431	\$ (197,872)
4168	L164 Line Tap Tewksbury	\$ 1,510,790	\$ 1,615,713	\$ 104,923
4055	Palmer - East Longmeadow O15	\$ 1,966,357	\$ 2,105,256	\$ 138,899
4060	Brayton-West Medway C181 - D182 - C129	\$ 10,295,608	\$ 10,452,200	\$ 156,591
4038	Melrose - Everett 158	\$ 3,060,242	\$ 3,223,189	\$ 162,947
4112	Prospect St Tap U21 V22	\$ 149,880	\$ 320,444	\$ 170,563
4004	Millbury/RI Line Q143 RI	\$ 6,637,855	\$ 6,812,476	\$ 174,622
4108	Ware - Millbury E5-F6	\$ 15,135,623	\$ 15,318,151	\$ 182,528
4089	taws-So Brdway & Tap to W Andover	\$ 734,369	\$ 945,216	\$ 210,847
4224	No Reading Municipal Tap Off S145/T	\$ -	\$ 213,159	\$ 213,159
4142	Salem Harbor - Canal St. A153	\$ 916,768	\$ 1,135,107	\$ 218,338
4043	Salem Harbor - Ward Hill C155	\$ 3,978,478	\$ 4,272,466	\$ 293,988
4012	Millbury - Webster S19	\$ 1,118,013	\$ 1,416,517	\$ 298,504
4090	North River - Beverly M191	\$ 1,006,647	\$ 1,310,502	\$ 303,856
4016	Y25N Searsburg	\$ 1,736,351	\$ 2,074,952	\$ 338,601
4085	South Danvers - Ward Hill Inc King Tap	\$ 2,373,539	\$ 2,726,044	\$ 352,505
4017	Y25 Searsburg-Woodford	\$ 42,345	\$ 527,578	\$ 485,234
4018	Harriman - Millbury A127-B	\$ 4,594,321	\$ 5,080,029	\$ 485,708
4247	Tap from E5/F6 Line into Deerfield	\$ 29,207	\$ 560,973	\$ 531,766
4111	Pratts Junction - Dunstable U21-V22	\$ 4,616,221	\$ 5,156,929	\$ 540,708
4113	Harriman Station - Montague Y177	\$ 3,068,462	\$ 3,615,346	\$ 546,884
4250	M191 Tap to Beverly	\$ -	\$ 599,772	\$ 599,772
4006	Tewksbury/Melrose/Salem S145 T146	\$ 6,727,238	\$ 7,385,784	\$ 658,545
4097	Brayton Point - RI State Line 315 345	\$ 5,488,721	\$ 6,200,016	\$ 711,295
4022	Millbury - Medway C129 - D130	\$ 1,178,880	\$ 2,355,231	\$ 1,176,350
4226	N12/M13 Somerset to Bell Rock Road	\$ 576,090	\$ 1,781,052	\$ 1,204,962
4040	Millbury - Charlton V174	\$ 5,848,536	\$ 7,319,382	\$ 1,470,846
4227	Bell Rock Road to MA/RI	\$ 2,510,345	\$ 3,988,499	\$ 1,478,154
4002	Comerford North Litchfield A201-B	\$ 7,315,256	\$ 8,970,168	\$ 1,654,912
4100	Vernon- Pratts Junction A1-B2	\$ 2,506,171	\$ 5,906,678	\$ 3,400,507
4170	Northboro Rd to Hudson Town Line N1	\$ 2,851,763	\$ 7,377,141	\$ 4,525,378
	Sub-Total	\$ 107,252,284	\$ 129,104,241	\$ 21,851,957
	Various Locations (< +/--\$100K)	\$ 289,138,686	\$ 289,655,106	\$ 516,420
	Total	\$ 396,390,970	\$ 418,759,347	\$ 22,368,377

**New England Power Company**  
**September 1, 2003 through August 31, 2004**  
**Transmission Plant in Service - Lines & Substations**

**Summary of Substations by Location (=/> +/--\$100K)**

Location ID (subs)	Description	Balance as of 01-Sep-2003	Balance as of 31-Aug-2004	Difference
0045	Traveling Substations - See Below	\$ 3,445,259	\$ 15,213	\$ (3,430,046)
0125	East Tewksbury	\$ 857,139	\$ 528,054	\$ (329,085)
0105	East Beverly - Cole St	\$ 4,388,631	\$ 4,136,958	\$ (251,673)
0104	Depot St	\$ 353,017	\$ 252,712	\$ (100,306)
0120	Sandy Pond	\$ 18,876,507	\$ 18,980,748	\$ 104,241
0014	Ayer	\$ 4,239,815	\$ 4,354,001	\$ 114,186
0112	Carpenter Hill	\$ 5,245,756	\$ 5,380,346	\$ 134,591
0284	Tewksbury	\$ 11,779,115	\$ 11,920,454	\$ 141,339
1244	Mobile Sub	\$ -	\$ 144,370	\$ 144,370
1243	Mobile Sub	\$ -	\$ 144,370	\$ 144,370
0078	Comerford Station	\$ 5,640,206	\$ 5,804,211	\$ 164,005
1241	Mobile Sub	\$ -	\$ 222,127	\$ 222,127
1247	Mobile Switcher	\$ -	\$ 232,724	\$ 232,724
1248	Mobile Switcher	\$ -	\$ 232,724	\$ 232,724
0329	River St - Beverly	\$ 2,226,437	\$ 2,461,668	\$ 235,231
0119	Vilas Bridge	\$ 260,022	\$ 506,470	\$ 246,448
1245	Mobile Sub	\$ -	\$ 288,093	\$ 288,093
0029	Spare Equipment	\$ 916,732	\$ 1,223,934	\$ 307,202
0089	Everett	\$ 2,251,004	\$ 2,689,800	\$ 438,796
0156	East Methuen	\$ 1,672,252	\$ 2,136,926	\$ 464,674
0079	Moore Station	\$ 3,914,405	\$ 4,445,532	\$ 531,127
0319	Burt Road - Executive Place	\$ 2,043,823	\$ 2,624,536	\$ 580,712
0155	North Quincy	\$ 5,777,194	\$ 6,411,357	\$ 634,163
0123	Northboro Road	\$ 6,855,208	\$ 7,764,802	\$ 909,594
1246	Mobile Sub	\$ -	\$ 1,030,858	\$ 1,030,858
1242	Mobile Sub	\$ -	\$ 1,134,781	\$ 1,134,781
0052	Read St	\$ 2,811,440	\$ 4,127,746	\$ 1,316,306
0099	King St	\$ 4,992,828	\$ 7,716,478	\$ 2,723,651
0154	Billerica	\$ 553,470	\$ 4,130,665	\$ 3,577,194
	Sub-Total	\$ 89,100,263	\$ 101,042,658	\$ 11,942,395
	Various Locations (< +/--\$100K)	\$ 323,330,514	\$ 324,138,767	\$ 808,253
	Total	\$ 412,430,777	\$ 425,181,425	\$ 12,750,648

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 2

Request:

Why are Rhode Island costs increasing with regard to the NEP Integrated Facilities Agreements?  
What regulatory agency approves these costs/agreements?

Response:

As indicated in the response to TEC-RI Data Request 1-4, the portion of NEP's transmission revenue requirement under Tariff No. 9 associated with the Integrated Facilities Agreements (IFAs) increased approximately \$3.6 million from the prior 12-month period. As a Tariff No. 9 customer, Narragansett would pay a portion of these NEP level costs (approximately 22.28%). This increase results from the Narragansett IFAs providing for collection of actual operation and maintenance (O&M) expenses and the Massachusetts Electric Company (MECo) IFA providing for annual cost updates. The Narragansett O&M expenses increased approximately \$2.1 million over the past 12-month period. Additionally, the MECo annual update resulted in an additional \$1.5 million of charges to NEP over the same 12-month period.

The four IFAs between NEP and Narragansett and the IFA between NEP and MECo were filed with and approved by the Federal Energy Regulatory Commission (FERC) as indicated below. The recovery of the costs for the expenses listed above is provided for in these agreements/tariffs.

<b>Integrated Facilities Agreements</b>	<b>Filed</b>	<b>Docket No.</b>	<b>Approved</b>
Narragansett Electric Company	11/07/1995	ER96-298-000	01/05/1996
Newport Electric Corporation (Rate Schedule 7)	04/13/1999	ER99-2469- 000	08/02/1999
Blackstone Valley Electric Company (Rate Schedule 19)	1975	E-8524	03/17/1975
Blackstone Valley Electric Company (Rate Schedule 21)	03/05/1990	ER90-247-000	05/04/1990
Massachusetts Electric Company	03/31/2003	ER03-678-000	06/06/2003

Prepared by or under the supervision of: Carol A. Currier

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 3

Request:

Has Narragansett ever asked for an audit under NEP Tariff No. 9?

Response:

Although Narragansett Electric Company has the right to request an audit of NEP's accounts and records under Section 7.5 of NEP's Tariff No. 9, it has not specifically requested such an audit.

Prepared by or under the supervision of: Carol A. Currier

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 4

Request:

Explain when determinations of cost increases are made by NEP (under Tariff 9). What is the administrative process, if any, at FERC? Is any jurisdictional entity reviewing the cost increase? Who has the right to trigger an audit under the audit provision of the Tariff?

Response:

Revenue requirements under NEP's Tariff No. 9 are calculated pursuant to a formula rate filed with and approved by FERC. The approved formula rate permits NEP to recover its actual costs for cost components approved as part of the cost of service formula. Thus FERC approves the formula, but does not specifically review the Tariff No. 9 costs. It may, however, audit the application of NEP's formula. In addition, NEP and Transmission Customers have the right under Section 7.5 of NEP's Tariff No. 9 to audit each other's accounts and records.

Prepared by or under the supervision of: National Grid USA Legal Department

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 5

Request:

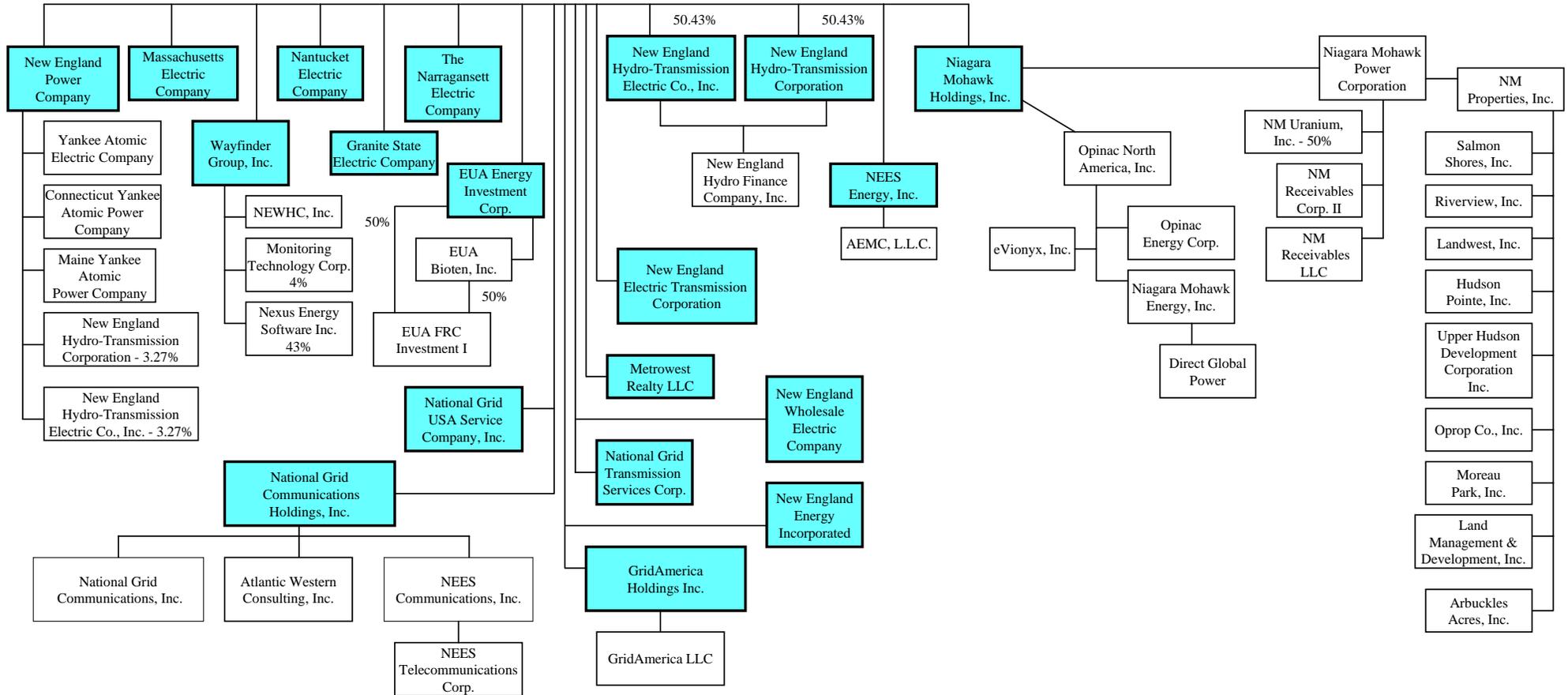
Please provide an organizational chart of National Grid USA.

Response:

See attached.

Prepared by or under the supervision of: National Grid USA Legal Department

# National Grid USA Corporate Structure



THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 6

Request:

Is the rate of return that Narragansett receives under the IFA equivalent to the NEP rate of return?

Response:

As indicated in the chart below, the Narragansett IFAs referenced in the Company's response to RR-2 have differing return on equity levels and effective rates of return (ROR) than the return on equity level and effective rate of return under NEP's Tariff No. 9. Such differences reflect the capital structures and cost of monies as allowed for and provided in these FERC-approved agreements/tariffs.

<b>Integrated Facilities Agreements:</b>	<b>Return on Equity</b>	<b>Rate of Return</b>	<b>Capital Structure</b>
Narragansett Electric Company	11.00%	9.29%	Fixed
Newport Electric Corporation (Rate Schedule 7)	10.25%	9.68%	Updated Annually
Blackstone Valley Electric Company (Rate Schedule 19)	12.76%	10.12%	Fixed
Blackstone Valley Electric Company (Rate Schedule 21)	10.25%	9.68%	Updated Annually
<b>New England Power Company (Tariff No. 9)</b>	10.25%	9.37%	Updated Monthly

Prepared by or under the supervision of: Carol A. Currier

Record Request 7

Request:

What is National Grid's position with regard to the socialization of costs of reactive power across the New England Region?

Response:

National Grid supports a cost allocation where the costs of transmission facilities required to maintain regional reliability and to enhance the efficiency and competitiveness of the wholesale markets for the benefit of all customers are paid for by all regional ratepayers as beneficiaries of those facilities. National Grid also supports a cost allocation where in instances that the benefits of an upgrade will accrue primarily to readily identifiable subsets of the region's customers, the costs are appropriately assigned to those discrete groups. Reactive power is a fundamental component for the transmission of electricity and an essential component of the regional power system that benefits all customers and not an identifiable subset of customers. Therefore, consistent with the allocation of transmission facility costs, the costs for reactive power support should generally be paid for by all customers in the region as beneficiaries of the system wide reliability that an adequate supply of reactive power creates.

Prepared by or under the supervision of: Paul R. Renaud

Record Request 8

Request:

Has the reactive power issue arisen with the development of the competitive wholesale market and how does it compare with the pre-deregulation era?

Response:

Reactive power has always been an issue that system planners and operators had to deal with due to the nature of the power system and has not arisen with the development of the competitive wholesale market. However, with the development of such markets, system planners and operators might be required to react in different time scales than they have in the past because changes to the power system might occur more frequently than in the past. What has changed from the pre-restructuring era to today's market environment is the transparency of how the costs for reactive power support are collected. In the pre-restructuring era, costs were included in a bundled cost of service rate for integrated utilities and passed to the utilities' customers, both affiliates and non-affiliates. In the post-restructuring era in New England, independent power producers collect their costs through a separate schedule in the NEPOOL tariff. In both cases, rates are calculated to recover the costs for supplying reactive power based on cost of service principles.

Prepared by or under the supervision of: Paul R. Renaud

THE NARRAGANSETT ELECTRIC COMPANY  
R.I.P.U.C. No. 3648 – Annual Reconciliation Filing  
Responses to Record Requests

Record Request 9

Request:

What is the most recent year that CTC charges have been resolved?

Response:

The last CTC reconciliation settled with the Rhode Island parties was 1999.

Prepared by or under the supervision of: Michael D. Laflamme

**Certificate of Service**

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



\_\_\_\_\_  
Joanne M. Scanlon

December 20, 2004  
Date

**Narragansett Electric Co. – Annual Reconciliation Filing – Dkt. 3648**  
**Service list as of 12/08/04**

<b>Name/Address</b>	<b>E-mail Distribution</b>	<b>Phone/FAX</b>
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	<a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>	
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