

THE NARRAGANSETT BAY COMMISSION
Docket No. 3707

Data Requests of the
Division of Public Utilities & Carriers
Set IV

Div 4-1 With regard to Mr. Edge's rebuttal testimony at page 2 regarding employees whose wages are charged to CIP projects:

- a. Is it NBC's position that no union personnel charge their time to capital projects?

Answer: Occasionally a union position may charge the capital projects, but this would be de minimus in relation to the total reimbursements.

- b. Please provide a breakdown of the FY 2005 salary reimbursement of \$944,363 between union and non-union personnel.

Answer: In FY 2005 less than 1% of the salary reimbursements were for union personnel (\$8,151).

Prepared by WEE

Div 4-2 With regard to Mr. Edge's rebuttal testimony at page 2 regarding Mr. Stearn's adjustment to electricity expense, has NBC identified any error in Mr. Stearn's calculations of distribution rates? If yes, please identify the claimed error and document the correction NBC believes is necessary to Mr. Stearn's rates.

Answer: No.

Prepared by WEE

Div 4-3 With regard to Mr. Edge's rebuttal testimony at pages 2-3 regarding including a higher level of electricity usage at Bucklin Point, please explain why this would be appropriate in light of the contract with Aquarion which includes a power guarantee of 14.1 million kWh/year.

Answer: Section 3.8 of the Aquarion (AOSC) contract states that "...given that flows average less than or equal to 24.8 MGD. AOSC shall reimburse NBC for power costs over this power guarantee; however, the guarantee shall be adjusted pro-rata with flow if higher than 24.8 MGD. Also, should influent BOD and TSS loadings exceed base loadings (23.89 Dry Tons/day and 14.89 Dry Tons/day respectively) by 10% or more, the guarantee shall be adjusted to reflect higher loadings and demand on the facility."

At the present time there is not enough data to know what the flows and influent loadings will be with the new facilities, and therefore the 14.1 million kWh/year cap may be exceeded.

Prepared by WEE

Div 4-4 Please provide supporting documentation for the contracted supply rate for natural gas of \$1.153 per therm shown on Schedule WEE-R5.

Answer: See attached. NBC's rebuttal showed a rate of \$1.153 per therm. The actual contract lists the rate at \$1.1503.

Prepared by WEE



AMERADA HESS CORPORATION

One Hess Plaza
 Woodbridge, NJ 07095
 Phone: 1-800-HESS-USA
www.hess.com

Marker Name Kathie Barker - Industrial		Date 2/17/06	
CUSTOMER INFORMATION			
Business Name Narragansett Bay Commission		Billing Contact	Accounts Payable
Contact Name Samuel R. Celone		Billing Address	One Service Road, Providence, RI 02805
Address One Service Road, Providence, RI 02805			
Telephone 401-461-8848	Fax 401-461-0614	Telephone 401-461-8848	Fax 401-461-0614

TRANSACTION CONFIRMATION

This Transaction Confirmation confirms the terms of the Transaction entered into between Amerada Hess Corporation ("Seller"), and the customer above ("Buyer" or "customer") pursuant to the terms of the Base Agreement for the Purchase and Sale of Natural Gas between the Buyer and Seller Dated _____.

The Purchase Price excludes Utility distribution charges and taxes that are or may be the responsibility of Buyer. Gas volumes will be adjusted for Utility line loss, where applicable. The prices listed below are based on market conditions as of the time, stated above, that this Transaction Confirmation was issued and may be adjusted by Seller to reflect market conditions as of the date the Agreement is executed and returned by Buyer. **THIS TRANSACTION CONFIRMATION WILL NOT BE EFFECTIVE UNTIL SIGNED BY BOTH PARTIES.**

Service Locations (Additional pages may be attached if necessary)	Service Address: 1 Service Road	Rate:	Service Address: 1 Service Road	Rate:
	Utility Account No 0001044822006156		Utility Account No 304547-1081496	
	Service Address: 1 Service Road	Rate:	Service Address:	Rate:
	Utility Account No 304547-2006651		Utility Account No	
	Utility Meter No.		Utility Meter No.	

Delivery Period Begin April 1, 2006 End: March 31, 2006

If the Delivery Period under this Transaction Confirmation is extended ("Extended Delivery Period"), the Purchase Price for such Extended Delivery Period will be the then market price for delivery to the Delivery Point, unless otherwise agreed to in writing by the parties.

Delivery Point **New England Gas Company** Pool: **PGC FT-2 DCQ**

Tax Exemption Status: Non-Exempt Exempt If Exempt, must attach certificate.

Contract Quantity (Dth)

_____ Day X Monthly (choose one)

January	731	May	272	September	60
February	799	June	164	October	150
March	686	July	68	November	292
April	611	August	44	December	675

Purchase Price

Fixed _____

Fixed Price: \$ **11.503** /Dth

PLEASE SIGN AND RETURN THIS CONFIRMATION LETTER BY FACSIMILE TO (401) 944-9633.

BUYER: Narragansett Bay Commission

By: Paul Pinault

Print Name: Paul Pinault

Title: EXECUTIVE DIRECTOR

Date: 2/17/06

SELLER: Amerada Hess Corporation

By: _____

Print Name: _____

Title: _____

Date: _____

Div 4-5 With regard to Mr. Edge's rebuttal testimony regarding health insurance cost increases:

Please provide a copy of the documentation of NBC's current FY 2006 Loss Claims Experience which Mr. Edge reviewed.

Answer: See attached.

- c. Please provide comparable loss data for the same period of FY 2004 and FY 2005. (For example, if FY 2006 experience was for July through December, provide July through December experience for FY 2004 and FY 2005.)

Answer: See attached.

- d. Please provide a copy of any correspondence to and from NBC's health insurer regarding projected health insurance premiums.

Answer: My testimony was based on information provided to me by NBC. In turn, NBC's information was based upon discussions with their current carrier given the loss claims information. NBC will have written quotes the week of March 13th, 2006.

- e. Please explain what steps NBC has or plans to take to limit increases in health insurance premium costs in FY 2007. (For example, identify any steps taken or planned with respect to modifying deductibles and/or copays for doctor visits, seeking bids from alternative insurers, utilizing different plans with existing insurers, increasing employee contributions, etc.)

Answer: NBC, like other employers, is acutely aware of the cost impacts of health care insurance as well as the importance of providing quality health care to its employees. During past negotiations, NBC modified the health insurance plan design to achieve savings with increased co-payments for office visits, emergency room visits and an increased number of tiers and co-payments for prescription drugs. Also implemented was a premium co-payment for new employees opting for the PPO. NBC also implemented a Health Wellness program.

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 agreed to reopen collective bargaining on the single subject of health and dental insurances under article 13 for the period commencing July 1, 2006. Although there are limited providers in the Rhode Island health insurance market, NBC has requested quotes from both insurers. The reopening of health insurance is scheduled to begin in April however any and all negotiations are confidential.

Prepared by WEE

**Blue Cross and Blue Shield of Rhode Island
Twelve Month Claims Summary**

Account Name NEC1 NARRAGANSETT BAY COMMISSION
Group Name ACCOUNT TOTAL

Cycle Month JULY
Account Rep CELINA ROSA

Month	Earned Income	Claims Paid	Access Fee	Loss Ratio	Members
10/1/2004	\$195,288.98	\$184,025.27	\$1,101.00	99.92%	595
11/1/2004	\$183,030.81	\$134,439.69	\$10,615.00	79.25%	593
12/1/2004	\$195,369.91	\$223,452.33	\$4,873.00	116.87%	596
1/1/2005	\$192,403.51	\$98,077.11	\$2,092.00	51.02%	584
2/1/2005	\$175,101.74	\$415,021.48	\$12,499.00	244.16%	585
3/1/2005	\$198,358.04	\$145,165.53	\$7,303.00	77.65%	586
4/1/2005	\$185,930.60	\$149,612.02	\$3,215.00	82.20%	577
5/1/2005	\$189,717.11	\$189,354.87	\$3,942.00	101.69%	583
6/1/2005	\$188,755.13	\$173,271.09	\$6,475.00	85.23%	585
7/1/2005	\$204,731.89	\$110,921.43	\$2,551.00	55.42%	580
8/1/2005	\$201,840.07	\$161,310.57	\$2,708.00	81.34%	580
9/1/2005	\$203,747.32	\$186,410.73	\$3,464.00	83.38%	587
Sum	\$2,312,073.09	\$2,159,062.12	\$60,838.00	96.07%	7,091

Note: 1. Provider Payments may include mandated payments to other states for uncompensated care.
2. Access Fees and Provider Payments for Prescription Drugs are Estimated.

**Blue Cross and Blue Shield of Rhode Island
Twelve Month Claims Summary**

Account Name NBC1 NARRAGANSETT BAY COMMISSION

Group Name ACCOUNT TOTAL

Cycle Month JULY

Account Rep Celina Rosa

Month	Earned Income	Claims Paid	Loss Ratio	Members
11/1/2003	\$181,242.07	\$126,382.98	69.73%	609
12/1/2003	\$188,756.86	\$138,081.96	73.15%	611
1/1/2004	\$182,994.00	\$109,805.02	60.00%	597
2/1/2004	\$168,143.48	\$116,837.85	69.49%	590
3/1/2004	\$184,574.87	\$152,747.71	82.76%	594
4/1/2004	\$175,090.66	\$149,253.72	85.24%	592
5/1/2004	\$180,585.87	\$170,971.21	94.68%	601
6/1/2004	\$175,355.82	\$179,932.60	102.61%	598
7/1/2004	\$194,995.40	\$130,709.41	67.03%	604
8/1/2004	\$194,279.10	\$123,343.73	63.49%	600
9/1/2004	\$188,380.84	\$137,360.79	72.92%	606
10/1/2004	\$195,288.96	\$195,126.50	99.92%	602
Sum	\$2,209,687.93	\$1,730,553.48	78.32%	7,204

Blue Cross and Blue Shield of Rhode Island

Twelve Month Claims Summary

NBC1 NARRAGANSETT BAY COMMISSION

ACCOUNT TOTAL

Account Name

Group Name

Cycle Month

Account Rep

NBC1

JULY

CELINA ROSA

Month	Earned Income	Claims Paid	Loss Ratio	Members
11/01/2002	\$139,491.22	\$136,500.96	97.86%	584
12/01/2002	\$143,751.25	\$102,124.71	71.04%	609
01/01/2003	\$147,154.19	\$120,725.40	82.04%	604
02/01/2003	\$134,981.87	\$105,296.59	78.01%	608
03/01/2003	\$150,148.11	\$120,937.73	80.55%	612
04/01/2003	\$145,685.22	\$113,246.91	77.73%	615
05/01/2003	\$150,879.14	\$147,672.77	97.87%	620
06/01/2003	\$147,663.09	\$115,880.49	78.48%	622
07/01/2003	\$189,874.62	\$146,372.70	77.09%	616
08/01/2003	\$188,669.98	\$120,553.85	63.90%	613
09/01/2003	\$181,305.65	\$135,018.06	74.47%	611
10/01/2003	\$186,632.63	\$116,668.62	62.51%	613
Sum	\$1,906,236.97	\$1,480,998.79	77.69%	7,327

Thursday, November 13, 2003

Div 4-6 Referring to Mr. Edge's rebuttal testimony at page 5 and Attachment A to that testimony, please state whether it is NBC's position that the Trust Indenture prohibits interests earned on the Debt Service Fund to be utilized for other than capital improvements in the following year. If yes, please explain and provide references to the applicable Indenture provisions.

Answer:

The Trust Indenture established four accounts in the Debt Service Fund: (a) the State Obligations Reimbursement Account; (b) the Debt Service Payment Account; (c) the Debt Service Assistance Account; and (d) the Stabilization Account. There are currently no funds in the State Obligations Reimbursement Account or the Debt Service Assistance Account. As required by Section 504(2), monthly payments are made to the Debt Service Payment Account of the Debt Service Fund. Section 504(2) also requires that deposits for PUC-restricted Debt Service be deposited in the Debt Service Fund.

Section 506(1) of the Trust Indenture relating to the Debt Service Fund provides that if on any interest payment date, the amount accumulated in the Debt Service Fund for payment of interest and principal installments exceeds the amount required, the NBC may direct the Trustee in writing to deposit such excess in the Redemption Fund or, in its discretion, in the Revenue Fund. The PUC Report and Order sets forth a requirement that a set percentage of receipts be deposited in the Debt Service Fund. There should be no interest earnings in the Debt Service Payment Account, as the Trust Indenture provides that interest earned in that Account is applied to offset the amounts that have to be transferred in a monthly basis.

Pursuant to Section 506(6) monies on deposit in the Stabilization Account of the Debt Service Fund, including interest income, may be applied to such purposes as the NBC may direct, not inconsistent with any order of the PUC. Therefore, by the terms of the Trust Indenture, the PUC could direct that moneys be transferred from the Stabilization Account to the Operation and Maintenance Fund. The Stabilization Account in the Debt Service Fund is used by the NBC to satisfy the debt service coverage requirement set forth in Section 603 of the Trust Indenture. The PUC has required that any interest income in the Stabilization Account remain in that Account.

If interest income in the Stabilization Account of the Debt Service Fund is transferred to the Operation and Maintenance Fund as a mechanism for funding the NBC's operating budget, it may adversely affect on the NBC's ability to meet the debt service coverage requirement in future fiscal years. NBC's annual coverage requirement of 125% of annual debt service and the related impact on its credit rating were discussed as part of Docket 3409. In addition, bondholders prefer to see operating and maintenance expenses paid from current revenues rather than from investment income.

Prepared by: Karen Grande and WEE

Div 4-7 Please state why interest earned on the Debt Service Fund cannot be treated as meeting the amounts required to meet coverage requirements.

Answer:

Interest income on the Debt Service Fund is included in the definition of "Revenue" under the Trust Indenture and therefore is included in the calculation of "Net Revenue". Therefore, it is included in the amounts required to meet the debt service coverage requirement. As discussed above, interest earned in the Debt Service Payment Account of the Debt Service Fund is actually applied, however, to offset required deposits to Debt Service Fund.

Prepared by: Karen Grande

Div 4-8 With regard to the response to Division 1-18 showing that the balance in the Debt Service Fund including the Stabilization Account was \$14,450,969 as of July 1, 2005 and is projected to be \$24,369,721 as of June 30, 2006:

- a. Please identify the interest earned on these monies in each month of FY 2006 to date.
- b. Please identify the projected interest to be earned on these monies in each remaining month of FY 2006.
- c. If no interest is earned, please explain in detail why not.

Answer:

			State	Debt Service	
			Obligations	Payment	Stabilization
a.	July	Actual	\$ 5,163.11	\$ 19,927.45	\$ 9,257.02
	Aug	Actual	-	25,736.65	4,238.83
	Sept	Actual	-	31,579.13	3,545.35
	Oct	Actual	-	4,259.24	2,028.24
	Nov	Actual	-	9,435.51	8,625.10
	Dec	Actual	-	14,340.71	6,928.70
	Jan	Actual	-	16,387.86	6,615.62
b.	Feb - June	Projected	-	86,904.68	29,456.33

c. N/A

Prepared by: WEE

Div 4-9 The response to DIV 1-18 indicates that more than one-half of the projected balance of \$24,369,722 as of June 30, 2006 in the Debt Service Fund is required to remain in the fund in FY 2007:

- a. Please explain in detail what these funds are used for and why they must remain rather than being used for capital outlays or other purposes in FY 2007.
- b. Please verify that during FY 2007, amounts included in rates for debt service and debt coverage in excess of debt service will be added to the Debt Service Fund and identify the projected amount of the excess. If not, please explain where the excess will be deposited.

Answer:

- a. The Debt Service Fund consists of four accounts: the State Obligations Payment Account, Debt Service Payment Account, Debt Service Assistance Account and the Stabilization account. Neither the State Obligations Payment Account nor the Debt Service Assistance Account is funded.

NBC makes all of its debt service payments from the Debt Service Payment Account. The balance in the Stabilization Account, in theory, should reflect the debt service coverage. On a monthly basis, NBC calculates the amount that is restricted based upon the PUC Report and Order. Those funds are transferred from the Revenue Fund into the Debt Service Fund.

NBC determines the allocation of the transferred funds to the two accounts based on the Trust Indenture. The Trust Indenture requires NBC to make monthly deposits into the Debt Service Payment Account so that the cash is available prior to the debt payments being due. Therefore, since NBC pays principal payments once a year, every month NBC transfers 1/12 of the principal payments into the Debt Service Payment Account. Interest is paid twice a year on most NBC debt, and therefore NBC transfers 1/6 of the next interest payment due to the Debt Service Payment Account on a monthly basis. In addition, the interest expense on the 2004 Series A Bonds is paid monthly so NBC transfers the estimated interest amount due the next month.

NBC compares the amount that is restricted per the PUC Report and Order to the amounts required by the Trust Indenture. Restricted funds in excess of the amounts required to be deposited into the Debt Service Payment Account are deposited into the Stabilization Account. If, in any given month, there are insufficient funds available to be transferred into the Debt Service Payment Account from the Revenue Fund, the funds are transferred to the Debt Service Payment Account from the Stabilization Account.

The majority of the NBC's debt service payments are due in September. In FY 2007, NBC must have more than \$15 million in the Debt Service Payment Account to make the debt payments due prior to September 1, 2006.

Therefore, NBC must retain funds in the Debt Service Fund at June 30, 2006 in order to have sufficient funds to make its July, August and September payments.

b. In FY 2007, NBC will be following the same method as described above.

Prepared by: WEE

Div 4-10 Please state whether all of the funds listed in Section 504(2) of the Trust Indenture were funded as of June 30, 2005 and are projected to be funded as of June 30, 2006. If not, please provide details and explain why not.

Answer:

The Revenue Fund was funded at June 30, 2005 and will be funded as of June 30, 2006. All NBC revenues, with a few minor exceptions as stated in the Trust Indenture, are deposited as promptly as practicable into the Revenue Fund. The Narragansett Bay Environmental Enforcement Fund is also established within the Revenue Fund. On a monthly basis, funds are transferred from the Revenue Fund to the other funds as required by the Trust Indenture.

The Operating and Maintenance Fund was funded at June 30, 2005 and will be funded as of June 30, 2006. Funds are transferred from the Revenue Fund to the Operating and Maintenance Fund (O&M) monthly. The O&M Fund is used to pay operating expenses.

The Project Fund was funded at June 30, 2005 and will be funded as of June 30, 2006. Proceeds from bond issues, bond anticipation notes, capital grants, project reimbursements and transfers from the Stabilization Account of the Debt Service Fund are deposited in the Project Fund. The Project Fund is designated to pay for capital projects, operating capital outlays and related costs.

The Debt Service Fund was funded at June 30, 2005 and will be funded as of June 30, 2006. The Debt Service Fund includes a Stabilization Account along with Debt Service Payment Accounts. PUC-restricted debt service and debt service coverage amounts are transferred from the Revenue Fund into the Debt Service Fund monthly. Debt Service and related payments are paid from the Debt Service Fund.

The Renewal and Replacement Reserve Fund was not funded at June 30, 2005 and is not expected to be funded as of June 30, 2006. The funding goal of the Renewal and Replacement Reserve Fund (R&R) is one percent of the depreciated value of the system as shown on the financials and is to be built up over time as allowed by the PUC.

The Debt Service Reserve Fund is not presently funded with cash as the NBC purchased Surety Bonds for its 2004 Series A Bonds and its 2005 Series A Bonds, and the Rhode Island Clean Water Finance Agency did not require a Debt Service Reserve Fund for the NBC's 2004 Series B Bonds and 2005 Series B Bonds. It is not expected to be funded at June 30, 2006. Future issues may require the funding of the Debt Service Reserve Fund and the fund is to be used if there are insufficient funds in the Debt Service Fund to make any debt service payment.

The Operating and Maintenance Reserve Fund was not funded and at June 30, 2005 and is not expected to be funded as of June 30, 2006. This fund will be built up over

time as allowed by the PUC. The O&M Reserve Fund is designed to pay operating expenses of NBC if there are insufficient funds within the O&M Fund.

The Redemption Fund was not funded at June 30, 2005 and is not expected to be funded at June 30, 2006. The Fund is to be used for redemption costs, and/or principal and interest on the redemption of bonds.

The Insurance Reserve Fund was not funded at June 30, 2005 and is not expected to be funded at June 30, 2006. Because the NBC is not self-insured, funding of the Insurance Reserve Fund is not presently required. The Insurance Reserve Fund will be used for restoration, replacement, or reconstruction of property injured or damaged.

The Unrestricted Fund was not funded at June 30, 2005 and is not expected to be funded at June 30, 2006. The Unrestricted Fund is the depository for any cash surplus provided that all funds and accounts established under the Trust Indenture are funded, and NBC is in compliance with the Trust Indenture. These funds may be used for any deficiency in amounts required by other funds or for any lawful purpose of the NBC.

Prepared by: Karen Grande and WEE

Div 4-11 Please state whether it is correct that with PUC authorization, NBC would be permitted to transfer to the Unrestricted Fund at the end of a given fiscal year those amounts collected in rates to meet debt service coverage in that year to the extent that amounts remain after paying all debt service and ensuring all of the accounts specified in Section 504(2) of the Trust Indenture are funded. If not, please explain in detail what prohibits NBC from doing so.

The Trust Indenture does permit the NBC to transfer monies in the Revenue Fund to the Unrestricted Fund at the end of the fiscal year, after all debt service is paid and after all of the accounts specified in Section 504(2) of the Trust Indenture are fully funded. The deposit of these monies in the Unrestricted Fund means that they are no longer pledged to the bondholders. Thus far, the NBC has not made any such transfers and has retained any balance in the Revenue Fund to be available for payments, including payments to the Operation and Maintenance Fund, in succeeding months.

Although the Trust Indenture permits monies in the Stabilization Account to be transferred to the Unrestricted Fund, as stated above, if money in the Stabilization Account of the Debt Service Fund is transferred to the Unrestricted Fund as a mechanism for funding the NBC's operating budget, it will adversely affect NBC's ability to meet the debt service coverage requirement in future fiscal years. NBC's annual coverage requirement of 125% of annual debt service and the related impact on its credit rating were discussed as part of Docket 3409. There is really no difference in transferring the money to the Operation and Maintenance Fund or to the Unrestricted Fund.

Prepared by: Karen Grande

Div 4-12 Please identify the interest earned each of the Operation and Maintenance Fund, the Rebate Fund, the Purchase Fund and the Unrestricted Fund in each month of FY 2006 to date.

Answer:

	<u>O&M</u>
July	\$ 5,769.23
Aug	5,503.28
Sept	4,722.51
Oct	6,677.54
Nov	6,219.68
Dec	7,520.05
Jan	7,735.93

The Rebate Fund, Purchase Fund and Unrestricted Fund are not funded and therefore there are no interest earnings to report.

Prepared by: WEE

Div 4-13 Please provide the following for each month end from June 30, 2005 through the most recent date available:

- a. Residential Dwelling Units
- b. Non-Residential Metered Accounts by meter size.

Answer: See table below.

Flat Fees*	Jul-05	Oct-05	Jan-05	Apr-05	Jul-05	Oct-05	Jan-06
Dwelling Units	114,254	114,559	114,516	114,883	115,154	115,058	115,623
Meters							
5/8"	3,707	3,729	3,739	3,724	3,732	3,732	3,749
3/4"	923	937	946	947	950	950	947
1"	1,000	1,002	1,006	1,009	1,011	1,013	1,021
1 1/2"	819	824	826	831	822	819	824
2"	1,340	1,346	1,343	1,337	1,326	1,326	1,309
3"	76	73	73	74	72	71	72
4"	49	48	46	47	46	46	43
6"	51	52	52	52	51	52	52
8"	17	17	18	18	18	18	19
10"	1	1	1	1	1	1	1
Total	7,983	8,029	8,050	8,040	8,029	8,028	8,037

* from billing analysis report

Prepared by WEE

Div 4-14 Please provide the following for FY 2005 and for the most recent 12 months available:

- a. Residential billed flow.
- b. Commercial billed consumption.
- c. Industrial billed consumption.

Answer: See table below.

Consumption Fees*

	Jul-05	Oct-05	Jan-05	Apr-05	Jul-05	Oct-05	Jan-06
Residential	\$ 3,905,487	\$ 4,482,161	\$ 4,329,829	\$ 4,383,769	\$ 4,154,238	\$ 5,167,542	\$ 5,198,717
Commercial	\$ 3,588,336	\$ 4,017,959	\$ 3,666,679	\$ 4,600,743	\$ 3,861,500	\$ 4,809,399	\$ 4,537,209
Industrial	\$ 355,593	\$ 379,271	\$ 377,138	\$ 358,060	\$ 379,625	\$ 409,115	\$ 384,393
	\$ 7,849,416	\$ 8,879,391	\$ 8,373,647	\$ 9,342,572	\$ 8,395,363	\$ 10,386,056	\$ 10,120,318

* per A/R journal

Prepared by WEE

Div 4-15 With regard to the response to PUC 2-1, please explain why the funds from the sale of the asset can only be utilized for capital projects given that NBC has paid off its share of the State of Rhode Island debt.

In accordance with applicable tax law, NBC must use the proceeds of sale of the INGE property for capital projects, and not for operation and maintenance expenses. Whenever property financed with tax-exempt bonds is sold, an examination must be undertaken to determine whether either the transfer of the property to the buyer or the receipt of the proceeds of sale from the buyer is a "deliberate action" that would cause the bonds to become "private activity bonds", thus causing interest on the bonds to become taxable. Internal Revenue Code ("Code") section 103(b)(1); Title 26, Code of Federal Regulations ("Reg.") § 1.141-2(d)(1). If the transfer of the property or the receipt of the sale proceeds would cause the bonds to become taxable private activity bonds, the Regulations allow "remedial action" to be taken to keep the bonds from becoming taxable. If remedial action is properly taken, neither the transfer of the property nor the receipt of the sale proceeds will be regarded as a "deliberate action", and the bonds will not lost their tax-exemption. Reg. § 1.141-12(a).

From the perspective of holders of the State's 1993 Series A Bonds (the "State Bonds"), the State has pledged its full faith and credit to the payment of all of the principal and interest on all of the State Bonds. The fact that the State may also have had an arrangement with NBC by which NBC undertook to pay an amount to the State equal to a portion of the principal and interest on the Bonds is not relevant to the tax analysis, because the State Bonds identified the State as the exclusive source of payment. Even though NBC has paid off its obligations to the State, the State Bonds remain outstanding. As long as any of the State Bonds (including any bonds refunding the State Bonds) remain outstanding, deliberate action to allow private business use of any of the projects or receive private payments with respect thereto must be avoided to prevent the State Bonds from losing their tax-exempt status. Therefore, in order to keep the State Bonds from becoming taxable, the NBC has taken remedial action. Permitted "remedial actions" include using the sale proceeds for additional capital projects, but not use of sale proceeds for operating and maintenance expenses.

Prepared by NBC legal counsel

Div 4-16 With regard to Mr. Edge's Rebuttal testimony at page 6:

- a. Please explain in detail how Mr. Edge derived his original adjustment to hypochlorite costs of (\$20,117) to reflect the outsourcing at Bucklin Point given Bucklin Point hypochlorite costs were \$90,354 in FY 2003, \$83,252 in FY 2004 and \$96,065 in FY 2005.

Answer: The total cost for hypochlorite in the test year for this filing was \$389,822. That number was in the rate year from Docket 3592, which was used for the test year in this filing. Attached please find the original WEE-12 from Docket 3592, which shows that the \$389,822 only had \$20,117 in it for Bucklin Point. At that time it was assumed the new facilities would be on line and Bucklin Point would only need hypochlorite at that level.

- b. Please provide supporting documentation for the contracted hypochlorite cost of \$0.4998 in FY 2007.

Answer: See attached.

- c. Please identify the contracted cost of hypochlorite in FY 2005 and FY 2006.

Answer: The rate was \$.424 in FY 2005 and is \$.5333 in FY 2006.

- d. Please provide actual hypochlorite usage and costs at each location in each month of FY 2006 to date. (Provide a copy in Excel format.)

Answer: Due to significantly reduced septage volumes and revenues at NBC's septage receiving station, IM has not yet needed to purchase additional hypochlorite this year. The Field's Point data is shown in the following table.

Ytd FY 2006 Hypochlorite Expense and Usage									
	July	August	September	October	November	December	January	February	Total
Field's Point Expense	\$ 21,628	\$ 27,836	\$ 40,530	\$ 49,135	\$ 54,470	\$ 24,635	\$ 23,898	\$ 23,616	\$ 265,748
Field's Point Gallons	40,555	52,196	75,998	92,134	102,138	46,194	44,812	44,283	498,310
Average gallons FY 2006 X 4 more months		62,289							4
Gallons to go		249,155							
Total Projected Gallons		747,465							

Prepared by WEE

BID PROPOSAL



NARRAGANSETT BAY COMMISSION

**One Service Road
Providence, Rhode Island 02905**
Telephone (401) 461-8848
Fax (401) 461-6540

DATE: 1/28/2005

BID NO: 659

BID OPENING:

DATE: 2/16/05

TIME: 10:00 AM

BUYER: JOE LAPLANTE

COST CENTER 02 43,46,47

FISCAL YR. 2005-2007

REQ. NO. 130429,32,605

BILL TO:

**NARRAGANSETT BAY COMMISSION
One Service Road
Providence, RI 02905
Attention: Accounts Payable**

SHIP TO:

NARRAGANSETT BAY COMMISSION

Various site locations listed in specifications

IMPORTANT- Insert unit price in both columns with brand, model number and name of your firm below.

BIDDER: <u>SM</u>	BIDDER: <u>SM</u>
Univar USA, Inc.	Univar USA Inc.
BID NO. 659	BID NO.659
PAGE NO. 2	PAGE NO. 2

ITEM NO.	COMMODITY CODE / DESCRIPTION	QTY.	UNIT PRICE AND BRAND OR MODEL NO.	UNIT PRICE AND BRAND OR MODEL NO.
	BLANKET REQUIREMENTS: 4/1/2005-3/31/2007 (2 YEAR AGREEMENT) SUPPLY AND DELIVER SODIUM HYPOCHLORITE SOLUTION PER ATTACHED NBC SPECIFICATIONS. DELIVER ONLY AT NBC REQUEST. PRICE PER GALLON MUST INCLUDE DELIVERY CHARGES TO NBC FACILITIES. INVOICING TO BE BASED ON GALLONS DELIVERED AND BID AWARD PRICE PER GALLON. 4/1/2005 TO 3/31/2006 4/1/2006 TO 3/31/2007 VENDOR TO CITE PRICE PER DAY FOR RENTAL OF TANK TRAILER IN EMERGENCIES. NOTE: NBC WILL MAKE ONE BID AWARD BASED SOLELY ON THE LOWEST TOTAL OF THE TWO REQUESTED PRODUCT PRICES PER GALLON.		Liquichlor Product code RP735207 \$ 0.5333 / GAL. \$ 0.4998 / GAL. \$ 200.00 / DAY Net 30 <u>SM</u> TERMS	Liquichlor Product code RP735207 \$ 0.5333 / GAL. \$ 0.4998 / GAL. \$ 200.00 / DAY Net 30 TERMS

F.E.I.N.: 91-134-7935

COMPANY NAME: VOPAK USA INC. ATTENTION PAM KELLY

STREET AND NO.: 175 TERMINAL RD

CITY: PROVIDENCE STATE: RI ZIP: 02905

SIGNATURE: Stephan H Monica
(AUTHORIZED SIGNATURE)

TITLE: Sales Manager

DATE: February 15, 2005

TELEPHONE: 800-556-2426 or 401-784-6600