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ATTORNEYS AT LAW SINCE 1818

June 5, 2006

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

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2006 JUN -7 AM 11:56
PUBLIC UTILITIES COMMISSION

Re: Abbreviated Rate Filing by the Narragansett Bay
Commission ("NBC") - Docket No. 3707

Dear Ms. Massaro:

We were informed by you on May 25, 2006 that the PUC had, at its open meeting that day, reduced, among other decisions, NBC's health insurance costs by approximately \$248,746 to reflect the imposition of a co-pay on its employees. NBC has been asked to respond to this reduction by Friday, June 2, 2006, as extended to today, June 5, 2006.

The NBC offers the following in response to the PUC's decision:

1. NBC submits that imposition of an arbitrary co-payment is not supported by the evidence and infringes on NBC's management rights. No evidence was entered into the record upon which the PUC could base its decision. In fact, NBC is unaware of the reduction in cost of service to any utility for employee premium co-payments.
2. The PUC's decision does not consider the cost savings that NBC has achieved through plan design changes and the positive impact of its Health and Wellness programs. The NBC's healthcare premiums are 7% to 24% less than the premiums of the State. If this premium savings is multiplied by the number of NBC employees by plan type included in this Docket, NBC's cost of service for health care is nearly \$270,000 lower than it would be at the State's rates. An additional reduction of \$250,000 penalizes NBC for prudent cost containment actions.


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		Cost at NBC Annual 2007 Premium		Cost at State of RI Annual 2007 Premium		NBC Savings
		Annual Premium	Total Premium	Annual Premium	Total Premium	
Chip						
Single	3	\$ 4,533	\$ 13,598	\$ 5,494	\$ 16,482	\$ 2,884
Family	14	12,386	173,398	15,348	214,877	41,479
Healthmate						
Single	54	5,142	277,694	5,494	296,667	18,973
Family	159	14,052	2,234,268	15,348	2,440,389	206,121
			\$2,698,958 *			\$269,457.48

* Allowance in Settlement Agreement per schedule TSC-5 is \$24,177 less than NBC's actual renewal rate at \$2,674,781

- NBC is currently under a legal obligation as part of its collective bargaining agreements to provide health care benefits to its unionized employees with no employee premium co-share. On February 15, 2006 NBC initiated collective bargaining on the health and dental insurance for the period commencing July 1, 2006. Several negotiating sessions have taken place over the past few months. On Monday June 5, 2006, the NBC and the unions reached a tentative agreement (TA) that includes a gradual implementation of employee health care premium co-payments. Once all parties sign the TA, it must be approved by NBC's Board of Commissioners and ratified by the NBC's two bargaining units. The process is anticipated to be completed in July, 2006; and the specifics of the co-share are confidential until the contracts are approved. If, for some reason, the contracts are not approved by the Board or ratified by the Unions, NBC will remain legally obligated to pay 100% of the health care premiums.

Historically, NBC has provided the same health care benefits to its union and non-union employees. Accordingly, the premium co-payments would also be applicable to NBC's non-union employees.

- With respect to NBC's non-union employees, it appears that the PUC is particularly discriminatory. Unlike State employees, including PUC employees, NBC's non-union employees no longer receive step, incentive or longevity increases. All compensation is tied to performance. In addition, when taking into consideration overall compensation, if NBC were to fund its non-union retirement plan at the level funded for State employees or NBC's union employees, the rate year costs for this line item would be more than \$580,000 alone.

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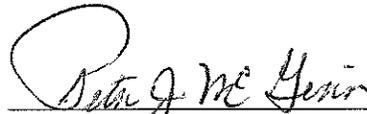
June 5, 2006

NBC's Rate Year Non-Union Retirement	\$ 691,163.00
Non-Union Retirement at State/Union Rate	<u>1,271,740.00</u>
Net Increase for Comparable Funding Level	\$ 580,576.92

5. Although statements were made to the effect that 10% premium co-payments are common, it does not appear that this is based upon any study or comparison of health care premiums, health care plan design or overall compensation.

NBC therefore respectfully objects to this arbitrary and unsupported reduction. If NBC can through negotiations reduce its health care costs, NBC will promptly report any savings to the PUC.

Sincerely,



Peter J. McGinn

Tillinghast Licht, LLP

Attorneys for the Narragansett Bay

Commission

cc: Karen L. Giebink
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