

September 7, 2008

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3943 – National Grid Request for Change of Gas Distribution Rates
Response to Outstanding Data Requests**

Dear Ms. Massaro:

Enclosed please find eight (8) copies of National Grid's¹ responses to the Commission's fourth set of data requests issued in the above-referenced proceeding. In addition, responses are included to Data Requests RIH-JS-3, DIV 13-7, DIV 14-5 and COMM 2-5. Attached is a listing of the outstanding data requests for which the Company has not yet provided a response. The Company is endeavoring to file these responses as soon as possible.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3943 Service List

¹ The Narragansett Electric Company d/b/a National Grid ("Company").

Outstanding Responses to Information Requests as of September 7, 2008

Data Request COMM 2-1

Data Request COMM 2-2

Data Request COMM 2-6

Data Request COMM 2-9

Data Request DIV 13-4

Data Request COMM 3-2

Data Request COMM 3-8

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and mailed to the individuals listed below.

/S/
Cheryl M. Kimball

September 7, 2008
Date

**National Grid (NGrid) – Request for Change in Gas Distribution Rates
Docket No. 3943 - Service List as of 8/19/08**

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Data Request COMM 2-5

Request:

Please identify and provide a copy of each and every mailing to Gas or Electric customers since the merger which encouraged customers to increase their consumption of gas. If possible, identify the cost of the mailing and who paid for the mailing (ratepayers or shareholders).

Response:

As an initial matter, the Company has not made any mailings to gas or electric customers that generally encouraged customers to increase their consumption of gas. All of the Company's messaging is aimed at encouraging conversions to gas service, which have the effect of reducing overall energy consumption because of the installation of gas-heating equipment that is more efficient than the equipment it is replacing.

Attachments COMM 2-5(a) through (m) present copies of all direct mailings and bill inserts made to Rhode Island natural gas customers during the Fall 2007 and Spring-2008.

The Company will provide cost information in response to Data Request COMM 2-6. However, the Company is not currently recovering the cost of customer education and outreach on conversion opportunities through rates.

Data Request COMM 4-1

Request:

For each of the past four years (YE 6/30/05 through Y/E 6/30/08), provide the actual annual bill amount of a typical residential heating ratepayer and also provide what the bill would have been had the company’s proposed RDM been in place for those 4 years. Please use the RPC target revenues used to provide the response to TEC-RI 1-7.

Response:

The following calculations provide a comparison of (1) annual bill amounts for the typical residential heating customer using 922 therms per year and actual unit rates in effect at the time, with (2) an adjustment to the DAC component to reflect elimination of the Weather Normalization component and the addition of a Revenue Decoupling component based on the data from Data Request TEC-RI 1-7.¹

12- months ended	Bill Component	Typical Res Heating Customer Annual Bill	Year over Year Difference	Typical Res Heating Customer with RDM Annual Bill	Year over Year Difference
Jun-05					
	Base	\$431		\$431	
	GCR	\$816		\$816	
	DAC	-\$1		-\$1	
	EFF	\$0		\$0	
	Total	\$1,247		\$1,247	
Jun-06					
	Base	\$431	\$0	\$431	\$0
	GCR	\$1,079	\$263	\$1,079	\$263
	DAC	-\$2	-\$1	\$8	\$8
	EFF	\$0	\$0	\$0	\$0
	Total	\$1,508	\$262	\$1,518	\$272

¹ As described in the response to Data Request TEC-RI 1-7, the Revenue Per Customer (RPC) targets that are derived from the outcome of the Company’s last rate case (Docket No. 3401) are affected to some extent on differences in the base rates that were charged by the original Rhode Island LDCs that are now part of National Grid RI. As a result, the response to Data Request TEC-RI 1-7 represents only a “ballpark” analysis based solely on annual revenues. This analysis presented herein also requires assumptions about the timing of any revenue decoupling adjustment that is applied to customers bills over the following November through October time period.

12- months ended	Bill Component	Typical Res Heating Customer Annual Bill	Year over Year Difference	Typical Res Heating Customer with RDM Annual Bill	Year over Year Difference
Jun-07					
	Base	\$431	\$0	\$431	\$0
	GCR	\$1,028	-\$52	\$1,028	-\$52
	DAC	\$0	\$2	\$29	\$21
	EFF	\$4	\$4	\$4	\$4
	Total	\$1,463	-\$45	\$1,492	-\$26
Jun-08					
	Base	\$431	\$0	\$431	\$0
	GCR	\$1,002	-\$26	\$1,002	-\$26
	DAC	-\$2	-\$2	\$30	\$1
	EFF	\$10	\$6	\$10	\$6
	Total	\$1,441	-\$22	\$1,473	-\$19

Data Request COMM 4-2

Request:

For the 12 months ended June 30, 2008, with regard to natural gas operation, please provide the following information if it is available:

- a. Amount of LIHEAP funds used to offset the bills of residential customers.
- b. The number of customers receiving LIHEAP assistance.
- c. Amount of Good Neighbor Energy Fund Money used to offset the bills of residential customers.
- d. The amount of total net write-offs.
- e. If available, the amount of total net write-offs for the residential class broken down by low income/protected vs non-low income/non-protected residential customers.
- f. The amounts spent for energy efficiency measures to aid low income customers.
- g. The amounts of any other programs, discounts, assistance that were utilized to aid low income customers.

Note: If the company is unable to provide information for the 12 month period ended June 2008, the company may provide data from the most recent 12 month period available.

Response:

The following responses are based on the 12-month period ended June 30, 2008.

- a. LIHEAP funds used to offset the bills of residential customers during the 12-months ended June 30, 2008 totaled \$5,641,770.50.
- b. There were 17,234 LIHEAP grants applied to customer accounts during the 12-months ended June 30, 2008.
- c. Good Neighbor Energy Fund Money totaling \$319,439.52 was used to offset the bills of residential customers for the 12-month period ended June 30, 2008.
- d. The amount of total net write-offs during the 12-month period ended June 30, 2008 for all rate classes totaled \$9,867,085.
- e. The Company's current Customer Information System does not accommodate the tracking of write-offs by rate class or protection status.

Prepared by or under the supervision of: Karen Czaplowski

- f. Energy Efficiency programs offered by National Grid to Rhode Island customers commenced in the summer of 2007. In the period, July 2007 through June 2008, EnergyWise GAS Multifamily served 234 low income customers for a total cost of \$141,645. A total of \$841,998 of gas demand-side management funds have been used to aid low income customers.
- g. Additional funds utilized to aid low income customers during the 2-month period ended June 30, 2008 included \$1,636,460.91 of LIHEAP matching funds from the Company's Low Income Assistance program and \$1,510,808.97 from various community social agencies. Examples include St. Vincent De Paul, Inter Faith, Providence Heat Assistance Program, Blackstone Valley Community Action and RI Dept of Elderly Affairs.

Division Data Request DIV 13-7

Request:

Referring to Czekanski Rebuttal testimony, page 23, lines 7-9, please provide what the Company believes the necessary adjustments to sales, revenues, expenses and rate base would be if the Commission did not include the referenced costs in the Company's revenue requirement. The response should include all supporting workpapers.

Response:

There are three adjustments that would need to be made if the Commission decides to deny the Company's request to establish the gas conversion program. First, the rate year throughput volumes shown on Attachment NG-PCC-2 at Page 1 would need to be reduced by 226,939 Dth, which would cause a corresponding reduction of \$850,738 to the base revenues used in setting rates. This calculation is shown on Attachment DIV 13-7, at pages 1-2.

Second, it would be necessary to exclude the rate-year marketing expense of \$1,377,000 from the cost of service.

Third, it would be necessary to reduce the amount of capital expenditures forecasted through the end of the rate year as associated with the addition of customers through the program. This would eliminate \$3,648,940 in capital investment, along with the associated return through the rate year. In aggregate, the decrease to the cost of service resulting from the adjustment to O&M and capital is \$1,954,024, which is exclusive of the sales volume adjustment.

The combination of the sales-volume adjustment (\$850,738) and the reduction in O&M expense and elimination of the associated capital investment (\$1,954,024) would produce a total decrease to the Company's rebuttal position revenue requirement of \$1,103,286. As shown on Attachment Div 13-7, at page 3, the Company's revenue deficiency would be \$17,352,024 as compared to the Company's rebuttal position revenue deficiency of \$18,455,310.

In reviewing this analysis, there are two important factors to consider. First, the rate year sales revenues totaling \$850,738 understate the amount of revenue that would actually be available from these customer additions in years subsequent to their first year of service. Customers are added throughout the year and the \$850,738 reflects this

staggered addition, rather than the annualized benefit of the revenues, which is approximately \$1.0 million.

Second, the Gas Marketing Program cannot be viewed with a one-year horizon (*i.e.*, solely by looking at the impact on the revenue requirement in a single year). The purpose of the program is to expand the number of customers taking service from the system over time, which involves an upfront investment by the Company to hook-up the customer with the return coming over time through the increased revenues that are available so long as the new customer stays on the system. The Company's experience shows that once a customer comes on, the customer will remain a customer for 20 years on average. Thus, the Company would anticipate the recovery of \$1.0 million in revenues *each year* over the 20-year term, or approximately \$20 million as compared to the initial investment of approximately \$1.377 million in O&M cost and \$3,648,940 in capital cost (excluding return) to bring these customers onto the system. When the Company is able to recover revenues in excess of the initial cost to add a particular customer, additional revenues become available to support the overall cost of the system and therefore reduce the costs to be borne by other customers.

National Grid - RI Gas
Summary of Billing Determinants and Base Revenue

Line No.	Description (a)	Attachment NG-PCC-2			w/o Mktg Program		Line No.	Difference
		Test Year Normal (d)	Proforma Adjustment (e)	Rate Year - Oct 08-Sep 09 (f)	Proforma Adjustment (e)	Rate Year - Oct 08-Sep 09 (f)		
1	Firm Throughput (Dt)							
2	Sales Service							
3	Residential Non-Heating	619,882	-94,957	524,925	-84,270	535,611	3	10,687
4	Low Income Residential Non-Heating	0	46,811	46,811	46,826	46,826	4	15
5	Residential Heating	17,751,390	-1,201,640	16,549,749	-1,332,747	16,418,643	5	-131,107
6	Low Income Residential Heating	0	1,462,132	1,462,132	1,462,324	1,462,324	6	192
7	Small C&I	2,322,067	43,125	2,365,191	15,071	2,337,137	7	-28,054
8	Medium C&I	3,993,934	89,059	4,082,993	10,387	4,004,321	8	-78,672
9	Large LLF	1,355,604	-65,523	1,290,082	-65,523	1,290,082	9	
10	Large HLF	420,259	62,907	483,166	62,907	483,166	10	
11	Extra Large LLF	104,496	28,590	133,086	28,590	133,086	11	
12	Extra Large HLF	406,673	-133,770	272,903	-133,770	272,903	12	
13	Subtotal Firm Sales	26,974,304	236,733	27,211,037	9,794	26,984,098	13	
14	Transportation Service							
15	Medium C&I	1,147,553	42,199	1,189,752	42,199	1,189,752	14	
16	Large LLF	1,370,928	-5,364	1,365,564	-5,364	1,365,564	15	
17	Large HLF	549,235	1,998	551,234	1,998	551,234	16	
18	Extra Large LLF	622,669	450,902	1,073,571	450,902	1,073,571	17	
19	Extra Large HLF	3,587,934	1,087,143	4,675,077	1,087,143	4,675,077	18	
20	Subtotal Firm Transportation	7,278,319	1,576,879	8,855,198	1,576,879	8,855,198	19	
21	Miscellaneous Services							
22	NGV	12,664	0	12,664	0	12,664	20	
23	Gas Lights	3,566	0	3,566	0	3,566	21	
24	Manchester St	0	0	0	0	0	22	
25	Marketers	0	0	0	0	0	23	
26	Subtotal Miscellaneous	16,230	0	16,230	0	16,230	24	
27	Total Firm Base Quantities (Dt)	34,268,853	1,813,611	36,082,465	1,586,673	35,855,526	25	-226,939

ref: Workpapers PCC-1, PCC-3, and PCC-5

National Grid - RI Gas
Summary of Billing Determinants and Base Revenue

Line No.	Description (a)	Attachment NG-PCC-2			w/o Mktg Program		Line No.	Difference
		Test Year Normal (d)	Proforma Adjustment (e)	Rate Year - Oct 08-Sep 09 (f)	Proforma Adjustment (e)	Rate Year - Oct 08-Sep 09 (f)		
28	Firm Base Revenue (net of GET) [1]						28	
29	Sales Service						29	
30	Residential Non-Heating	\$ 5,524,306	\$ (811,592)	\$ 4,712,714	\$ (715,231)	\$ 4,809,075	30	\$ 96,361
31	Low Income Residential Non-Heating	\$ -	\$ 420,579	\$ 420,579	\$ 420,642	\$ 420,642		\$ 63
32	Residential Heating	\$ 80,752,393	\$ (5,267,864)	\$ 75,484,529	\$ (5,872,994)	\$ 74,879,399	32	\$ (605,130)
33	Low Income Residential Heating	\$ -	\$ 6,680,256	\$ 6,680,256	\$ 6,681,405	\$ 6,681,405		\$ 1,149
34	Small C&I	\$ 10,260,513	\$ 230,651	\$ 10,491,164	\$ 105,775	\$ 10,366,288	34	\$ (124,876)
35	Medium C&I	\$ 11,226,298	\$ 267,941	\$ 11,494,239	\$ 49,636	\$ 11,275,934	35	\$ (218,305)
36	Large LLF	\$ 3,432,108	\$ (142,956)	\$ 3,289,152	\$ (142,956)	\$ 3,289,152	36	
37	Large HLF	\$ 757,031	\$ 88,361	\$ 845,392	\$ 88,361	\$ 845,392	37	
38	Extra Large LLF	\$ 141,574	\$ 20,961	\$ 162,535	\$ 20,961	\$ 162,535	38	
39	Extra Large HLF	\$ 399,744	\$ (112,923)	\$ 286,821	\$ (112,923)	\$ 286,821	39	
40	Subtotal Firm Sales	\$ 112,493,967	\$ 1,373,414	\$ 113,867,381	\$ 522,676	\$ 113,016,643	40	
41	Transportation Service						41	
42	Medium C&I	\$ 3,045,834	\$ 110,168	\$ 3,156,002	\$ 110,168	\$ 3,156,002	42	
43	Large LLF	\$ 3,397,065	\$ 44,716	\$ 3,441,781	\$ 44,716	\$ 3,441,781	43	
44	Large HLF	\$ 959,441	\$ 7,848	\$ 967,289	\$ 7,848	\$ 967,289	44	
45	Extra Large LLF	\$ 710,196	\$ 236,051	\$ 946,247	\$ 236,051	\$ 946,247	45	
46	Extra Large HLF	\$ 2,503,732	\$ 683,120	\$ 3,186,852	\$ 683,120	\$ 3,186,852	46	
47	Subtotal Firm Transportation	\$ 10,616,268	\$ 1,081,903	\$ 11,698,171	\$ 1,081,903	\$ 11,698,171	47	
48	Miscellaneous Services						48	
49	NGV	\$ 22,738	\$ -	\$ 22,738	\$ -	\$ 22,738	49	
50	Gas Lights	\$ 18,423	\$ -	\$ 18,423	\$ -	\$ 18,423	50	
51	Manchester St	\$ 247,712	\$ -	\$ 247,712	\$ -	\$ 247,712	51	
52	Marketers	\$ 228,266	\$ -	\$ 228,266	\$ -	\$ 228,266	52	
53	Subtotal Miscellaneous	\$ 517,138	\$ -	\$ 517,138	\$ -	\$ 517,138	53	
54	Subtotal Firm Base Revenue (net of GET)	\$ 123,627,373	\$ 2,455,317	\$ 126,082,690	\$ 1,604,579	\$ 125,231,952	54	
55	Non-Firm Margin [2]						55	
56	Component supporting base rates	\$1,600,000	\$0	\$1,600,000	\$0	\$1,600,000	56	
57	NET Base Revenue						57	
58	(net of GET)	\$ 125,227,373	\$ 2,455,317	\$ 127,682,690	\$ 1,604,579	\$ 126,831,952	58	\$ (850,738)

Note

[1] Base Revenue excludes GET, DAC, GCR, Energy Efficiency Surcharge

ref: Workpapers PCC-8 and PCC-9

[2] 75% of Non-firm margin in excess of \$1.6 million is refunded to customers and 25% is retained by the Company

National Grid - RI Gas
Pro-Forma Income Statement
Revenue Requirement For The Twelve Months Ended September 30, 2009
Company Rebuttal Position Adjusted to Exclude Proposed Gas Marketing Program

Line No.		September 30, 2007	Known & Measurable Adjustments 1/	Adjusted Per-Book 09/30/2007	Pro Forma Adjustments	Adjusted Pro Forma	Rate Increase Effect (1)	Adjusted Pro Forma with Rate Increase (2)
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Operating Revenues:					440,896,762		
2	Gas Cost Recovery (including unbilled gas cost revenue)	\$311,898,308	(\$311,898,308)	\$0	\$0	\$0	17,352,024	\$139,198,976
3	Delivery	118,599,900	1,653,590	120,253,490	1,593,462	1,211,846,952		
4	Interruptible Firm (non-gas portion only)	1,863,590	(263,590)	1,600,000	-	1,600,000		1,600,000
5	LIAP in Base Rates	1,548,343	30,184	1,578,528	6,472	1,585,000		1,585,000
6	Energy Efficiency - Weatherization Program in Base Rates	195,287	3,897	199,183	817	200,000		200,000
7	Advanced Gas Technologies in Base Rates	292,286	5,712	297,998	2,002	300,000		300,000
8	Environmental Cost Recovery in Base Rates	634,965	663,209	1,298,174	1,826	1,300,000		1,300,000
9	Energy Efficiency Surcharge	168,151	(168,151)	-	-	-		-
10	Gross Receipts Tax Revenues	12,763,597	(12,763,597)	-	-	-		-
11	Other	572,081	1,486,688	2,058,769	107,733	2,166,502		2,166,502
12								
13	Total Operating Revenue	\$448,536,508	(\$321,250,366)	\$127,286,142	\$1,712,312	\$128,998,454	\$17,352,024	\$146,350,478
14								
15	Operating Expenses:							
16	Gas Purchased for Resale	\$300,428,013	(\$300,428,013)	\$0	\$0	\$0		\$0
17	GCR-Related Operation and Maintenance	884,359	(884,359)	-	-	-		-
18	Other Operation & Maintenance Expenses	77,516,651	382,609	77,899,260	(1,320,100)	76,579,160	426,860	76,579,160
19	Uncollectible Expense	9,004,641	(6,151,265)	2,853,376	227,330	3,080,706		3,507,566
20	LIAP Expense	1,548,343	30,184	1,578,528	6,472	1,585,000		1,585,000
21	Energy Efficiency - Weatherization Program	195,287	3,897	199,183	817	200,000		200,000
22	Advanced Gas Technologies Expense	292,286	5,712	297,998	2,002	300,000		300,000
23	Energy Efficiency Expenses	168,151	(168,151)	-	-	-		-
24	Merger Related Costs to Achieve Synergies	2,742,502	(2,742,502)	-	-	1,657,638		1,657,638
25	Environmental Cost Amortization	1,025,565	272,609	1,298,174	1,826	1,300,000		1,300,000
26	Y2K and CIS Legacy System Amortization	382,022	(8,043)	373,979	-	373,979		373,979
27	Estimated NGRID/KeySpan Transaction Synergies	2,049,000	(2,049,000)	-	(6,400,000)	(6,400,000)		(6,400,000)
28	Company Share of Net Synergies	20,981,392	-	20,981,392	3,346,971	3,346,971		3,346,971
29	Depreciation	14,117,666	(14,117,666)	-	(1,034,802)	19,946,590		19,946,590
30	Gross Receipts Tax	6,920,312	-	6,920,312	213,448	7,133,760		7,133,760
31	Municipal Tax	3,037,010	-	3,037,010	(188,066)	2,848,944		2,848,944
32	Payroll Tax	38,313	-	38,313	-	38,313		38,313
33	Other Taxes	1,217,428	(616,601)	600,827 2/	1,428,592	2,029,418 2/	5,923,808	7,953,226
34	Federal & Deferred Income Tax							
35								
36	Total Operating Expenses	\$442,548,941	(\$326,470,590)	\$116,078,351	(\$2,057,871)	\$114,020,480	\$6,350,667	\$120,371,147
37								
38	Net Operating Income	\$5,987,567	\$5,220,224	\$11,207,791	\$3,770,183	\$14,977,974	\$11,001,357	\$25,979,331
39								
40	Rate Base			253,342,491		\$282,691,307		\$282,691,307
41	Rate of Return			4.42%		5.30%		9.19%
42								

1/ Revenue Adjustments from Page 2 and Operating Expense Adjustments from Page 3.
2/ Calculated based on pre-tax operating income less imputed interest deduction equal to imputed long-term and short-term capitalization ratios and costs as applied to Test Year rate base. Also includes flow-through of the Medicare Reimbursement Act deduction and AFUDC equity.

Division Data Request DIV 14-5

Request:

On page 12, lines 10-11 of Mr. Moul's rebuttal testimony he states, "Mr. Rothschild's proposal clearly fails to comply with Commission policy and generally accepted ratesetting practice..."

- 1) Please identify policy Mr. Moul is referring to.
- 2) Please provide a full description of this policy.
- 3) Please identify the ratesetting practice Mr. Moul is referring to and a description of this practice.

Response:

Mr. Moul is referring to the fact that the Commission's practice is to use the actual capital structure of a public utility in setting rates, unless that capital structure is not reasonable for rate-setting purposes or a settlement is approved specifically providing for the use of a capital structure other than the actual capital structure. When the situation arises where the actual capital structure is not reasonable for rate-setting purposes, the Commission has generally used a proxy group approach to identify a reasonable capital structure for the regulated utility.

In arriving at this conclusion, Mr. Moul relied on input from the Company as well as the Commission's decisions in Blackstone Valley Electric, Order No. 13877 (1992) (using actual capital structure); The Narragansett Electric Company, Order No. 14857 (1995) (settlement using the actual capital structure of Narragansett Electric Company); The Narragansett Electric Company, Order No. 16200 (2000) (settlement agreement using 50/50 imputed capital structure); and The Narragansett Electric Company, Order No. 18037(2004) (distribution rate settlement establishing imputed capital structure with 50% common equity, 45% debt and 5% preferred stock).

Rhode Island Hospital Data Request RIH-JS-3

Request:

Please indicate the scope of the term “investment” as is defined in your pre-filed testimony at page 8.

Response:

On page 8 of Mr. Simpson’s direct, pre-filed testimony, he references the “additional investments” needed to provide firm service to Large or Extra Large customers. In that context, the term “additional investments” is intended to refer to the capital cost of any distribution system needed to connect and or serve a customer, which could include a new meter, new service line, system upgrades, expansions or extensions that would be necessary to provide firm service to a new customer of this type.