

May 20, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

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

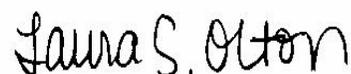
RE: Docket 3678 - The Narragansett Electric Company, Terms and Conditions for Distribution Service, Off-Cycle Meter Reads for Switch of Suppliers Responses to Division Data Requests – Set 1

Dear Ms. Massaro:

Enclosed please find ten (10) copies of The Narragansett Electric Company's responses to the Division's Data Requests issued on May 11, 2005 in the above-captioned proceeding.

Thank you for your attention to this filing. If you have any questions regarding this transmittal, please feel free to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Paul Roberti, Esq.
Steve Scialabba, Division
John Farley, TEC-RI

THE NARRAGANSETT ELECTRIC COMPANY
R.I.P.U.C. Docket No. 3678 – Off Cycle Meter Reads
Responses to Division Data Requests
Issued on May 11, 2005

Division Data Request 1-1

Request:

Notation 3 on pages 1 and 2 of Attachment 4 refers to “2004 National Grid USA Service Company overheads for Load Data Services (82.46%)”. Please provide backup information, including calculations and any report filed with any agency substantiating these overheads.

Response:

In assembling the response to this request, the Company discovered two issues requiring adjustment to the Service Company overhead rates included in the Tariff Advice filing. The first relates to incorrect Time Not Worked overhead rates (discussed further below) for the months of January through April 2004.

The second relates to a change in the methodology for calculating the Insurance, Taxes and Benefits overhead rate component. Prior to May 2004, department specific overhead rates were calculated for the Insurance, Taxes and Benefits overhead component, and those department specific rates were included in the twelve-month average total overhead rate used in the Tariff Advice filing. Beginning in May 2004, a Service Company average rate, consistent across all Service Company departments, is being used for this overhead component. In order to more accurately estimate future overhead rates, an eight month (May – December 2004) average rate for the Insurance, Taxes and Benefits component has been incorporated in the attached calculation of the corrected Service Company overhead rates. Because the Insurance, Taxes and Benefits component of the total overhead rate was the only department specific rate included in the total overhead rates prior to May 2004, the corrected Service Company total overhead rate is the same for all Service Company departments. Attached, please find the corrected calculation of the total Service Company Overhead rate along with a revised Attachment 4. As shown on the revised Attachment 4, incorporating the corrected Service Company overhead rate of 82.59% results in a minor change to the estimated costs to perform an off-cycle meter read from \$75.55 to \$73.51 for a telemetered service, and from \$105.93 to \$104.59 for a non-telemetered service. Because the differences are minor, no changes are being proposed to the \$75 and \$105 filed rates.

The attached schedule details the individual components of the corrected Service Company overhead rate. These individual cost components are billed by the Service Company to National Grid operating companies as an adder to Service Company payroll. The individual components of the total overhead rate are:

1. Time Not Worked - represents the actual monthly accrual rate for time not worked (vacation time, sick time, holidays etc.). Time not worked is accrued to a clearing pool against which actual employee time not worked is charged. A detailed

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Division Data Request 1-1 Continued

monthly review is performed and results in a change in the monthly accrual rate, if necessary.

2. Insurance, Taxes and Benefits - represents overheads for items such as employee pension and postretirement benefits, healthcare and workers compensation insurance, payroll taxes, etc. The sum of these monthly costs is divided by total monthly Service Company payroll in arriving at the monthly overhead rate.
3. Service Company Operating costs - represents general Service Company corporate operating expenses. The monthly overhead rates for this item are based on total monthly expense divided by total monthly Service Company payroll.
4. Service Company Equity - represents the Service Company's allowed equity return billing to the operating companies and is derived by dividing the total monthly return by total monthly Service Company payroll.
5. National Grid Goals/Bonus - represents the actual booked monthly accrual rates for those employee benefits. These monthly accruals are also adjusted periodically to reconcile the actual benefit amount, when ultimately determined, to the cumulative accrual.

As explained above, total payroll overheads of the Service Company are ultimately billed to the operating companies as a percent of actual Service Company payroll charged to the individual operating company. The Service Company is not required to file a report with any agency listing departmental overhead rates.

Prepared by or under the supervision of:
Ronald Allen

THE NARRAGANSETT ELECTRIC COMPANY
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Attachment to Request 1-1

National Grid USA Service Company

Overhead Accrual Rates
Year Ended December 31, 2004

	Time Not <u>Worked</u>	Insurance, Taxes <u>and Benefits</u>	Service Company <u>Operating Costs</u>	Service Company <u>Equity</u>	National Grid <u>Goals/Bonus</u>	<u>Total</u>
January	15.00%	(a)	5.58%	5.88%	7.10%	33.56%
February	14.50%	(a)	6.76%	0.83%	-0.80%	21.30%
March	14.50%	(a)	7.15%	-1.82%	6.80%	26.63%
April	16.00%	(a)	2.87%	1.46%	3.00%	23.34%
May	16.00%	41.45%	2.00%	2.27%	4.70%	66.42%
June	16.00%	41.45%	2.00%	1.54%	4.70%	65.69%
July	14.00%	86.50%	2.00%	2.70%	5.80%	111.00%
August	14.00%	70.80%	10.00%	2.39%	4.76%	101.95%
September	16.00%	55.20%	-1.10%	3.42%	5.02%	78.54%
October	16.00%	49.70%	-2.00%	4.34%	5.26%	73.30%
November	15.50%	56.20%	-2.00%	4.57%	5.63%	79.90%
December	<u>17.00%</u>	<u>61.40%</u>	<u>-4.30%</u>	<u>-2.31%</u>	<u>6.35%</u>	<u>78.14%</u>
Average	15.38%	(a) 57.84%	2.41%	2.11%	4.86%	82.59%

(a) Effective May 2004, the Insurance, Taxes and Benefits Overhead rate was changed from a department specific rate to a total Service Company average rate. In order to better approximate the future rate for this overhead component, an eight month (May - December) average was used.

Narragansett Electric Company
Off cycle read for switch to competitive supplier

Interval Data Meters With Remote Interrogation (Telemetered)

Fee for Managing Off cycle read for switch to competitive supplier

Transaction Costs

1	Cost of Labor for Supplier Services	\$25.00	1/
2	Estimated Time Required to Receive Call and Notify Others	<u>0.25</u>	2/
3	Cost of Labor to Process Request	\$6.25	
4	Labor-Related Overheads for Supplier Services	<u>\$5.16</u>	4/
5	Total Supplier Services Cost of Processing Request	<u>\$11.41</u>	
6			
7	Cost of Labor per Hour for Load Data Analyst to Process Request	\$30.00	1/
8	Estimated Time Required to Calculate Meter Reading & Switch Supplier Loads	<u>1.00</u>	2/
9	Cost of Labor to Process Request	\$30.00	
10	Labor-Related Overheads for Load Data Services	<u>\$24.78</u>	3/
11	Total Load Data Cost of Processing Request	<u>\$54.78</u>	
12			
13	Cost of Labor per Hour for Customer Service Rep to Process Switch	\$16.03	1/
14	Estimated Time Required to Complete Switch	<u>0.25</u>	2/
15	Cost of Labor to Process Switch	\$4.01	
16	Labor-Related Overheads for Customer Services	<u>\$3.31</u>	4/
17	Total Customer Service Cost of Processing Request	<u>\$7.32</u>	
18			
19			
20	Total Transaction Costs for off cycle read for switch to competitive supplier	\$73.51	

- 1/ Estimated average hourly wage per analyst provided by department manager.
- 2/ Estimated time required to complete transaction per department manager.
- 3/ 2004 National Grid USA Service Company overheads for Load Data Services (82.59%)
- 4/ 2004 National Grid USA Service Company overheads for Supplier Services and Customer Service (82.59%)

Narragansett Electric Company
Off cycle read for switch to competitive supplier

Interval Data Meters Without Remote Interrogation (Non-Telemetered)

Fee for Managing Off cycle read for switch to competitive supplier

Transaction Costs

Cost of Labor for Supplier Services	\$25.00	1/
Estimated Time Required to Receive Call and Notify Others	<u>0.25</u>	2/
Cost of Labor to Process Request	\$6.25	
Labor-Related Overheads for Supplier Services	<u>\$5.16</u>	4/
Total Supplier Services Cost of Processing Request	<u>\$11.41</u>	
Cost of Labor per Hour for Meter Worker	\$24.89	1/
Estimated Time Required to Probe Meter	<u>0.50</u>	2/
Cost of Labor to Probe Meter	\$12.44	
Labor-Related Overheads for Narragansett Electric union overhead rates	<u>\$14.94</u>	5/
Total Meter Worker Cost to Read Meter	\$27.38	
Transportation Costs to Read Meter	<u>\$3.71</u>	6/
Total Cost to Read Meter	<u>\$31.09</u>	
Cost of Labor per Hour for Load Data Analyst to Process Request	\$30.00	1/
Estimated Time Required to Calculate Meter Reading & Switch Supplier Loads	<u>1.00</u>	2/
Cost of Labor to Process Request	\$30.00	
Labor-Related Overheads for Load Data Services	<u>\$24.78</u>	3/
Total Load Data Cost of Processing Request	<u>\$54.78</u>	
Cost of Labor per Hour for Customer Service Rep to Process Switch	\$16.03	1/
Estimated Time Required to Complete Switch	<u>0.25</u>	2/
Cost of Labor to Process Switch	\$4.01	
Labor-Related Overheads for Customer Services	<u>\$3.31</u>	4/
Total Customer Service Cost of Processing Request	<u>\$7.32</u>	
Total Transaction Costs for off cycle read for switch to competitive supplier	\$104.59	

Estimated average hourly wage per analyst provided by department manager.
Estimated time required to complete transaction per department manager
2004 National Grid USA Service Company overheads for Load Data Services (82.59%)
2004 National Grid USA Service Company overheads for Supplier Services and Customer Service (82.59%)
2004 Narragansett Electric Company union overhead rate (120.04%)
Reflects estimated transportation charges based on 0.5 hour of actual average transportation rate for a light duty pickup truck.

THE NARRAGANSETT ELECTRIC COMPANY
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Division Data Request 1-2

Request:

Please provide the same information requested in Div. 1-1 above for notation 4 on Pages 1 and 2 of Attachment 4, “2004 National Grid USA Service Company overheads for Supplier Services and Customer Service (102.85%).”

Response:

Please see the response to Division Data Request 1-1 for a discussion of the corrected Service Company overhead rate of 82.59%. This corrected Service Company overhead rate applies to all departments.

Prepared by or under the supervision of:
Ronald Allen

THE NARRAGANSETT ELECTRIC COMPANY
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Division Data Request 1-3

Request:

Please provide the same information requested in Div. 1-1 and Div. 1-2 above for notation 5 on Page 2 of attachment 4, “2004 Narragansett Electric Company union overhead rate (114.37%)”.

Response:

In assembling the response to this request, the Company discovered an issue requiring adjustment to Narragansett’s union overhead rate included in the Tariff Advice filing. The issue relates to incorrect Time Not Worked overhead rates (discussed further below) for the months of January through April 2004. Attached, please find the corrected calculation of the total Narragansett union overhead rate of 120.04%.

The attached schedule details the individual components of the corrected Narragansett union overhead rate. The individual components of the total overhead rate are:

1. Time Not Worked Rate - represents the actual monthly accrual rate for time not worked (vacation time, sick time, holidays etc.). Time not worked is accrued to a clearing pool against which actual employee time not worked is charged. A detailed monthly review is performed and results in a change in the monthly accrual rate, if necessary.
2. Insurance, Taxes and Benefits - represents overheads for items such as employee pension and postretirement benefits, healthcare and workers compensation insurance, payroll taxes, etc. The sum of these monthly costs is divided by total Company monthly payroll in arriving at the monthly overhead rate.
3. National Grid Goals/Bonus - represent the actual booked monthly accrual rates for those employee benefits. These monthly accruals are also adjusted periodically to reconcile the actual benefit amount, when ultimately determined, to the cumulative accrual
4. Supervision and Administration – represents the actual supervision and administration overhead rate billed by the Company.

Also, please see the response to Division Data Request 1-1 for the impact of incorporating this corrected Narragansett union overhead rate on the estimated cost of providing off-cycle meter reads.

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Ronald Allen

THE NARRAGANSETT ELECTRIC COMPANY
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Attachment to Request 1-3

Narragansett Electric Company

Overhead Accrual Rates
Year Ended December 31, 2004

	<u>Time Not Worked Rate</u>	<u>Insurance, Taxes and Benefits</u>	<u>National Grid Goals/Bonus</u>	<u>Supervision and Administration</u>	<u>Union Total</u>
January	19.50%	50.00%	6.70%	26.04%	102.24%
February	23.00%	82.20%	-1.40%	30.21%	134.01%
March	23.00%	76.40%	0.70%	29.67%	129.77%
April	19.50%	73.60%	3.10%	29.87%	126.07%
May	19.50%	73.60%	4.70%	29.67%	127.47%
June	19.50%	73.60%	4.70%	29.67%	127.47%
July	17.00%	42.50%	1.00%	24.08%	84.58%
August	18.50%	45.30%	1.14%	24.74%	89.68%
September	19.50%	68.90%	1.26%	28.45%	118.11%
October	21.50%	84.00%	1.22%	31.01%	137.73%
November	22.50%	70.80%	1.79%	29.26%	124.35%
December	<u>19.50%</u>	<u>86.30%</u>	<u>2.04%</u>	<u>31.18%</u>	<u>139.02%</u>
Average	20.21%	68.93%	2.25%	28.65%	120.04%

THE NARRAGANSETT ELECTRIC COMPANY
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Division Data Request 1-4

Request:

Have any of the costs which the Company has assigned to off-cycle meter read activity in the development of the new tariff also been assigned elsewhere in the development of Narragansett's cost of service and rates in Docket 3617? If so, please identify those costs.

Response:

Thus far in 2005, the Company has performed only seven off-cycle meter reads for a switch to competitive supplier, all of which were non-telemetered, and none prior to 2005. Consequently, the rates established in Docket 3617 reflected no specific costs for off-cycle meter reads.

Prepared by or under the supervision of:
Ronald Allen

THE NARRAGANSETT ELECTRIC COMPANY
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Division Data Request 1-5

Request:

Please provide an estimate of the revenue Narragansett expects would be generated annually under the proposed off cycle read rates of \$75 and \$105.

Response:

The Company has performed seven off-cycle non-telemetered reads so far in 2005. Assuming a similar level of activity during the last eight months of 2005, a near term annual revenue estimate of \$2,205 would be generated ($7 * 3 * \$105$).

Prepared by or under the supervision of:
Ronald Allen