

March 1, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3716 – Filing of Updated CLF Costs for Policy 1 and Policy 2

Dear Ms. Massaro:

The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) is filing updated centerline foot costs (“CLF costs”) as contained in the following line extension policies: Policy 1, Line Extension Policy for Individual Residential Customers (“Policy 1”) and Policy 2, Line Extension Policy for Residential Developments (“Policy 2”). This filing is being made in compliance with the Rhode Island Public Utilities Commission (“Commission”) Order 18536 in Docket No. 3716, issued February 27, 2006, directing the Company to file updated CLF costs no later than March 1, 2006 in order to allow for a Commission decision by April 1, 2006. Information regarding the Company’s cost analysis is provided below and in the Attachments to this filing letter.

Calculation of Updated CLF Costs

1) Overhead Construction

The Company has analyzed overhead project cost information from 21 representative Policy 1 and Policy 2 jobs completed between May 2005 and February 2006 in order to determine the average CLF cost for these projects. A summary of the project cost information is presented in Attachment 1 to this filing. As shown in Attachment 1, the average CLF cost for the project sample is \$15.03. This average CLF cost is derived by dividing the Company’s gross total construction cost for all of the sample projects (total of Column G, Attachment 1) by the total number of centerline feet for all of those projects (total of Column I, Attachment 1). This methodology is consistent with the approach used to develop the overhead and underground CLF costs that are currently in effect.

As a result of this analysis, the Company is proposing an increase in the overhead CLF cost of \$6.23, from \$8.80 currently in effect to \$15.03, effective April 1, 2006.

2) Underground Construction

The Company has analyzed underground project cost information from 26 representative Policy 1 and Policy 2 jobs completed between July 2004 and January 2006 in order to determine the average CLF cost for these projects. A summary of the project cost information is presented in Attachment 2 to this filing. Consistent with recent changes to Policy 1 and Policy 2 requiring customers to provide all conduit material for underground line extension requests, the Company has calculated an average underground CLF cost excluding the cost of conduit. As shown in Attachment 2, the average CLF cost for the project sample excluding conduit is \$22.68. This average CLF cost is derived by dividing the Company's gross total construction cost excluding conduit for all of the sample projects (total of Column H, Attachment 2) by the total number of centerline feet for all of those projects (total of Column J, Attachment 2).

As a result of this analysis, the Company is proposing an increase in the underground CLF cost of \$10.20, from \$12.48 currently in effect to \$22.68, effective April 1, 2006.

For the calculation of both Overhead and Underground proposed CLF costs, as shown on Attachments 1 and 2, Column F reflects the accumulated net project cost which is the sum of all charges and credits related to the individual project. These charges include all material costs (including conduit), engineering/construction labor and applicable overheads, transformer costs and transportation. In addition, pole costs billed between the phone company ("TelCo") and National Grid, if any, pursuant to a Joint Ownership Agreement are included in the net project cost. However, since the net project cost includes a credit for any customer contribution associated with that project, the value of the customer contribution (listed in Column E of Attachments 1 and 2) must be added back to arrive at a true gross total construction cost. Thus, the gross total construction cost for each project equals the sum of the customer contribution amount (Column E) and net project cost (Column F) less any conduit material cost (Column G, Attachment 2 only).

Conclusion

Based on the Company's analysis of its cost data from Attachments 1 and 2, the updated CLF costs as contained in its Policy 1 and Policy 2 for overhead jobs is \$15.03 per foot, an increase of \$6.23 per foot from the currently effective overhead rate and for underground jobs is \$22.68 per foot, an increase of \$10.20 per foot from the currently effective underground rate. As directed by Commission order 18536 in Docket No. 3716, the Company is filing these updated costs in order to allow for a Commission decision by April 1, 2006.

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

Luly Massaro, Commission Clerk
Docket 3716 – Updated CLF Costs
March 1, 2006
Page 3 of 3

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas G. Robinson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Thomas G. Robinson

Attachments

cc: Paul Roberti, Esq.
Steve Scialabba, Division
Roger Warren, RI Builder's Assoc.

Overhead Subdivisions - Center Line Footage

A	B	C	D	E	F	G	H	I	J
Project Number	Construction Complete Date	Project Title	City/Town	Customer Contribution	Net Project Cost	Gross Total Const Cost	House Lots	Gross Center Line Footage	Total CLF Cost
245938	05/09/2005	WEST ALLENTON RD	NORTH KINGSTOWN	\$1,125.00	\$8,773.45	\$9,898.45	2	400	\$24.74
48157	07/15/2005	TOMQUAG RD	HOPKINTON	\$5,134.08	\$11,152.79	\$16,286.87	4	1,106	\$14.72
55445	07/15/2005	FRY POND RD	WEST GREENWICH	\$507.32	\$27,041.70	\$27,549.02	7	1,100	\$25.04
63515	07/15/2005	DIAMOND HILL RD	HOPKINTON	\$202.93	\$13,174.14	\$13,377.07	4	620	\$21.57
122155	07/15/2005	SCITUATE AVE	JOHNSTON	\$507.32	\$5,396.35	\$5,903.67	1	350	\$16.86
145905	07/15/2005	WILLIE WOODHEAD RD	GLOCESTER	\$10,552.26	\$14,574.76	\$25,127.02	1	1,340	\$18.75
197786	07/15/2005	KINGSTOWN RD	SOUTH KINGSTOWN	\$1,420.50	\$1,706.78	\$3,127.28	1	140	\$22.33
214633	07/15/2005	TEN ROD RD	EXETER	\$4,211.00	\$4,061.06	\$8,272.06	1	930	\$8.89
154799	08/31/2005	HAMMET RD	COVENTRY	\$4,566.00	\$1,086.09	\$5,652.09	1	750	\$7.53
120146	09/23/2005	WILLS SWAMP RD	WEST GREENWICH	\$2,486.00	\$5,555.29	\$8,041.29	1	715	\$11.24
156880	09/27/2005	SOUTH RD	EAST GREENWICH	\$3,825.00	\$4,696.60	\$8,521.60	1	640	\$13.31
285240	09/27/2005	DUNHAM HILL	TIVERTON	\$1,417.28	\$5,081.52	\$6,498.80	1	410	\$15.85
223190	10/10/2005	TEN ROD RD	NORTH KINGSTOWN	\$0.00	\$2,244.81	\$2,244.81	1	300	\$7.48
259388	11/18/2005	OLD PLAINFIELD PIKE	FOSTER	\$3,937.00	\$5,380.93	\$9,317.93	2	650	\$14.33
11691	12/19/2005	LONG HWY	LITTLE COMPTON	\$2,840.99	\$6,238.34	\$9,079.33	5	1,030	\$8.81
315466	12/19/2005	LAKE RD	TIVERTON	\$2,362.30	\$5,272.14	\$7,634.44	1	510	\$14.96
252232	01/10/2006	GRAVELLY HILL RD	SOUTH KINGSTOWN	\$3,880.92	\$7,878.73	\$11,759.65	1	645	\$18.23
126193	01/13/2006	SPRING ST	HOPKINTON	\$0.00	\$8,818.11	\$8,818.11	4	440	\$20.04
220521	01/13/2006	COLEBROOK RD	LITTLE COMPTON	\$13,190.32	\$10,133.30	\$23,323.62	6	2,200	\$10.60
309381	01/30/2006	KATIE CT	SCITUATE	\$6,187.00	\$13,522.13	\$19,709.13	6	1,450	\$13.59
276059	02/06/2006	ROCK HILL RD	COVENTRY	\$7,086.90	\$5,585.29	\$12,672.19	1	426	\$29.74
									Average CLF Cost
Totals				\$75,440.12	\$167,374.31	\$242,814.43	52	16,152	\$15.03

Footnotes:

Column E = Amount of total project cost contributed by customer

Column F = Includes all material costs, labor costs, transportation costs and a customer contribution credit

Column G = Column E + Column F

Column I = Total center line footage for project

Column J = Column G / Column I (truncated after 2 decimal places)

Underground URDs - Center Line Footage

A	B	C	D	E	F	G	H	I	J	K
Project Number	Construction Complete Date	Project Title	City/Town	Customer Contribution	Net Project Cost	Conduit Material Cost	Gross Total Const Cost (Excluding Conduit)	House Lots	Gross Center Line Footage	Total/CLF Cost Excluding Conduit
64111	7/6/2004	STONY LANE MEADOWS	NORTH KINGSTOWN	\$11,244.52	\$19,752.44	\$3,462.38	\$27,534.58	15	1290	\$21.34
36673	7/16/2004	COUNTRY ACRES	COVENTRY	\$22,506.56	\$26,026.78	\$3,964.99	\$44,568.35	10	2000	\$22.28
41666	8/16/2004	SHIPEETOWN	EAST GREENWICH	\$8,716.68	\$12,148.69	\$2,780.43	\$18,084.94	8	1000	\$18.08
11707	10/14/2004	GIRLS AND BOYS TOWN	PORTSMOUTH	\$17,855.36	\$24,210.21	\$6,781.32	\$35,284.25	5	1350	\$26.13
92669	10/23/2004	RESERVOIR RD	COVENTRY	\$21,506.47	\$7,261.23	\$3,142.79	\$25,624.91	13	1900	\$13.48
11754	10/25/2004	TAYLOR RD	PORTSMOUTH	\$3,746.79	\$7,458.98	\$943.16	\$10,262.61	1	360	\$28.50
10731	11/18/2004	ATLANTIC CROSSING	BARRINGTON	\$16,561.69	\$43,918.69	\$6,954.88	\$53,525.50	18	1900	\$28.17
94446	2/2/2005	CHLOE COURT	COVENTRY	\$3,573.84	\$10,863.11	\$1,380.13	\$13,056.82	5	410	\$31.84
43130	2/14/2005	HAWK CREST ESTATES	COVENTRY	\$19,176.70	\$53,252.48	\$8,491.82	\$63,937.36	22	2200	\$29.06
59117	2/16/2005	SIMMONS FARM	MIDDLETOWN	\$6,501.60	\$9,483.42	\$2,059.12	\$13,925.90	10	860	\$16.19
64132	3/2/2005	TEN ROD RD	NORTH KINGSTOWN	\$13,516.85	\$21,273.37	\$2,358.56	\$32,431.66	5	1120	\$28.95
117739, 234212	3/3/2005	BRITTS RIDGE	CUMBERLAND	\$12,203.35	\$29,034.24	\$4,345.18	\$36,892.41	16	1400	\$26.35
76254	3/22/2005	WEST VIEW	BARRINGTON	\$5,230.01	\$19,164.43	\$2,584.04	\$21,810.40	5	600	\$36.35
220505	4/7/2005	CARROLL AVE	NEWPORT	\$4,501.31	\$10,636.71	\$1,184.16	\$13,953.86	1	400	\$34.88
84820	4/8/2005	CASSIDY ESTATES	BRISTOL	\$2,719.60	\$12,206.22	\$1,591.59	\$13,334.23	10	350	\$38.09
139413	5/11/2005	ELM FARM	BRISTOL	\$1,133.17	\$16,284.35	\$1,328.16	\$16,089.36	10	441	\$36.48
92896	5/17/2005	KINGSTON WOODS	SOUTH KINGSTOWN	\$22,282.50	\$30,261.59	\$7,215.60	\$45,328.49	25	2450	\$18.50
174029	6/21/2005	BOTELHO DRIVE	PORTSMOUTH	\$47,505.91	\$46,730.31	\$11,019.27	\$83,216.95	46	5450	\$15.26
107707	9/27/2005	HIDDEN RIDGE	EAST GREENWICH	\$19,743.28	\$20,518.68	\$7,790.61	\$32,471.35	16	2265	\$14.33
250500	9/27/2005	MIDDLE BRIDGE RD	SOUTH KINGSTOWN	\$15,446.98	\$11,695.58	\$2,170.96	\$24,971.60	1	900	\$27.74
54949	10/6/2005	SQUIRREL LANE	EAST GREENWICH	\$13,946.69	\$22,652.39	\$4,290.26	\$32,308.82	12	1600	\$20.19
55663	10/20/2005	THE PRESERVE @ COMMONS	WAKEFIELD	\$11,331.68	\$33,164.87	\$4,390.80	\$40,105.75	32	1300	\$30.85
275031	10/27/2005	THE NATICK FACTOR	COVENTRY	\$9,130.13	\$20,529.39	\$2,517.28	\$27,142.24	5	840	\$32.31
387361	12/19/2005	FAIR GROUNDS RD	SOUTH KINGSTOWN	\$3,735.70	\$8,749.37	\$1,040.49	\$11,444.58	1	340	\$33.66
366621	12/29/2005	TOWER HILL RD	SOUTH KINGSTOWN	\$6,764.76	\$8,215.83	\$1,021.25	\$13,959.34	5	700	\$19.94
65484	1/4/2006	SOUTH HILL	WESTERLY	\$17,259.03	\$40,509.11	\$5,775.06	\$51,993.08	19	1980	\$26.25
										Average CLF Cost
Totals				\$337,841.16	\$566,002.47	\$100,584.29	\$803,259.34	316	35,406	\$22.68

Footnotes:

- Column E = Amount of total project cost contributed by customer
- Column F = Includes all material costs, labor costs, transportation costs and a customer contribution credit
- Column G = Conduit material costs included in Column F
- Column H = Column E + Column F - Column G
- Column J = Total center line footage for project
- Column K = Column H / Column J (truncated after 2 decimal places)

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
National Grid

March 1, 2006
Date

National Grid Proposed Revision to Line Extension Policies Filing

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