



1. Please provide supporting documentation for the sludge disposal rates utilized on Schedule WEE-7.

Answer: The biosolids disposal rates are in accordance with the April 2004 Biosolids Processing Services agreement between Rhode Island Resource Recovery Corporation and NBC. The base rate at Bucklin Point as of January 1, 2005 and at Field's Point as of December 1, 2005 was established at \$325 per dry ton. This rate is to remain in effect until twelve months after completion of a dewatering facility at Field's Point. At that point, per the contract, an escalation factor will be applied based on the increase in CPIUs between the 2006 CPIU and the base rate CPIU of 2001. The resulting increase to the current rate is projected to take place in March 2007.

Please see the attached documentation with regard to the calculation of the increased rate. A copy of the contract is available upon request.

Prepared by WEE

## Calculation of FY 2007 Biosolids Disposal Rate

### Calculation of Escalation Factor:

Projected 2006 CPIU	224.78
Divided by:	
Base 2001 CPIU	<u>191.65</u>
Escalation Factor	1.173

### Calculation of FY 2007 Biosolids Disposal Rate:

Current Biosolids Disposal Rate	\$	325
Multplied by Escalation Factor		<u>1.173</u>
Projected March 2007 Biosolids Disposal Rate	\$	381.18

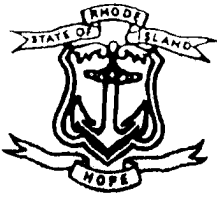
2. Please provide supporting documentation for the 17.17 percent union pension contribution rate utilized on Schedule WEE-5.

Answer: The union pension rate used in the filing was based on planning information provided by the Rhode Island State Budget Office. A copy of the State Planning Values is attached. Subsequent to the filing, the Employees' Retirement System of Rhode Island notified NBC that the actual rate effective July 1, 2006 will be 18.4%, which is 7.2% higher than filed. Based on the revised pension rate, union pension expense will increase in the rate year by an additional \$62,081.

Prepared by WEE

**Table 1**  
**Planning Values for the FY 2006 Revised and FY 2007 Budgets**

	RI-SAIL Natural Account	Former BOC	FY 2006 Enacted Budget	FY 2006 Revised Budget	FY 2007 Estimates	Notes
<b>Retirement</b>						
State Employees						
Regular	621000	280	14.84%	14.84%	17.17%	Applied to salaries of permanent employees.
Judges	621200	276	35.51%	35.51%	35.51%	Applied to salaries of judges hired after 12/31/89.
State Police	621100	277	31.35%	31.35%	31.35%	Applied to salaries of State Police hired after 7/1/87.
Teachers	655300	472	16.47%	16.47%	18.90%	
State Share			6.75%	6.75%	7.75%	
Local Share			9.72%	9.72%	11.15%	
Retiree Health Insurance	628300	294	2.04%	2.25%	2.41%	Applied to salaries of permanent employees.
<b>FICA</b>						
Social Security Rate	621700	281	6.20%	6.20%	6.20%	This portion of FICA is calculated on salaries and overtime up to an established level on a calendar year basis. The estimated salary limits for affected calendar years are: 2005 \$90,000 2006 \$93,300 (prelim.) 2007 \$96,700 (prelim.)
Medicare Tax		281	1.45%	1.45%	1.45%	This portion of FICA is applied to 100% of salaries and OT.
Assessed Fringe Benefit	628100	283	4.20%	3.80%	3.52%	Applies to direct salaries (excluding OT) (BOC 210,220,230,240,250,251,255)
Unemployment Compensation	628500	282	0	0	0	Budgeted under assessed fringe benefit
Worker's Compensation	various	570-579	0	0	0	Budgeted under assessed fringe benefit
WC - Discharge of Leave	617100	270				Expenditures for these are still part of agency payroll and should be budgeted as required.
WC - Assault Cases	617200	273				
<b>Cost of Living Adjustment</b>			0.00%	4.00%	3.00%	
<b>Holiday</b>						
	611500	205				Applied to BOC's 205, 246 and 256 from the FY 2005 enacted budget. FY 2007 has an additional holiday for Election Day 2006. Targets have been adjusted accordingly.
	613500	246				
	615500	256				



# Employees' Retirement System of Rhode Island

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*Executive Director*

## Rates Memo

**TO: Leah Foster,**  
**Narragansett Bay Commission**  
**One Service Road**  
**Providence, RI 02905**

**FROM: FRANK J KARPINSKI, Executive Director**

**DATE: November 10, 2005**

**RE: AGENCY# 2300, Narragansett Bay Commission**

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The following rates will be effective July 01 2006, for agency# 2300

<b>Employee</b>	<b>8.75%</b>
<b>Employer:</b>	<b>18.4%</b>
<b>Federally Funded:</b>	<b>0%</b>
<b>Dept of Education:</b>	<b>0%</b>

The following benefits exist for Agency# 2300

**Compounded COLA**

Please note these rates are based on the assumption that the same retirement benefit package will be offered for the entire period as was in place when the corresponding actuarial valuation was performed. If this will not be the case, these rates should not be used for budgeting purposes and you should contact our office as soon as possible so we can work with you to provide appropriate contribution rates.

Please contact me if you have any questions.

Rates Memo  
Rev. 11/10/05

3. With regard to Schedule WEE-6, please provide all workpapers showing the derivation of the projected rate year health insurance rates. Show the actual test year rate and the derivation of the average annual increase. Please provide an electronic copy of the calculations in Excel format.

Answer: The rates for PPO and HMO health insurance were derived using the family PPO three year average, as shown in the table below. The dental rates used are the actual locked in rates which will be in place in FY 2007, as per the attached Blue Cross contract. The vision rates have not changed from those currently in effect.

Health Insurance Rates

<u>PPO Plan:</u>		<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	Projected <u>FY 2007</u>	<u>3 Year Average</u>
	Family	339.97	427.41 25.72%	457.69 7.08%	491.92 7.48%	557.98 113.43%	13.43%
	Single	124.46	156.42 25.68%	167.5 7.08%	180.02 7.47%	204.20 113.43%	13.41%
<u>HMO Plan:</u>							
	Family	279.8	363.3 29.84%	395.05 8.74%	427.38 8.18%	484.78 113.43%	15.59%
	Single	102.43	132.96 29.81%	144.58 8.74%	156.41 8.18%	177.42 113.43%	15.58%

Prepared by WEE

# Blue Cross Dental

ACCOUNT NAME: Narragansett Bay Commission

Group: NBCR-nbcl

Current Carrier: Blue Cross Dental

Renewal Period: 7/1/2004-6/30/2008

As requested, Blue Cross Dental rates have been developed for the above account for the rate period indicated. The benefit structure is as follows:

## Non-Standard Enterprise Platinum Plan Option 4

Basic/Minor Restorative @ 100%  
Major Restorative @ 100%  
(Oral Surgery Unlimited - not subject to \$1,200 CY Max)  
Periodontics @ 50% (\$400 Calendar Year Maximum)  
Prosthodontics @ 50%  
Orthodontics @ 50% (w/ \$1,200 LT Max)  
\$1,200 CY Max  
Students to age 25  
Blue Cross Dental Coast-to-Coast Network

Rates	Individual	Family
7/1/2004-6/30/2005	\$26.39	\$73.21
7/1/2005-6/30/2006 *	\$27.71	\$76.87
7/1/2006-6/30/2007 **	\$29.37	\$81.48
7/1/2007-6/30/2008 ***	\$31.13	\$86.37

\* (Maximum renewal rates, based on a 5% rate cap for 7/2005 Renewal, assuming no benefit changes)  
\*\* (Maximum renewal rates, based on a 6% rate cap for 7/2006 Renewal, assuming no benefit changes)  
\*\*\* (Maximum renewal rates, based on a 6% rate cap for 7/2007 Renewal, assuming no benefit changes)

The above rates are based on enrollment of 65 individual and 188 family contracts and participation is assumed to be 100%.

If there are any significant changes to enrollment, (plus or minus 10%), then this proposal will need to be reevaluated. In addition, these proposed rates are based on the effective period indicated. Any deviation from these dates must be reevaluated by Underwriting to determine if rate adjustments are necessary.

This four year Prospective Proposal ('Proposal') sets forth the financial terms and conditions under which Blue Cross & Blue Shield of Rhode Island ('Blue Cross') will agree to provide dental coverage for Narragansett Bay Commission ('Account') as the exclusive carrier of dental benefits for the duration of this agreement.

This arrangement may be terminated for cause only, by either party, upon the failure of the other party to comply with the terms and conditions of the agreement, provided that the defaulting party shall be given at least 60 days prior written notice naming the specific areas of nonperformance or noncompliance with the agreement. The defaulting party will then have 30 days to respond to and correct any nonperformance or noncompliance issues. If the Account does terminate the arrangement without cause, liquidation damages equal to 10% of the first year premium will be assessed. This proposal is intended as an interim agreement and shall serve as the basis for a four year Prospective Agreement that will be entered into by the Account and Blue Cross within 45 business days of the execution of this Proposal.

If you are in agreement with the terms of the foregoing Proposal, kindly sign where indicated, acknowledging this Proposal. Upon the signature of an authorized representative of the Account, this Proposal will become binding upon the parties hereto. The terms of this Proposal shall take effect only upon such signature.

Agreed and Assented to:

Narragansett Bay Commission

By: \_\_\_\_\_

Its: Director of Admin Grace

Date: 6/24/04

Blue Cross & Blue Shield of Rhode Island

By: Matthew J. Eschering

Its: Vice President Sales

Date: MAY 07 2004



## Calculation of Dental Rates

### Calculation of Dental Rates:

	Family	Individual
Blue Cross Contract	\$ 81.48	\$ 29.37
Times 12	12	12
Annual Payment	\$ 977.76	\$ 352.44
<b>By Pay Period (divide by 26)</b>	<b>\$ 37.61</b>	<b>\$ 13.56</b>

4. Please identify the number of employees subscribing to each type and category of insurance as of the most recent date available.

Answer: See table below.

As of the payroll of 12/2/2005:

Blue Chip HMO	Individual	2
	Family	11
Healthmate Coast to Coast PPO	Individual	54
	Family	159
Dental	Individual	56
	Family	182
Vision	Individual	56
	Family	186
Health Waiver		16
Dental Waiver		4

Prepared by WEE

5. With regard to the requirement that employees hired after June 30, 2004 must pay a portion of their premiums if they elect to take the PPO option:

a. Please identify the current number of such employees and show the derivation of the amount those employees will contribute based on the new premiums reflected on WEE-6.

Answer: The Co-pay is a percentage of base salary not a percentage of the premium.

Currently, NBC has 14 employees who contribute by way of a co-pay. See table below.

Employee		Base Salary	Pay period	Pay Period
				Co-Pay Deduction
1	Family (2.7%)	42,245.19	1,624.81	43.87
2	Family (2.7%)	31,662.22	1,217.78	32.88
3	Family (2.7%)	31,209.63	1,200.37	32.41
4	Family (2.7%)	31,209.63	1,200.37	32.41
5	Family (2.7%)	29,996.30	1,153.70	31.15
6	Family (2.7%)	29,851.85	1,148.15	31.00
7	Family (2.7%)	29,851.85	1,148.15	31.00
8	Individual (1.2%)	32,153.33	1,236.67	14.84
9	Individual (1.2%)	31,655.00	1,217.50	14.61
10	Individual (1.2%)	31,308.33	1,204.17	14.45
11	Individual (1.2%)	31,308.33	1,204.17	14.45
12	Individual (1.2%)	31,221.67	1,200.83	14.41
13	Individual (1.2%)	31,221.67	1,200.83	14.41
14	Individual (1.2%)	29,835.00	1,147.50	13.77
<b>Total</b>		<b>444,730.00</b>	<b>17,105.00</b>	<b>335.66</b>

Prepared by WEE

5b. For all prospective new employee positions for which health insurance is included on Schedule WEE-6, please identify the assumptions made as to the type of coverage they will select and, for those assumed to take the PPO option, identify the contribution that will be required.

Answer: Schedule WEE-6 represents current employees as of the writing of my testimony. No assumptions were made as to new employees in the rate year. NBC believes the impact (if any) would be immaterial. Since NBC doesn't know which employees may leave (if any) and what coverage will be selected by their replacements it is very difficult to calculate a reasonable adjustment for this possibility. Furthermore, any change in the health insurance coverage would be recognized in the next rate filing.

**Prepared by WEE**

5c. Please explain how the employee contributions toward PPO coverage have been recognized for the rate year.

Answer: As can be seen from the chart in question 5a, the co-pay deduction is \$335.66 per pay period, which NBC determined to be de minimus for this abbreviated filing.

Prepared by: WEE

5d. Please identify the amount of employee contributions for PPO coverage received for the 12 months ending June 30, 2005.

Answer: During the 12 months ending June 30, 2005, the total employee contributions for the PPO coverage were \$2,534.42.

Prepared by WEE

6. Please state whether NBC has changed or is considering changes in the applicable employee population, the required contributions or the types of insurance subject to the health insurance employee contribution requirement. If yes, please provide complete details, including the expected employee contributions during the rate year that would result from the change.

Answer: NBC has not made any such changes. Nearly one half of NBC's employees are represented by unions and their benefits must be negotiated through the collective bargaining process. As part of the existing four-year collective bargaining agreement, the union and the NBC agree to reopen collective bargaining on the single subject of health and dental insurances under article 13 for the period commencing July 1, 2006. This process has yet to be initiated and any and all negotiations are confidential.

Prepared by WEE

7. Please provide supporting documentation for the natural gas supply and distribution costs reflected on Schedule WEE-9. If available, provide all updated information.

Answer: See attached quote from Select Energy. No updated information has been obtained. The distribution rates are the average distribution costs by cost center over the last fiscal year. Please see attachment for a supporting schedule for WEE-9.

Prepared by WEE



Celone, Sam

From: geronjo@selectenergy.com  
Sent: Wednesday, October 12, 2005 5:53 PM  
To: Celone, Sam  
Subject: Gas Price Projections

Hi Sam;

As you requested, I have run indicative projections for those facilities that we serve natural gas to.

Your large plant is under contract thru Nov. 05 when it was scheduled to close. I have run projections from Dec. 05 forward, for 1 and 2 years. It used 80,677 Dth in the last 12 months. Please let me know if there is a more realistic period that I should do this for based on the actual plans for the plant.

All prices are based on the basis costs as of today, and the Nymex settlement from 10/11/05.

Dec 05 start,	12 months	Basis \$2.588	Nymex \$11.80
Dec. 05 start,	24 months	Basis \$2.367	Nymex \$10.73

Your smaller accounts are under contract thru March 06. I have run indicative costs for them assuming an April 06 start, for 1 and 2 years, and out to Nov. 08 which is as far out as I can project at this time. I have assumed all accounts as non-cap in order to be able to run my own model on them. Collectively, they used 30,410 Dth in the last 12 months.

April 06 start	12 months	Basis \$2.673	Nymex \$10.90
✓ April 06 start	24 months	Basis \$2.57	Nymex \$10.06
April 08 start	8 months	Basis \$1.27	Nymex \$7.90

I hope that this information provides what you need. If you need anything else, please feel free to call me. Thank you.

Regards,

Joan O. Geronimo, CEM  
Regional Account Executive  
Select Energy, Inc.  
800-789-2213 ext. 333  
Fax: 203-854-0561  
Cell: 203-451-2349  
Email: geronjo@selectenergy.com

Select Energy - Your One Stop Source for Gas & Electricity <http://www.selectenergy.com>

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✓ Item selected

## Conversion of Gas Rate from Dth to Therms

### Calculation of Gas Therm Rate:

	<u>Basis</u>	<u>Nymex</u>	<u>Total</u>
April 1, 2006 start, 24 month rate per Dth	\$ 2.57	\$ 10.06	\$ 12.63
Divide by 10			<u>/ 10</u>
			\$ 1.26
Times 1.06			<u>x 1.06</u>
<b>Rate per therm</b>			<b>\$ 1.339</b>

# Natural Gas Backup

Based on a Two Year Average

Date	BP Const <sup>3</sup>	BP Admin	BP Plant <sup>1</sup>	2 Ernest	37 Ernest	IM <sup>2</sup>	Lab	Total	COB
July	7,500	54	214	304	33	104	9	8,218	735
August	7,500	50	228	529	34	84	2	8,427	756
September	7,500	56	184	735	34	12	4	8,524	718
October	7,500	469	4,634	2,455	1,144	84	86	16,372	1,021
November	7,500	915	8,873	5,271	3,372	1,016	1,092	28,038	1,506
December	7,500	2,246	14,986	11,051	6,016	2,184	1,598	45,581	1,053
January	7,500	718	19,741	16,741	9,303	2,531	2,367	58,901	1,716
February	7,500	1,921	15,338	13,519	7,918	2,987	3,617	52,800	2,524
March	7,500	1,359	11,678	12,541	6,901	3,309	2,462	45,749	1,742
April	7,500	526	3,354	6,394	3,330	2,975	2,222	26,301	2,513
May	7,500	161	3,550	2,868	1,310	993	631	17,014	633
June	7,500	54	4,412	799	15	647	391	13,819	1,231
<b>Therms</b>	<b>90,000</b>	<b>8,528</b>	<b>87,193</b>	<b>73,208</b>	<b>39,410</b>	<b>16,927</b>	<b>14,479</b>	<b>329,744</b>	<b>16,149</b>
Distribution	0.26	0.26	0.20	0.26	0.27	0.29	0.24		1.12
Supply	1.339	1.339	1.339	1.339	1.339	1.339	1.339		-
Customer Chg	\$ 3,600	\$ 540	\$ 1,080	\$ 540	\$ 1,080	\$ 1,956	\$ 540		\$ 540
Distribution	23,400	2,217	17,439	19,034	10,641	4,909	3,475		18,087
Supply	120,490	11,417	116,733	98,009	52,761	22,661	19,384		-
<b>Subtotal</b>	<b>147,490</b>	<b>14,175</b>	<b>135,251</b>	<b>117,583</b>	<b>64,481</b>	<b>29,526</b>	<b>23,399</b>		<b>18,627</b>
Gross Earnings Tax	4,562	438	4,183	3,637	1,994	913	724		576
<b>Total</b>	<b>152,052</b>	<b>14,613</b>	<b>139,434</b>	<b>121,220</b>	<b>66,476</b>	<b>30,439</b>	<b>24,123</b>	<b>548,356</b>	<b>19,203</b>
								<b>Total</b>	<b>567,559</b>
								<b>FY 2005 (Docket 3592)</b>	<b>381,685</b>
								<b>Increase</b>	<b>185,874</b>

<sup>1</sup> Bucklin Point therm usage in FY2005 was unusually high and would have skewed the two year calculation. NBC chose not to use the 2005 therms.

<sup>2</sup> IM therm usage is based on actual FY2005 usage instead of a two year average because the number of IM accounts has decreased over the last few years.

<sup>3</sup> Because there is no prior year usage history on new Bucklin Point construction the rate year therm usage has been estimated by Camp Dresser McKee.

8. Please explain whether NBC could replace gas supplied by Select Energy with gas purchased from New England Gas. If yes, please explain why doing so would not be appropriate based on the rates shown on Schedule WEE-9.

Answer: When the Select Energy rate was locked in it was the lowest bid price available at the time. In the past NBC has been very successful in locking in utility rates at levels lower than the market rate charged by other utilities. When the current contract expires in March of 2006, NBC will examine the options and lock in at the lowest price available.

Prepared by WEE

9. Please explain and show how the estimated therms of gas purchased as shown on Schedule WEE-9 were developed. Provide actual purchases in FY 2003, FY 2004 and FY 2005 excluding those related to solids handling.

Answer: Please see the attachment for a supporting schedule for WEE-9 included in Data Request #7 above. Also please see attachment for actual therm usage for Fiscal Years 2003, 2004 and 2005.

Prepared by WEE

# Historical Therm Usage

<b>Location</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Corporate Office Building	11,881	15,419	16,880
Bucklin Point Administrative Building	9,156	7,928	9,128
Bucklin Point Plant	84,415	89,972	144,638
Bucklin Point Construction <sup>1</sup>	-	-	-
2 Ernest St.	82,026	73,186	73,230
37 Ernest St.	38,687	41,224	37,595
Interceptor Maintenance	25,968	19,996	16,927
Lab	8,369	11,807	17,151
<b>Totals</b>	<b>260,501</b>	<b>259,532</b>	<b>315,547</b>

<sup>1</sup> Bucklin Point construction was estimated at 90,000 therms as shown on the previous schedule.

10. Please explain and show the derivation of the customer charge and gross earnings tax expense included on Schedule WEE-9.

Answer: Please refer to the response to Data Request #9 and supporting schedule. The customer charge expense is based on the current customer charge for each cost center. The gross earnings tax expense is the total distribution, supply and customer charge expenses multiplied by the current gross earnings tax rate (4.1666%).

Prepared by WEE

11. Please provide the kWh of electricity used at each location shown on Schedule WEE-10 for each of the years FY 2003, FY 2004 and FY 2005. Separately identify the kWh associated with the sludge incinerator.

Answer: Please see attachment for the kilowatt usage from Fiscal Years 2003, 2004 and 2005. Bucklin Point electricity usage is based on the Bucklin Point service contract with Aquarion which states they will have usage of 14,150,000 kilowatts per year.

Prepared by WEE



# Historical Kilowatt Usage

<b>Location</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>
Corporate Office Building	948,600	1,029,800	1,126,800
Interceptor Maintenance	879,492	821,682	770,358
Bucklin Point	7,438,000	7,454,000	8,588,265
Field's Point	15,453,780	16,003,714	15,744,345
Incinerator	1,782,220	1,964,286	2,003,655
<b>Total</b>	<b>26,502,092</b>	<b>27,273,482</b>	<b>28,233,423</b>

12. Please explain whether the incinerator electricity cost deducted on Schedule WEE-10 was restated at FY 2007 kWh and rate/cost levels. If not, explain why not.

Answer: NBC did not recalculate the adjustment but simply eliminated the test year expense.

Prepared by WEE

13. Please provide supporting documentation for the Bucklin Point Management Contract costs claimed on Schedule WEE-11.

Answer: The Bucklin Point Management Contract specifies a beginning annual fee of approximately \$1.6 million, which will be adjusted annually based on the April CPIU index. The increases will take place at the beginning of each fiscal year. See attached documentation for calculation of the FY 2007 fee. A copy of the contract is available upon request.

Prepared by WEE

Bucklin Point Management Contract

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	<b>FY 2006 Budget (per contract)</b>	<b>AAF Factor*</b>	<b>FY 2007</b>
Annual Management Fee	1,598,530	1.0267	1,641,266
Transition Fee			10,516
<b>Total FY 2007 Fee</b>			<b>1,651,782</b>

\* Adjusted Annual Fee Calculation:

		<u>Change</u>	<u>Percent</u>
April 2005 CPI Index	194.6		
April 2004 CPI Index	188.0	6.60	1.0351
April 2003 CPI Index	183.8	4.20	1.0229
April 2002 CPI Index	179.8	4.00	1.0222
 Average 3 Year CPI			 1.0267

14. Please provide a breakdown of total Chlorine/Hypochlorite costs for FY 2003, FY 2004 and FY 2005 between Bucklin Point and Fields Point.

Answer: See table below.

**Hypochlorite Costs FY 2003-2005**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Field's Point	\$ 266,828	\$ 297,976	\$ 300,323
Bucklin Point	90,354	83,252	96,065
IM	9,638	8,507	5,255
Total	<u>\$ 366,820</u>	<u>\$ 389,735</u>	<u>\$ 401,643</u>

Prepared by WEE

15. Please provide a schedule of debt service by debt issue for FY 2008 and FY 2009 similar to that included for FY 2007 in Tab 8 of the filing.

Answer: See schedule on following page.

Prepared by WEE

ACCT. #	BOND/SRF DESCRIPTION	DUE DATES	FYE 2007		FYE 2008		FYE 2009	
			INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL
21907	SRF - NO. PROV. \$2.647M	1-Sep	18,730.44	152,666.96	15,887.02	158,353.80	12,937.68	164,252.48
		1-Mar	15,887.02		12,937.68		9,878.48	
21909	SRF - WP/RA - \$3.694	1-Sep	21,037.97	194,487.00	18,628.93	199,329.00	16,159.92	204,292.00
		1-Mar	18,628.93		16,159.92		13,629.44	
21908	SRF - BUTLER - \$1.662M	1-Sep	13,647.85	92,463.45	11,907.51	95,944.13	10,101.65	99,555.85
		1-Mar	11,907.51		10,101.65		8,227.81	
21915	SRF POOL LOAN I - \$14.781M	1-Sep	159,870.32	736,500.00	146,358.60	763,500.00	132,351.55	791,750.00
		1-Mar	146,358.60		132,351.55		117,826.55	
21916	SRF POOL LOAN II - \$17.279M	1-Sep	175,912.19	857,927.00	160,925.06	888,052.00	145,411.68	919,234.00
		1-Mar	160,925.06		145,411.68		129,353.58	
21917	SRF POOL LOAN III - \$8.150M	1-Sep	114,555.46	351,673.00	108,146.70	364,555.00	101,503.17	377,909.00
		1-Mar	108,146.70		101,503.17		94,616.29	
21918	SRF POOL LOAN IV - \$23.955M	1-Sep	422,974.66	1,000.00	422,957.00	2,155,000.00	384,899.70	2,120,000.00
		1-Mar	422,957.00		384,899.70		347,460.50	
21919	SRF POOL LOAN V - \$57M	1-Sep	788,944.80	1,500,000.00	765,162.30	2,750,000.00	721,561.05	4,000,000.00
		1-Mar	765,162.30		721,561.05		658,141.05	
21920	SRF POOL LOAN VI - \$57M	1-Sep	396,474.64	2,376,104.68	377,721.24	2,439,237.77	358,469.55	2,504,048.32
		1-Mar	377,721.24		358,469.55		338,706.35	
21921	SRF POOL LOAN VII - \$40M	1-Sep	361,083.05	1,725,000.00	351,164.30	1,745,000.00	339,909.05	1,768,000.00
		1-Mar	351,164.30		339,909.05		327,356.25	
21922	SRF POOL LOAN VIII - \$40M	1-Sep	348,952.38	1,719,000.00	337,950.78	1,240,000.00	329,673.78	403,000.00
		1-Mar	337,950.78		329,673.78		326,822.55	
22500	VRDO \$70M 2004 Series A Remarketing/Liquidity (2)		2,277,333.00	1,415,000.00	2,232,190.00	1,455,000.00	2,174,590.00	1,515,000.00
			200,063.29		196,351.78		243,678.07	
22501	Open Market \$45M 2005 Series A		2,250,000.00	0.00	2,250,000.00	0.00	2,250,000.00	0.00
	SRF POOL LOAN IX - \$30M (1)	1-Sep	207,590.08	1,381,000.00	273,445.25	1,279,000.00	194,639.43	1,300,000.00
		1-Mar	273,445.25		194,639.43		187,099.43	
	SRF POOL LOAN X - \$30M (2007) (1)	1-Sep			324,500.00	1,000,000.00	569,600.00	1,040,000.00
		1-Mar	60,000.00		324,500.00		569,600.00	
	SRF POOL LOAN XI - \$12M (2008)	1-Sep			24,000.00		129,500.00	400,000.00
		1-Mar					129,500.00	
	Open Market \$ 26.7 M (2008)	1-Sep					696,019.00	400,000.00
		1-Mar			462,837.00		696,019.00	
	SRF POOL LOAN XII - \$12M (2009)	1-Sep					24,000.00	
		1-Mar						
	Open Market \$ 18.5 M (2009)	1-Sep					322,592.00	
		1-Mar						
<b>Total</b>			<b>10,807,424.82</b>	<b>12,502,822.09</b>	<b>11,552,251.68</b>	<b>16,532,971.70</b>	<b>13,111,834.56</b>	<b>18,007,041.65</b>
<b>Total Interest and Principal Debt Service</b>			<b>\$23,310,246.91</b>		<b>\$28,085,223.38</b>		<b>\$31,118,876.21</b>	

SRF	17,167,850.62	21,464,844.60	22,820,978.14
Open Market Bonds	6,142,396.29	6,620,378.78	8,297,898.07
	<u>23,310,246.91</u>	<u>28,085,223.38</u>	<u>31,118,876.21</u>

(1) Adjusted to final numbers from Pool Loan IX.

(2) The remarketing and Liquidity fees added.

(3) Adjusted to the most recent estimate of Pool Loan X provided by financial adviser.

16. With regard to the restricted account analysis included in Tab 8 of the filing, please provide a breakdown of the FY 2005 expenditures from the Capital/Debt/Debt Coverage account between amounts spent for:

- b. Defeasance of State Debt;
- c. Principal and Interest on non-State debt;
- d. Cash Capital Outlays; and
- e. Other (specify and explain).

Answer:

Capital/Debt (per schedule tab 8)	\$ 5,605,574
Debt (per schedule tab 8)	<u>26,660,819.2</u>
	<u><u>\$ 32,266,393</u></u>
Detail:	
A. Defeasance of State Debt (June 2005)	\$ 10,977,828
B. Principal and Interest on non State Debt	
SRF	11,607,384
VRDO	<u>1,347,622</u>
Sub Total	<u>12,955,006</u>
C. Operating Capital Outlays	1,671,994
D. Other (Specify and explain)	
Bucklin Pt. amortization	9,690
Capital Projects in CIP	3,933,580
State Debt paid during the year	<u>2,718,296</u>
Sub Total	<u>6,661,565</u>
Grand Total	<u><u>\$ 32,266,393</u></u>

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17. Please provide the current estimate of the portion of the balance in the Capital/Debt/Debt Coverage account of \$14,450,970 shown on Tab 8 that NBC expects to spend on capital projects in FY 2006. Provide a breakdown of the projected expenditures.

Answer: The following is the estimate of the amounts that will be spent.

Operating Capital Outlay (see attached)	\$1,867,572
Project 304 Interceptor Cleaning projects identified in CIP	\$682,711

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# FY 2006 Operating Capital Outlays

<i>Section</i>	<i>Budget Account</i>	<i>Description</i>	<i>Allocation #</i>	<i>Cost</i>
<b>Executive</b>				
Construction & Grants	16580	Copier at Bucklin Point	06-22-001	\$ 9,500
Construction & Grants	16600	Replacement 1996 Intrepid	06-22-002	25,000
			<i>Sub-total Executive</i>	<u>34,500</u>
<b>Administration &amp; Finance</b>				
Information Technology	16583	Oracle ERP Phase II	06-33-001	35,000
Information Technology	16583	Hansen Upgrades	06-33-002	30,000
Information Technology	16583	Customer Service Rewrite	06-33-003	75,000
Information Technology	16583	Customer Service eCommerce	06-33-004	25,000
Information Technology	16583	Document Imaging Phase II	06-33-005	140,000
Information Technology	16585	Computer Room console	06-33-006	25,000
Information Technology	16585	Server Infrastructure Replacement	06-33-007	40,000
Information Technology	16585	Facility Wireless Infrastructure	06-33-008	50,000
Information Technology	16586	Bucklin Point Disaster Recovery	06-33-009	147,973
Information Technology	16585	New Equipment Leases	06-33-010	143,000
<i>Sub-total Information Technology</i>				<u>710,973</u>
Customer Service	16600	2000 Explorer	06-34-001	25,000
Customer Service	16580	Cubicles, etc	06-34-002	5,000
<i>Sub-total Customer Service</i>				<u>30,000</u>
General Administration	16610	Roof replacement	06-80-001	80,000
General Administration	16610	HVAC Heating Replacement	06-80-002	40,000
General Administration	16610	Miscellaneous	06-80-003	20,000
<i>Sub-total General Admin.</i>				<u>140,000</u>
			<i>Sub-total Administration and Finance</i>	<u>880,973</u>
<b>Planning, Policy &amp; Regulation</b>				
Planning	16583	Arch View (GIS) Program	06-51-001	3,500
<i>Sub-total Planning</i>				<u>3,500</u>
Laboratory	16570	DO meter & probe	06-53-001	2,836
Laboratory	16600	Analytical balance (replacement)	06-53-002	6,325
Laboratory	16570	Autoclave-Sterilizer	06-53-003	14,645
Laboratory	16570	Vacuum pump	06-53-004	4,625
Laboratory	16570	6 - O&G Filter Holders	06-53-005	3,000
Laboratory	16570	Recirculation Chiller for manual CN	06-53-006	3,400
Laboratory	16600	Recirculation Chiller for cyanide auto analyzer (replacement)	06-53-007	3,400
Laboratory	16570	IDEXX Sealer for enterococci study	06-53-008	4,000
Laboratory	16570	Nutrient analyzer for salt water	06-53-009	46,000
<i>Sub-total Laboratory</i>				<u>88,231</u>
Environmental Monitoring	16600	Replace 3 Refrigerated Auto Samplers	06-55-001	15,000
Environmental Monitoring	16600	Replace 2 SIU Auto Samplers	06-55-002	6,000
Environmental Monitoring	16570	Wet Weather Sampler for BP	06-55-003	5,500
Environmental Monitoring	16590	Davit and Winch for Boat	06-55-004	5,000
Environmental Monitoring	16590	Equipment for EMPACT Program	06-55-005	94,000
<i>Sub-total Environmental Monitoring</i>				<u>125,500</u>
			<i>Sub-total Policy, Planning and Regulation</i>	<u>217,231</u>

<i>Section</i>	<i>Budget Account</i>	<i>Description</i>	<i>Allocation #</i>	<i>Cost</i>
<b>Operations &amp; Engineering</b>				
Interceptor Maintenance & Construction	16600	Replace Unit 416 (1996 Flusher)	06-43-001	140,000
Interceptor Maintenance & Construction	16600	Replace 1983 Compressor	06-43-002	16,000
Interceptor Maintenance & Construction	16610	New Sand/Salt Storage Shed	06-43-003	32,000
Interceptor Maintenance & Construction	16590	New Flowmeters	06-43-004	10,000
Interceptor Maintenance & Construction	16590	New Bypass Pumping Hose	06-43-005	3,368
Interceptor Maintenance & Construction	16520	New Telemetry for Septage Station	06-43-006	5,000
Interceptor Maintenance & Construction	16520	Repairs/Upgrade to Lakeside Unit	06-43-007	10,000
Sub-total IM				216,368
Engineering		Filing Cabinets	06-44-001	10,000
Sub-total Engineering				10,000
Bucklin Point WWTF	16510	Operations Pickup Truck	06-47-001	32,000
Bucklin Point WWTF	16610	Storage Bldg. Roof	06-47-002	45,500
Bucklin Point WWTF	16610	Installation of Steel Bldg. for Stor.	06-47-003	45,000
Bucklin Point WWTF	16520	2-Waste Pumps	06-47-004	20,500
Bucklin Point WWTF	16610	NDS Heating Upgrade	06-47-005	15,000
Bucklin Point WWTF	16520	4-Crane Hoists	06-47-006	20,000
Sub-total Bucklin Point				178,000
Field's Point WWTF	16520	RAS Pump Cartridge	06-46-001	27,000
Field's Point WWTF	16520	Grit Pump Cartridge	06-46-002	20,000
Field's Point WWTF	16520	Replace Grit, Chain & Flight Mechanism	06-46-003	20,000
Field's Point WWTF	16600	Upgrade for Polysonics Flow Meters (2) -AT's	06-46-004	7,000
Field's Point WWTF	16600	PSPS I Sludge pump and motor assembly	06-46-005	25,000
Field's Point WWTF	16600	Replace Hoffman Blower	06-46-006	50,000
Field's Point WWTF	16520	RSPS II WAS Pump cartridge	06-46-007	11,000
Field's Point WWTF	16520	RSPS II RAS Pump cartridge	06-46-008	27,000
Field's Point WWTF	16600	Replace Pick Up Trucks	06-46-009	75,000
Field's Point WWTF	16510	2 Taylor Dunn vehicles	06-46-010	20,000
Field's Point WWTF	16520	A/C to Tool Crib (O&M Support Building)	06-46-011	20,000
Field's Point WWTF	16600	Replace Motorola Radios	06-46-012	5,000
Field's Point WWTF	16520	Radar Level Meter for Scum Wells 3, 4, 5, 6	06-46-013	14,000
Field's Point WWTF	16520	Spare Data Hopper Radio	06-46-014	3,000
Field's Point WWTF	16520	5 Differential Pressure Transmitters @ Aeration Tanks	06-46-015	6,500
Sub-total Field's Point				330,500
<b>Sub-total Operations &amp; Engineering</b>				<b>734,868</b>
<b>Grand Total Operating Capital Outlays FY 2006</b>				<b>\$ 1,867,572</b>

18. Please provide NBC's current projection of the balance in the Capital/Debt/Debt Coverage account as of June 30, 2006. Identify the estimated sources and uses of funds for FY 2006.

Answer: Under the Trust Indenture, funds designated by the PUC for application to a "Capital /Debt/Debt Coverage Account" are deposited in the Debt Service Fund, including the Stabilization Account of the Debt Service Fund. In accordance with the flow of funds set forth in the Trust Indenture and Supplemental Trust Indentures, more than half of the \$24,369,722 projected June 30, 2006 balance is required to remain in the Debt Service Fund. It is estimated that \$11,220,071 of the June 30, 2006 balance will be available in FY 2007 (estimated capital outlay for 2007 of \$1,900,000 and estimated project expenses of \$9,320,071).

The Trust Indenture and previous PUC Report and Orders restrict the use of the funds in the Capital/Debt/Debt Coverage account to Debt Service, Operating Capital Outlays, Capital Project expenses, shortfalls in the Debt Service Reserve Fund, Bond redemptions, and other uses, so long as they are not inconsistent with any PUC order. According to bond counsel, this last clause is unusual for investors to see, and was included in order to accommodate the fact that the NBC is a regulated utility.

In Docket 3639, NBC's bond counsel provided testimony regarding the Trust Indenture and Supplemental Indenture as follows, the

"Trust Indenture is a contract between an issuer and a bond trustee for the benefit of bondholders. It is a lengthy document and typically sets forth the flow of funds, reserve requirements, rate covenants and the bond lien status, among other things."

According to NBC's bond counsel and financial advisor, it is essential that NBC's bondholders are assured that NBC can meet all of its financial obligations. This would include sufficient rates and annual revenues to meet its operating expenses as well as debt service and debt service coverage requirements. The flow of funds and other requirements as set forth in the Trust Indenture document specifically address these issues, and failure of the NBC to apply funds and maintain debt service coverage as required by the Trust Indenture may lead to an Event of Default under the Trust Indenture. Although Section 506 (6) of the Trust Indenture does permit amounts in Stabilization Account to be applied "to such other purposes as the NBC may direct, not inconsistent with any order of the PUC", use of prior year debt service coverage to pay for operating expenses may call into question in the investors' minds the ability of NBC to fund operations on an ongoing basis. This, in turn, could be viewed negatively in the market place and could adversely impact the pricing of NBC's \$70 million in VRDO and future borrowings. In addition, should NBC's credit rating suffer, the credit rating of the Rhode Island Clean Water Finance Agency (RICWFA) could be adversely impacted as NBC is its largest borrower. Any downgrade to RICWFA's credit rating will diminish the capacity of the State Revolving Fund, impacting not only NBC but all those communities and agencies that finance their wastewater improvements through the RICWFA.

As mentioned, the Trust Indenture provides a framework for assuring bondholders that NBC will be able to meet its ongoing operating expenses, debt service obligations and repair and replace its system through a pledge of its revenues and the establishment of certain funds and accounts. As part of that framework an explicit flow of funds is defined. The Trust Indenture includes the establishment of an Operating and

Maintenance Reserve (O&M) that has yet to be funded by the PUC (NBC has not requested that the PUC fund the O&M Reserve either). Typically, a revenue bond issuer is required to fund an O&M Reserve at 25% of annual operating and maintenance expenses. To date, the NBC has been able to finance its capital program without funding the O&M reserve due to the flow of funds and rate covenant provisions established in the Trust Indenture as well as the PUC and Division of Public Utilities and Carriers endorsement and funding of the debt service and debt service coverage requested by NBC.

It should be further noted that NBC does not have any additional borrowing capacity under the existing rates (please refer to NBC's coverage schedule filed as part of its recent request to enter into long-term debt and issue \$30 million in revenue bonds).

On the next page is an estimate of the balance in the Capital/Debt/Debt Coverage account as of June 30, 2006 and 2007 based on the current information available.

18. (Continued)

	<u>FY 2006</u>
Beginning Balance	\$14,450,969
Sources	
Restricted Revenue	32,529,274
Uses	
Debt Service	(20,060,238)
Operating Capital Outlay	(1,867,572)
Capital Project Expenses	(682,712)
	<hr/>
Balance 6/30/2006	<u>\$ 24,369,721</u>

Prepared by WEE

19. Please provide NBC's current projection of the capital expenditures to be funded from the Capital/Debt/Debt Coverage account during the rate year.

Answer:

Operating Capital Outlay	\$1,900,000
Capital Project Expenses	9,320,071

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20. Please provide a breakdown of salaries & wages and overtime expense between union and non-union employees for FY 2005.

Answer: See below.

		<u>Actual 2005</u>
Salary Wages	Union	\$4,460,029
	Non-Union	6,932,538
Overtime	Union	554,238
	Non-Union	70,114

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21. Please identify the actual number of employees as of June 30, 2005 and for each subsequent month up through the most recent date available

Answer: See below.

<u>June 2005</u>	<u>July 2005</u>	<u>August 2005</u>	<u>September 2005</u>	<u>October 2005</u>
245	245	245	245	243

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22. Please identify the test year salaries in total for all currently filled positions and individually for each vacant position. Separately identify the union and non-union portion of the salaries for filled positions and specify which vacant positions are union and non-union.

Answer: This information is not available because the test year in this docket was not an actual year but rather it is the rate year from a previous docket approved by the PUC. Therefore NBC cannot identify salaries to the level requested. See the response to Division data request #20 above.

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