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Raymond J. Marshall, P.E.
Executive Director

Cc: Service List

THE NARRAGANSETT BAY COMMISSION
Docket No. 3905

Data Requests of the
Division of Public Utilities and Carriers
Set II

- 2-1. With regard to the response to DIV 1-8 and 1-9, applying the usage rates in effect in the months of April through June 2007 (*i.e.*, prior to the July 1, 2007 increases approved in Docket Nos. 3775 and 3797 to consumption in the April through June 2007 period provided in response to DIV 1-3 results in unbilled revenues of \$9,435,402. Please explain what accounts for the remaining unbilled revenue of \$4.68 million as of June 30, 2007.

Answer: A large portion of NBC's October billing is also for consumption prior to June 30, 2007.

Prepared by: WEE

2-2. With regard to the response to DIV 1-10:

- a. Has NBC done any investigation or analysis to determine the causes in the increase in the level of billed receivables from June 30, 2006 to June 30, 2007? If yes, please provide.
- b. Please explain what actions NBC has taken or plans to take to reduce the level of user fee receivables.

Answer:

- a. NBC has historically billed its customers quarterly and as a result, a variation in the date that the bills are mailed could significantly impact the receivables on June 30. Last year NBC's fourth quarter bills were mailed approximately 2 weeks later than the prior year as the result of a conversion to a new billing system. We believe this impacted the receivables at June 30. Overall, NBC has seen an increase in the amount of late charge fees as a percentage of user fee revenue, an indicator of collections, but this could also be the result of a change in the way that NBC is calculating late fees (approved by the PUC).
- b. NBC has an extensive collection program consisting of collection calls, dunning notices, water shut termination and lien sale. In fiscal year 2007, NBC selected more than 2,000 accounts for water termination (an increase of 45% over the prior year) resulting in the collection of nearly \$3.2 million.

Prepared by: WEE

2-3. Please reconcile the FY 2007 union and non-union salaries shown on Schedule WEE-4 with those provided in response to DIV 1-14.

Answer: The salaries on Schedule WEE-4 were the actual salaries and wages *paid and accrued* in FY 2007 for both union and non-union employees. The FY 2007 non-union salaries provided in response to Div 1-14 were based on *the actual annual salaries* of filled non-union positions as of April 6, 2007. The FY 2007 union salaries provided in response to Div 1-14 were based upon the annual salaries of filled union positions as of the payroll prior to the implementation of the contracted salary increases in July 2007. There are a myriad of reasons as to why these salary figures are different, making a reconciliation an extremely difficult undertaking.

Prepared by: WEE

2-4. Please update the response to DIV 1-30 to include December 2007 data and provide a copy of the response in Excel format.

Answer: See below.

	Field's Point					Bucklin Point			
	DT/Month					DT/Month			
	FY 2005	FY 2006	FY 2007	FY 2008		FY 2005	FY 2006	FY 2007	FY 2008
July	707	1,012	618	697		253	237	232	273
Aug	566	1,061	753	610		233	182	217	253
Sept	775	1,013	749	750		247	227	169	216
Oct	877	890	801	794		227	218	181	219
Nov	872	739	743	717		204	157	158	212
Dec	720	755	695	806		161	216	194	141
Jan	686	1,120	664	-		208	225	182	-
Feb	687	706	592	-		216	190	189	-
Mar	966	807	818	-		216	228	186	-
Apr	698	766	722	-		221	186	183	-
May	933	808	735	-		211	191	199	-
Jun	824	885	885	-		302	242	225	-
Total	9,310	10,562	8,775		Total	2,699	2,499	2,314	

Prepared by: WEE

- 2-5. With regard to response to DIV 1-33, that response shows gas usage in FY 2005 was 315,549 therms compared to 284,784 therms in FY 2006, and 245,978 therms in FY 2007. Given the continuing downward trend, please explain the basis for projecting rate year usage of 267,852 therms.

Answer: NBC agrees that the natural gas usage, particularly at the Bucklin Point Wastewater Treatment Facility, has been lower since the construction was completed in FY 2005 and this data was not included as part of the usage calculation for the rate year. Accordingly, NBC used the most recent 24 month period to project FY 2009 usage, including data in some cases through October 2008. By using the most current two year average to project FY 2009 NBC is being consistent with the methodology used to calculate all projected utility usage. Further, NBC's engineers have previously testified that ambient temperature is one of the most significant factors impacting natural gas usage and therefore it seems prudent to use a 2-year average as opposed to a single year to project usage. The table below shows that the first six months of natural gas usage in FY 2008 are consistent with the prior two years.

Natural Gas Usage In Therms			
	FY 2006	FY 2007	FY 2008
COB	4,928	9,900	7,091
Bucklin Pt. Admin	3,451	2,788	2,750
Bucklin Pt. Plant	14,216	9,957	14,976
Bucklin Pt. Exchanger	23,524	15,992	18,806
2 Ernest	21,510	19,138	20,222
IM	3,863	2,668	4,147
Lab	3,253	2,563	2,636
	74,745	63,006	70,629
37 Ernest	10,057	8,254	*

* No bills received yet

Prepared by: WEE

2-6. With regard to the response to DIV 1-34:

- a. Please provide the source and derivation of the capacity rates of \$0.01950 per kWh and the delivery rate of \$0.02744.
- b. Please define the term “prudent” as used in this response.

Answer: The capacity rate used in the filing was \$0.010950 not \$0.01950. The capacity rates were provided to NBC by TransCanada (see attached) on a calendar year basis which NBC converted to a fiscal year basis as follows:

<u>Capacity Charge Calculation with TransCanada Rate</u>				
Calendar years	<u>2008</u>		<u>2009</u>	
Range	\$0.0083	\$0.0120	\$0.0095	\$0.0140
Average	<u>\$0.0102</u>		<u>\$0.0118</u>	
FY 2009 Rate	<u>\$0.010950</u>			

The delivery rate of \$0.02744 was calculated based on the National Grid delivery charges for the NBC’s 2 Ernest Street location. This location, which is classified by National Grid as a G-32 tariff, was used as it is comparable with the Tunnel Pump Station. The rate calculation was calculated by dividing the delivery charges by kWh.

- a. The sentence used was “In order to be prudent, the maximum estimate was used for this filing.” Since this is a totally new facility, and NBC has no experience in operating it, the word “prudent” was used in the dictionary sense of “caution or circumspection as to danger or risk” (Webster’s Dictionary). NBC does not want to underestimate the potential costs to operate this facility and is subject to fines and penalties for violation of its RIPDES permits.

Prepared by: WEE



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August 7, 2006

Mr. Sam Celone
Narragansett Bay Commission
One Service Road
Providence, RI 02895

Re: Capacity Charges

Dear Mr. Celone:

I am writing to update you on the status of the “capacity charges” that are addressed in the Power Purchase Agreement (PPA) between us. You will recall that the PPA states that you will be responsible for capacity charges starting on 12/1/2006. You may also recall that at the time you signed the PPA, it was industry norm to exclude capacity charges from the fixed price component because of the uncertainty surrounding the wholesale capacity market in the future. After several years of intense development, consultation, and negotiations, the Independent System Operator of New England (ISO-New England), the majority of the New England Power Pool (NEPOOL), and several state regulatory commissions reached a Settlement Agreement on a new capacity market design. The Settlement Agreement was filed and approved by the Federal Energy Regulatory Commission in June (see press release enclosed).*

Pursuant to the Settlement Agreement, generators, importers, and demand side agents that provide capacity to the New England market will receive a fixed payment schedule during a “transition period” that begins December 1, 2006 and continues to at least May 2010. At the conclusion of the transition period New England expects to implement a new “Forward Capacity Market” that will generate market-determined clearing prices for capacity.

Consequently, we now have some clarity regarding the magnitude of the capacity charges that will begin appearing on your TransCanada invoices after 12/1/2006. Capacity charges could add an additional \$0.007 to \$0.010/kWh through the end of 2007; \$0.0083 to \$0.012 /kWh in calendar year 2008; and \$0.0095 to \$0.014 /kWh in calendar year 2009, depending on your load profile (that is, your relative consumption levels during on peak vs. off peak hours, as well as monthly variations). Customers with load profiles with a higher ratio of off peak consumption and flat consumption throughout the year will see charges at the lower end of these ranges.

* Parties in opposition to the Settlement Agreement have filed requests for reconsideration and could file court challenges in the future.

Contact me or your TransCanada account representative and we can calculate for you a narrower range of capacity charges we anticipate you will see. Unfortunately, we are unable at this time to give you a precise estimate because the actual costs that electric suppliers and their customers will incur will depend on a number of variables including load growth in New England, the quantity of capacity participating in the market, changes in your own consumption patterns, and the final detailed rules that will set out how these market costs will ultimately be allocated to retail accounts.

We have discussed with a number of our customers our intent to offer the option of increasing the fixed component of your contract to include the capacity charge and removing the pass through provision. The benefit is your future electric supply costs would be known and therefore easier to budget for. The potential downside is our estimates of the parameters that will determine the actual capacity charges could prove to be incorrect and you may risk paying more than had you continued with the pass through provision.

Again, please contact me or your TransCanada account representative if you have any questions, or if you would like to discuss the option to have these charges included in your fixed price.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stuart Ormsbee', written in a cursive style.

Stuart Ormsbee
Team Lead, Power Marketing

2-7. With regard to the responses to DIV 1-40 and 1-41:

- a. Please explain the causes of the \$22,619 (117 percent) increase in medical supplies expense in FY 2007 in light of the much lower expense levels in prior years and an expense of only \$5,493 in the first 6 months of FY 2008.

Answer: In FY 2007 NBC implemented a hepatitis and tetanus/diphtheria vaccination program for employees routinely exposed to wastewater and the increase in costs reflects the costs for the vaccinations. In future years NBC will incur costs in this account for vaccinations for new employees, employees that originally declined the shots but can, in accordance with NBC's "Vaccination policy", change their mind and request the shots and employees that accepted the vaccinations but did not respond to the immunizations and are eligible for revaccinations.

- b. Please explain the causes of the increase of \$300,626 (117 percent) in Repairs of Building and Equipment in FY 2007 and explain why the FY 2007 expense is representative considering the level of costs in FY 2005 and FY 2006 and considering FY 2008 year to date costs of only \$176,017.

Answer: In FY 2007 NBC discontinued the usage of a separate account for General Repairs. All repairs were therefore charged to the Repairs Bldg & Equipment account. When the actual expenses from the General Repairs account in previous years are added to the Repairs Bldg & Equipment account it can be seen that FY 2007 is consistent with prior years (see below). This account primarily includes costs for the Field's Point Wastewater Treatment Facility (FPWWTF). The FPWWTF Operations Manager anticipates fully expending the FY 2008 budget amount as the FY 2007 Budget of \$556,400 was expended.

	FY 2004	FY 2005	FY 2006	FY 2007
Repairs Bldg & Equipment	\$ 625,636	\$ 456,825	\$ 256,362	\$ 556,988
General Repairs	65,360	139,370	288,410	
Total	\$ 690,996	\$ 596,195	\$ 544,772	\$ 556,988

- c. Please explain whether Public Outreach Education expense in FY 2007 of \$39,280 included any unusual costs considering that FY 2007 is more than double the cost in prior years and FY 2008 costs are only \$7,349 for 6 months.

Answer: On Schedule WEE-1 NBC showed a normalizing test year adjustment of \$26,400 in this account. Schedule WEE-3 does not include the test year adjustment. The actual FY 2007 amount with the adjustment is \$12,880.

Prepared by: WEE

2-8. With regard to the responses to DIV 1-43 and 1-44, please explain why soda ash usage is down significantly in the first five months of FY 2008 compared to FY 2007. (For example, have operations improved with additional experience?)

Answer: Over the last two years NBC has been working to maximize nitrogen removal at Bucklin Point in order to determine if the treatment facility could reach the permitted seasonal total nitrogen limit of 5 mg/l. NBC staff testified as part of Docket 3797 that wastewater treatment is a biological process and that nitrogen removal is accomplished by selective bacteria that require a certain level of alkalinity. They further testified that these bacteria are most efficient at a neutral pH and that during periods of rainfall, the pH drops. The soda ash is used to provide alkalinity and raise the pH which makes the nitrogen consuming bacteria happy. In addition, the NBC RIPDES permit prohibits an effluent pH below 6.

According to NBC's engineers, the amount of soda ash used in the treatment process will depend upon the influent concentration (of parts per million of ammonia, nitrite, and nitrate nitrogen) the volume of influent (flow), rainfall and the amount of flow diverted to the wet weather facilities. The tables below show FY 2008 YTD rainfall and influent flow are significantly lower than normal.

	Bucklin Point Rainfall in Inches					
	2005	2006	2007	2008	2005 - 2007 Ave.	FY 2008 vs. Ave.
					-	
July	2.69	1.76	3.09	3.74	2.51	1.23
August	7.34	4.13	2.37	1.17	4.61	(3.44)
September	5.63	4.29	2.28	2.12	4.07	(1.95)
October	1.75	14.75	6.42	2.99	7.64	(4.65)
November	3.68	8.35	9.45	3.32	7.16	(3.84)
December	3.42	3.72	2.03		3.06	
January	2.36	5.48	2.67		3.50	
February	1.21	1.77	1.94		1.64	
March	4.86	0.39	5.32		3.52	
April	4.88	2.88	7.12		4.96	
May	3.12	3.16	2.5		2.93	
June	0.55	11.06	2.06		4.56	
Average	3.46	5.15	3.94			

BPWWTF Influent in MGD						
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2005-2007 Ave.	FY 2008 vs. Ave.
July 06	676	590	619	529	628	(99)
August	733	561	592	471	629	(157)
September	737	531	636	446	634	(188)
October	679	973	723	491	792	(301)
November	689	852	912	481	818	(337)
December	724	860	770	566	785	(219)
January	856	983	773		871	
February	713	819	595		709	
March	833	662	793		763	
April	971	633	975		860	
May	804	801	720		775	
June	635	975	608		739	
Average	754	770	726	497	750	

Prepared by: WEE

2-9. Please provide actual soda ash usage for December 2007.

Answer: The cost for soda ash in December was \$27,785.

Prepared by: WEE