



September 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 3689 – July 2005 Standard Offer Filing
Responses to Commission Data Request 1-7 and
Data Requests 3-1 and 3-2**

Dear Ms. Massaro:

Please find attached an original and nine copies of Narragansett Electric Company's responses to Commission Data Request 1-7 and Commission Data Requests 3-1 and 3-2.

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (508) 389-2877.

Very truly yours,

Laura S. Olton

Thomas G. Robinson
Laura S. Olton

cc: Docket 3689 Service List

Commission Data Request 1-7

Request:

Using the most up-to-date projections (please identify the dates used), please calculate the rate that would be necessary if the Commission were to allow a rate for effect September 1, 2005 through December 31, 2005 and then a second increase effective January 1, 2006 for the calendar year. For this calculation, please provide the response assuming both that the TransCanada fuel adjustment payments in the EUA Zone are included and that they are excluded.

Response:

For purposes of responding to this request, the Company is assuming that the initial rate will be in effect for the period October 2005 through December 2005 and the second increase effective for the period January 2006 through December 2006.

Based on natural gas and crude oil prices as reported in the Wall Street Journal on September 9, 12 and 13, 2005, the same as those the Company used in its September 16, 2005 update to its proposed Standard Offer rate, it would be necessary to implement a rate of 8.5¢ per kWh on October 1, 2005 in order to collect not only estimated Standard Offer base and fuel adjustment payments for the remainder of the year, but also a portion of the estimated September 2005 under recovery. The rate for the period January 1, 2006 through December 31, 2006 would in turn be 10.2¢ per kWh. This rate is designed collect all estimated Standard Offer expenses for 2006 and the remaining September 2005 under recovery. These calculations are provided in Attachment 1 to this response and include the disputed fuel index payments to TransCanada.

Attachment 2 replicates the calculation of the rates for both periods, this time eliminating the disputed fuel index payments. This calculation results in a rate for the period October 2005 through December 31, 2005 of 8.3¢ per kWh. For the period January 1, 2006 through December 31, 2006, the rate would be 10.0¢ per kWh.

Please note that, in developing the response to this data request, the Company performed an additional update of the fuel index based on natural gas and crude oil prices as reported in the Wall Street Journal on September 15, 16 and 19, 2005. The 12-month average rate for the period October 2005 through September 2006, if based on this fuel price forecast, would be slightly higher than the 9.7¢ per kWh rate filed in the Company's update on September 16, 2005. However, the Company has not used this forecast in calculating the above rates and is not proposing any further revisions to the 9.7¢ per kWh rate at this time. We are simply presenting this information as evidence that fuel prices are continuing to escalate. The Company will continue to monitor fuel prices on a daily basis and will update the Commission and other parties at the hearing on any significant changes that might occur in the fuel markets.

The Narragansett Electric Company
Calculation of Proposed Standard Offer Charge (Including Protested Fuel Index Payments)
Based on Fuel Price Estimates as Reported in the WSJ on September 9, 12 and 13, 2005

Section 1. Calculation of Three-month Average Standard Offer Rate for the period October 2005 through December 2005

| | Estimated Monthly Fuel Adjustment (a) | Current Base Standard Offer Charge (b) | Total Standard Offer Charge (c) | Projected Monthly kWhs (d) | Estimated Fuel Index Payments (e) | Estimated Base Standard Offer Expense (f) | Estimated Adjustments (g) | Estimated Total Standard Offer Expense (h) |
|----------|--|---|--|-------------------------------------|--|--|---|---|
| Oct-2005 | \$0.02269 | 0.05543 | \$0.07812 | 535,861,254 | \$12,158,692 | \$29,702,789 | \$699,302 | \$42,560,783 |
| Nov-2005 | \$0.02537 | 0.05543 | \$0.08080 | 553,713,744 | \$14,047,718 | \$30,692,353 | \$848,209 | \$45,588,279 |
| Dec-2005 | \$0.02876 | 0.05543 | \$0.08419 | <u>594,192,573</u> | <u>\$17,088,978</u> | <u>\$32,936,094</u> | <u>\$1,050,130</u> | <u>\$51,075,203</u> |
| | | | | 1,683,767,571 | \$43,295,388 | \$93,331,236 | \$2,597,641 | \$139,224,266 |
| | | | | | | | Three-twelvths of Estimated Under-Recovery through September 2005 | \$4,222,466 |
| | | | | | | | Total Expenses to be Recovered | \$143,446,731 |
| | | | | | | | Projected kWh Deliveries for the period Oct 2005 through Dec 2005 | 1,683,767,571 |
| | | | | | | | Average Standard Offer for the period Oct 2005 through Dec 2005 | \$0.0850 |

Section 2. Calculation of Twelve-month Average Standard Offer Rate for the period January 2006 through December 2006

| | Estimated Monthly Fuel Adjustment (a) | Current Base Standard Offer Charge (b) | Total Standard Offer Charge (c) | Projected Monthly kWhs (d) | Estimated Fuel Index Payments (e) | Estimated Base Standard Offer Expense (f) | Estimated Adjustments (g) | Estimated Total Standard Offer Expense (h) |
|----------|--|---|--|-------------------------------------|--|--|---|---|
| Jan-2006 | \$0.02879 | 0.05943 | \$0.08822 | 621,345,292 | \$17,888,531 | \$36,926,551 | \$1,159,915 | \$55,974,996 |
| Feb-2006 | \$0.03223 | 0.05943 | \$0.09166 | 588,848,345 | \$18,978,582 | \$34,995,257 | \$1,254,682 | \$55,228,521 |
| Mar-2006 | \$0.03535 | 0.05943 | \$0.09478 | 569,130,165 | \$20,118,751 | \$33,823,406 | \$1,329,327 | \$55,271,484 |
| Apr-2006 | \$0.03707 | 0.05943 | \$0.09650 | 541,810,568 | \$20,084,918 | \$32,199,802 | \$1,304,255 | \$53,588,975 |
| May-2006 | \$0.03875 | 0.05943 | \$0.09818 | 522,684,798 | \$20,254,036 | \$31,063,158 | \$1,237,557 | \$52,554,751 |
| Jun-2006 | \$0.04053 | 0.05943 | \$0.09996 | 553,987,109 | \$22,453,098 | \$32,923,454 | \$1,275,177 | \$56,651,728 |
| Jul-2006 | \$0.04194 | 0.05943 | \$0.10137 | 621,988,557 | \$26,086,200 | \$36,964,780 | \$1,361,793 | \$64,412,773 |
| Aug-2006 | \$0.04304 | 0.05943 | \$0.10247 | 651,605,530 | \$28,045,102 | \$38,724,917 | \$1,354,502 | \$68,124,521 |
| Sep-2006 | \$0.04277 | 0.05943 | \$0.10220 | 613,875,027 | \$26,255,435 | \$36,482,593 | \$1,210,260 | \$63,948,288 |
| Oct-2006 | \$0.04226 | 0.05943 | \$0.10169 | 543,899,173 | \$22,985,179 | \$32,323,928 | \$1,025,909 | \$56,335,016 |
| Nov-2006 | \$0.04164 | 0.05943 | \$0.10107 | 562,019,450 | \$23,402,490 | \$33,400,816 | \$1,046,559 | \$57,849,864 |
| Dec-2006 | \$0.04092 | 0.05943 | \$0.10035 | <u>603,105,462</u> | <u>\$24,679,075</u> | <u>\$35,842,558</u> | <u>\$1,132,812</u> | <u>\$61,654,445</u> |
| | | | | 6,994,299,475 | \$271,231,397 | \$415,671,218 | \$14,692,747 | \$701,595,362 |
| | | | | | | | Nine-twelvths of Estimated Under-Recovery through September 2005 | \$12,667,398 |
| | | | | | | | Total Expenses to be Recovered | \$714,262,759 |
| | | | | | | | Projected kWh Deliveries for the period Jan 2006 through Dec 2006 | 6,994,299,475 |
| | | | | | | | Average Standard Offer for the period Jan 2006 through Dec 2006 | \$0.1020 |

- (a) fuel index adjustments based on natural gas and crude oil futures prices as reported in the WSJ on September 9, 12, and 13
- (b) per wholesale contract
- (c) Column (a) + Column (b)
- (d) Company projection
- (e) Column (a) * Column (d)
- (f) Column (b) * Column (d)
- (g) from Exhibit JAL-1, page 1, column (g)
- (h) Column (e) + Column (f) + Column (g)

The Narragansett Electric Company
Calculation of Proposed Standard Offer Charge (Excluding Protested Fuel Index Payments)
Based on Fuel Price Estimates as Reported in the WSJ on September 9, 12 and 13, 2005

Section 1. Calculation of Three-month Average Standard Offer Rate for the period October 2005 through December 2005

| | Estimated Monthly Fuel Adjustment (a) | Current Base Standard Offer Charge (b) | Total Standard Offer Charge (c) | Projected Monthly kWhs (d) | Estimated Fuel Index Payments (e) | Estimated Base Standard Offer Expense (f) | Estimated Total Standard Offer Expense (h) |
|----------|--|---|--|-------------------------------------|--|---|---|
| Oct-2005 | \$0.02269 | 0.05543 | \$0.07812 | 535,861,254 | \$12,158,692 | \$29,702,789 | \$41,861,481 |
| Nov-2005 | \$0.02537 | 0.05543 | \$0.08080 | 553,713,744 | \$14,047,718 | \$30,692,353 | \$44,740,071 |
| Dec-2005 | \$0.02876 | 0.05543 | \$0.08419 | <u>594,192,573</u> | <u>\$17,088,978</u> | <u>\$32,936,094</u> | <u>\$50,025,073</u> |
| | | | | 1,683,767,571 | \$43,295,388 | \$93,331,236 | \$136,626,624 |
| | | | | | | Three-twelvths of Estimated Under-Recovery through September 2005 | <u>\$4,222,466</u> |
| | | | | | | Total Expenses to be Recovered | \$140,849,090 |
| | | | | | | Projected kWh Deliveries for the period Oct 2005 through Dec 2005 | 1,683,767,571 |
| | | | | | | Average Standard Offer for the period Oct 2005 through Dec 2005 | \$0.0830 |

Section 2. Calculation of Twelve-month Average Standard Offer Rate for the period January 2006 through December 2006

| | Estimated Monthly Fuel Adjustment (a) | Current Base Standard Offer Charge (b) | Total Standard Offer Charge (c) | Projected Monthly kWhs (d) | Estimated Fuel Index Payments (e) | Estimated Base Standard Offer Expense (f) | Estimated Total Standard Offer Expense (h) |
|----------|--|---|--|-------------------------------------|--|---|---|
| Jan-2006 | \$0.02879 | 0.05943 | \$0.08822 | 621,345,292 | \$17,888,531 | \$36,926,551 | \$54,815,082 |
| Feb-2006 | \$0.03223 | 0.05943 | \$0.09166 | 588,848,345 | \$18,978,582 | \$34,995,257 | \$53,973,839 |
| Mar-2006 | \$0.03535 | 0.05943 | \$0.09478 | 569,130,165 | \$20,118,751 | \$33,823,406 | \$53,942,157 |
| Apr-2006 | \$0.03707 | 0.05943 | \$0.09650 | 541,810,568 | \$20,084,918 | \$32,199,802 | \$52,284,720 |
| May-2006 | \$0.03875 | 0.05943 | \$0.09818 | 522,684,798 | \$20,254,036 | \$31,063,158 | \$51,317,193 |
| Jun-2006 | \$0.04053 | 0.05943 | \$0.09996 | 553,987,109 | \$22,453,098 | \$32,923,454 | \$55,376,551 |
| Jul-2006 | \$0.04194 | 0.05943 | \$0.10137 | 621,988,557 | \$26,086,200 | \$36,964,780 | \$63,050,980 |
| Aug-2006 | \$0.04304 | 0.05943 | \$0.10247 | 651,605,530 | \$28,045,102 | \$38,724,917 | \$66,770,019 |
| Sep-2006 | \$0.04277 | 0.05943 | \$0.10220 | 613,875,027 | \$26,255,435 | \$36,482,593 | \$62,738,028 |
| Oct-2006 | \$0.04226 | 0.05943 | \$0.10169 | 543,899,173 | \$22,985,179 | \$32,323,928 | \$55,309,107 |
| Nov-2006 | \$0.04164 | 0.05943 | \$0.10107 | 562,019,450 | \$23,402,490 | \$33,400,816 | \$56,803,306 |
| Dec-2006 | \$0.04092 | 0.05943 | \$0.10035 | <u>603,105,462</u> | <u>\$24,679,075</u> | <u>\$35,842,558</u> | <u>\$60,521,633</u> |
| | | | | 6,994,299,475 | \$271,231,397 | \$415,671,218 | \$686,902,615 |
| | | | | | | Nine-twelvths of Estimated Under-Recovery through September 2005 | <u>\$12,667,398</u> |
| | | | | | | Total Expenses to be Recovered | \$699,570,013 |
| | | | | | | Projected kWh Deliveries for the period Jan 2006 through Dec 2006 | 6,994,299,475 |
| | | | | | | Average Standard Offer for the period Jan 2006 through Dec 2006 | \$0.1000 |

- (a) fuel index adjustments based on natural gas and crude oil futures prices as reported in the WSJ on September 9, 12, and 13
- (b) per wholesale contract
- (c) Column (a) + Column (b)
- (d) Company projection
- (e) Column (a) * Column (d)
- (f) Column (b) * Column (d)
- (g) Column (e) + Column (f)

Commission Data Request 3-1

Request:

Please provide responses to the following scenarios using the same dates as in Data Response 1-7:

- a) The rate changes to 8.2 cents per kWh for usage on and after October 1, 2005 and remains in effect through December 31, 2005. Please calculate the under-collection as of December 31, 2005. Please calculate the rate for usage on and after January 1, 2006 assuming a negligible under- or over-collection as of December 31, 2006.
- b) The rate changes to 8.2 cents per kWh for usage on and after October 1, 2005 and remains in effect through December 31, 2005. Please calculate the rate for usage on and after January 1, 2006 designed to result in a negligible under- or over-collection as of May 31, 2006.
- c) The rate changes to 8.2 cents per kWh for usage on and after October 1, 2005 and remains in effect through December 31, 2005. Please calculate the rate for usage on and after January 1, 2006 designed to result in a negligible under- or over-collection as of March 31, 2006. Please calculate the rate for usage on and after April 1, 2006, assuming a negligible over- or under-collection as of June 30, 2006.
- d) The rate changes to 8.2 cents per kWh for usage on and after October 1, 2005 and remains in effect through March 31, 2006. Please calculate the under-collection as of March 31, 2006. Please calculate the rate for usage on and after April 1, 2006 assuming a negligible under- or over-collection as of December 31, 2006.

Response:

- a) With a standard offer rate of 8.2¢ per kWh for the period October 1, 2005 through December 31, 2005, the estimated under recovery at December 31, 2005 is approximately \$14.4 million. In order to eliminate an estimated deferral balance of approximately \$145.9 million at December 31, 2006, the estimated standard offer rate for the period January 1, 2006 through December 31, 2006 would need to be 10.2¢ per kWh.
- b) With a standard offer rate of 8.2¢ per kWh for the period October 1, 2005 through December 31, 2005, the estimated standard offer rate for the period January 1, 2006 through May 31, 2006 would need to be 10.2¢ per kWh to eliminate an estimated deferral balance of approximately \$56.7 million at May 31, 2006.

Commission Data Request 3-1 (continued)

- c) With a standard offer rate of 8.2¢ per kWh for the period October 1, 2005 through December 31, 2005, the estimated standard offer rate for the period January 1, 2006 through March 31, 2006 would need to be 10.4¢ per kWh to eliminate an estimated deferral balance of approximately \$38.3 million at March 31, 2006. In order to eliminate an estimated deferral balance of approximately (\$9.9) million at June 30, 2006, the estimated standard offer rate for the period April 1, 2006 through June 30, 2006 would need to be 9.8¢ per kWh.
- d) With a standard offer rate of 8.2¢ per kWh for the period October 1, 2005 through March 31, 2006, the estimated under recovery at March 31, 2006 is approximately \$38.3million. In order to eliminate an estimated deferral balance of approximately \$145.9 million at December 31, 2006, the estimated standard offer rate for the period April 1, 2006 through December 31, 2006 would need to be 10.9¢ per kWh.

Prepared by or under the supervision of: Jeanne A. Lloyd

Commission Data Request 3-2

Request:

Please calculate the projected under-recovery expected as of September 30, 2006 and December 31, 2006 if the rate changed to 9.3 cents per kWh on October 1, 2006.

Response:

If the standard offer rate for the period October 1, 2006 through December 31, 2006 were set at 9.3¢ per kWh, the estimated under recovery balance at September 30, 2006 would be approximately \$34.4 million and the estimated under recovery balance at December 31, 2006 would be approximately \$47.3 million.

Prepared by or under the supervision of: Jeanne A. Lloyd

Certificate of Service

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



Joanne M. Scanlon
The Narragansett Electric Company

September 20, 2005
Date

Narragansett Electric Co. – Standard Offer Rate Filing – Docket 3689
Service list as of 09/12/05

| Name/Address | E-mail Distribution | Phone/FAX |
|---|--|------------------------------|
| Laura Olton, Esq. Narragansett Electric Co. 280 Melrose St. PO Box 1438 Providence, RI 02901-1438 | Laura.olton@us.ngrid.com | 401-784-7667 401-784-4321 |
| | Ronald.Gerwatowski@us.ngrid.com | |
| | Joanne.scanlon@us.ngrid.com | |
| Paul Roberti, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903 | Proberti@riag.ri.gov | 401-222-2424 401-222-3016 |
| | Steve.scialabba@ripuc.state.ri.us | |
| | RDIMeglio@riag.ri.gov | |
| | David.stearns@ripuc.state.ri.us | |
| John Farley, Executive Director The Energy Council of RI One Richmond Square Suite 340D Providence, RI 02906 | jfarley316@hotmail.com | 401-621-2240 401-621-2260 |
| William Lueker, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903 | Wlueker@riag.ri.gov | 401-222-2424 401-222-3016 |

| | | |
|--|--|------------------------------|
| B. Jean Rosiello, Esq. 340 Olney St. Providence, RI 02906 | jeanrosiello@cox.net | 401-751-5090 401-751-5096 |
| Mary L. Cataudella, Esq. Robinson & Cole LLP One Boston Place Boston, MA 02108-4404 | mcataudella@rc.com | 617-557-5941 617-557-5999 |
| Patrick Jeffery, VP – Govt. Affairs NE Direct Energy Services LLC 263 Tresser Blvd., 8th Floor Stamford, CT 06901 | pjeff@na.centrica.com | 207-604-0364 203-328-3545 |
| Original & nine (9) copies file w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02889 | Lmassaro@puc.state.ri.us | 401-941-4500 401-941-1691 |
| | Cwilson@puc.state.ri.us | |
| | Anault@puc.state.ri.us | |
| W. Mark Russo, Esq. | mrusso@frlawri.com | |