THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

INVESTIGATION AS TO THE PROPRIETY
OF PROPOSED TARIFF CHANGES

RIPUC DOCKET NO. 4065

BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION

TESTIMONY AND EXHIBITS
OF BRUCE A. GAY

ON BEHALF OF THE

DIVISION OF
PUBLIC UTILITIES AND CARRIERS

SEPTEMBER 15, 2009

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I. Introduction and Qualifications

Q. Please state your full name, business address and title.

A. My name is Bruce A. Gay. My business address is 4209 Buck Creek Court, North Charleston, South Carolina 29420. I am President of Monticello Consulting Group, Limited.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Business Administration from the Wharton School, University of Pennsylvania in 1986 and an M.B.A. from Rensselaer Polytechnic Institute in 1990. In 2002, I founded Monticello Consulting Group. Since 2002, I have provided consulting and advisory services to utility companies, utility commissions, telecoms and other utility industry related companies. Prior to starting Monticello Consulting, I worked at PECO Energy Company (Exelon Corp.) for five years, where I held several positions, primarily in the accounts receivable area.

Q. Have you previously testified before the Rhode Island Public Utilities Commission ("Commission")?

A. No I have not.

Q. Please briefly describe your current areas of responsibility for Monticello Consulting.

A. I specialize in providing advisory services in ARM (accounts receivable management), including credit, collections and the recovery of bad debt. I review, assess and recommend improvements to my clients on how to better manage delinquent accounts, improve costs and reduce receivables and bad debt. I have numerous utility company and public utility commission clients in the U.S. and Canada.

II. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose is to evaluate the direct testimony of Mr. Rudolph L. Wynter, Jr., as it relates to the Narragansett Electric Company's [1] management of uncollectible accounts, and to detail the

[1] Throughout the testimony, when I will refer to Narragansett Electric Company, I will use the term "Company."

Company's actual performance in the management of its delinquent and uncollectible accounts.

Q. Has the Company experienced an increase in the amount of charge-offs over the past several years?

A. Yes. This is described in Mr. Wynter's testimony. The Company indicates that the net charge-offs have increased from $5,827,520 in 2004 to $12,412,851 in 2008. The Company attributes the increase in charge-offs to the increase in commodity prices and the downturn in the state's economy.

Q. Is the Company proposing any regulatory or rate changes in this proceeding to protect its shareholders from increases in uncollectibles?

A. Yes. The Company has proposed to make uncollectibles, for the most part, subject to reconciliation, so if net charge-offs increase, the Company will be made whole through a timely increase in electric rates applied to all other customers. The manner this would occur is described in Mr. Wynter's testimony, and has two basic components to it. The first is to split uncollectibles between "delivery" and "commodity". That portion assigned to delivery will be included as an element of the distribution cost of service. The portion assigned to commodity would be added to the standard offer cost, as an element of the proposed standard offer administrative cost component. Actual increases in charge-offs attributed to standard offer service would be reconciled annually and recovered through the annual standard offer reconciliation process. For the delivery component of uncollectibles, the Company has requested an approved regulatory process in which it could increase rates should it experience an increase in net charge-offs of $500,000 above the level approved in this proceeding.

Q. Does your testimony address these proposals?

A. No. Mr. Oliver will address the appropriateness of splitting the uncollectibles between delivery and commodity as well as the proposal for an annual reconciliation of the commodity uncollectibles. Mr. Effron will address the proposal for an approved regulatory process for increasing rates for an increase in the delivery component of uncollectibles.

III. Overview of Company Review & Testimony

Q. What was the focus of your review and the resulting testimony?

A. The focus of my review was to assess the Company's management of accounts receivable and try to determine if that management has contributed to the reported growth in net charge-offs in recent years and the potential continued growth in charge-offs. This is especially important now, as the Company is asking the Commission to further shift the risk of growth in this area from the shareholders to ratepayers through the proposed true-up/rate adjustment processes. If the Company's management of its accounts receivables and its debt collection practices have been problematic and have contributed to some of the reported growth in charge-offs, that should be a consideration for the Commission in weighing the Company's risk-shifting proposals in this area. Further, it could be the basis for making an adjustment to the Company's uncollectible amount proposed for rates in this rate proceeding.

Q. Please summarize your understanding of the previous testimony by Mr. Wynter regarding the Company's uncollectible expense performance.

A. Mr. Wynter states that "commodity prices and economic factors remain the primary drivers of uncollectible expense." In addition, he states that as a result of the commodity prices and economic factors, "the impact that the Company can have on controlling this expense is limited." Listed below is a summary of Mr. Wynter's testimony describing the factors affecting the Company's increase in uncollectible expense over the last several years:

1. "Increase in electric commodity costs that has occurred in recent years."
2. "A substantial increase in electric bills causes a higher percentage of customers to be unable to pay their bills."
3. "The economic environment" and the "steep recession underway in Rhode Island."
4. Weather as it relates to the size of customer's bills
5. Competition for customers' income from other necessities, such as gasoline and health care.
6. The level of governmental assistance which assist certain customers with paying their utility bills
7. "The timing and term of winter protection periods…limits the collection activities that the Company can undertake."

8. The extension of the winter protection period shifts the timing of write-offs to later in the year.
9. Increases in commodity prices combined with similar price increases of other necessities for customers put "additional pressure on the Company's ability to manage its level of write offs."

In addition, Mr. Wynter offers Schedule NG-RLW-2 as evidence of the "correlation between Standard Offer rates and the level of write-offs experienced by the Company."

IV. Review of Company's Performance

Q. Do you agree with Mr. Wynter's list of factors affecting the Company's increase in uncollectible expense over the last several years?

A. No I do not. Although the factors Mr. Wynter listed may impact the level of charge-offs, it is impossible to quantify the exact correlations and impacts without a more thorough analysis. Specifically, there are other important factors that may significantly impact charge-offs—primarily the Company's ability to manage its customer accounts and delinquent portfolios. Although Mr. Wynter offered an overview of the Company's collection process, the testimony lacked sufficient information to determine the Company's actual performance relative to charge-offs. As a result, I performed a full review and analysis of the Company's recent credit and collections policies, procedures and work-flows, as well as its performance relative to accounts receivables and charge-offs.

Q. **Please summarize your review and analysis of the Company's performance relative to credit, collections and uncollectible expense performance.**

A. My review and analysis included a detailed review of the Company's work practices, procedures, programs and delinquent account workflows. Several years worth of the Company's monthly historical data was analyzed in depth, including billing, revenue, accounts receivable, termination activity, deferred payment plans and charge-offs. The focus of the analysis was on the volume of activities performed by the Company and the resulting outcomes. The analysis and outcome data was categorized into the following types of accounts: residential (i.e., standard customers), protected residential (i.e., low income

customers) and non-residential (i.e., commercial and industrial customers). Finally, the analysis focused on answering the following two questions:

1. How, why and which types of accounts became delinquent and ultimately become uncollectible?
2. What policies, procedures, programs, regulations or other factors contribute to the number of accounts and total dollars delinquent and uncollectible by the Company?

V. Impact of Commodity Prices on Charge-Offs

Q. Based on your analysis, did the increases in commodity prices act as a primary driver in the Company's increased uncollectible expense?

A. No, it does not appear that recent increases in commodity prices are the primary factor in the increases in uncollectible expense. The Company offered Schedule NG-RLW-2 as evidence of the close correlation between commodity prices and charge-offs. However, as mentioned, there are numerous other factors that drive the Company's charge-offs, including the Company's ability to manage and collect on its delinquent portfolios. As a result, the actual degree of relationship between the variables (i.e., increases in commodity prices and charge-offs) depicted in Schedule NG-RLW-2 is not known. In other words, variation in commodity prices may or may not cause variation in charge-offs within a given range.

An alternative method of evaluating the relationship between commodity prices and charge-offs is to examine the impact of price increases on customers' monthly bills. Price increases are almost immediately reflected in monthly bills (i.e., typically not much longer than one month, depending on the date of increase and the Company's billing cycle). From this examination, the actual dollar increase per month (and annually) for a typical customer can be analyzed. Attachment 1 graphs the relationship between Standard Offer rates and average monthly bills for the Company's residential customers. The graph shows the increase in Standard Offer rates for the period 2007 through June 2009. Comparing May 2007 to May 2008, commodity prices increased 11%, yet the typical residential customer's monthly bill increased by only 3% ($2.00) for the same period. Likewise, comparing May 2008 to May 2009, commodity prices remained level, yet the typical residential customer's monthly bill increased by 6% ($4.00) for

the same period. Attachment 2 graphs the same relationship between Standard Offer rates and average monthly bills for the Company's non-residential customers. In contrast to the Company's residential customer, the typical non-residential customer's monthly bill actually decreased by 51% (-$31.00) and 3% (-$19.00) for the same period, respectively.

In spite of the variation in commodity prices during 2007 through 2009, the average bills for customers did not match the percentage increases or decreases in commodity prices. In fact, in some cases the average bills moved in opposite directions of commodity prices. For example, in the first half of 2008, commodity prices increased 11%, compared to the same period 2007. Yet, the average monthly bill for non-residential customers decreased by 0.12% (-$1), compared to the same period 2007. Attachment 3 summarizes the 2007 to 2009 variations in Standard Offer rates and compares the average bills for residential and non-residential customers. Since changes in commodity prices do not match changes in the Company's average bills, other factors must explain some of the variation, including seasonality, energy usage, energy conservation (especially by non-residential customers in a recession), weather and economic conditions.

Attachment 3 also shows the average balance of customer charge-offs. Although charge-offs typically lag price increase dates (and subsequent billing on accounts) by a number of months, the data is illustrative of how the average balances of charge-offs did not move in parallel with commodity prices. For example, in 2008, commodity prices increased 29% compared to 2007, yet the average balance of all charge-offs on residential accounts decreased 17% (-$46), for the same period. In contrast, the average balance of charge-offs on non-residential accounts increased 53% ($626), compared to the same period.

Q. Do you believe that the increase in commodity prices caused a higher percentage of customers to be unable to pay their bills?

A. No I do not believe a significant number of customers defaulted as a direct result of recent price increases. Although commodity prices impact customers' bills, other factors such as weather, conservation and the economy may also directly affect customers' bills (i.e., increase or decrease). As a result, commodity price increases must be analyzed in terms of customers'

average monthly bills for roughly the same period to determine if other factors are involved. For instance, in 2008, there was a 29% average increase in commodity prices over 2007, which corresponded to about a 17% increase in average monthly bills on residential and non-residential customers (i.e., $14 and $168 increase in the average monthly bill for residential and non-residential customers, respectively). For the first half of 2009, there was no increase in commodity prices over the first half of 2008, which corresponded to about a 7% increase in average monthly bills on residential accounts and a 5% decrease in average monthly bills on non-residential customers (i.e., $6 and -$37 increase/decrease in the average monthly bill for residential and non-residential customers, respectively). As a result, it appears that other factors also were impacting customer bills. In the final analysis, some percentage of customers may have struggled with the increases in their monthly bills, but it is difficult to determine the exact correlation between commodity prices, average monthly bill increases and subsequent customer defaults.

VI. Impact of Economy

Q. Do you believe that the economic recession underway in Rhode Island is a primary factor in the Company's increase in charge-offs?

A. The current economic situation is a factor and is affecting the Company's customers. The company's bankruptcies appear to be increasing and becoming a higher percentage of each year's overall charge-off portfolio. For example, in 2008, residential charge-offs resulting from bankruptcies equaled 9.7% of the total dollars written off on residential accounts. Through May 2009, bankruptcies increased to 11.2% of the total charge-offs. The situation is worse on non-residential accounts. Specifically, in 2008, bankruptcies on non-residential accounts were 17.8% of the total dollars charged-off on non-residential accounts. Through May 2009, that same percentage increased to 35.1%. Despite the total dollars written off due to bankruptcies, it is difficult to quantify how much the current economic recession has impacted the Company's charge-offs. However, it is clear that the Company's charge-offs were increasing years before the current economic downturn.

VII. Factors Driving Charge-Offs

A. Accounts Receivable Management

Q. If commodity prices and the economic recession are not the primary drivers of the Company's charge-offs, what is driving the rate of charge-offs?

A. The primary factor driving charge-offs is the Company's management of its delinquent portfolio of active accounts (i.e., accounts receivable). Specifically, past due balances on seriously delinquent active accounts have been allowed to grow to levels that have become unmanageable for the customers and for the Company. Past due balances on thousands of accounts have grown to a point where the Company's conventional collection treatment strategies, such as outbound calling campaigns, reminder notices and disconnect notices are largely ineffective. For example, as noted above, in 2007, the average monthly bill for all residential customers was $83. According to the Company's account process flows, once an account becomes delinquent (i.e., greater than 30 days past due), the Company initiates collection activities on a given account, depending on a number of factors and internal risk-type assessments. After an account becomes about 40 days past due, and with proper notice, the account would be eligible for disconnection for non-payment. The Company may or may not disconnect the account, depending on a number of factors, including a customer payment, a customer request for a payment plan, the availability of field staff to execute the field visit/disconnection and so on. In any event, if an account remains unpaid, the delinquency continues into the next billing cycle. To illustrate, the average total due on subsequent billings on the 2007 delinquent account example would be as follows:

Narragansett Electric Co.--Average Monthly Residential Bill 2007 (example of growing delinquency)

Month	Current Bill	> 30 Days	> 60 Days	> 90 Days	> 120 Days	> 150 Days	> 180 Days	> 210 Days	Total Bill Due
1	$83								$83
2	$83	$83							$166
3	$83	$83	$83						$249
4	$83	$83	$83	$83					$332
5	$83	$83	$83	$83	$83				$415
6	$83	$83	$83	$83	$83	$83			$498
7	$83	$83	$83	$83	$83	$83	$83		$581
8	$83	$83	$83	$83	$83	$83	$83	$83	**$664**

As the delinquency ages, the total balance due grows to a level that eventually becomes unmanageable by the customer. In other words, the larger the balance due, the more difficult it is for the typical customer to pay. Similarly, the larger the balance due, the more difficult it

is for the Company to collect. As a result, initiating an outbound calling campaign or sending reminder notices to customers with total balances due of over $500 (i.e., >180 days past due) would likely be ineffective.

B. Non-Residential Charge-Offs

Q. Please provide additional explanation on the Company's accounts receivable and how it drives the level of charge-offs.

A. The Company's management of its accounts receivable is directly related to the level of uncollectible dollars. In general, the Company could have reduced its charge-offs by reducing the total number of accounts charged-off and/or by lowering the average charge-off balance per account. By reviewing the Company's past performance relative to charge-offs, accounts receivable and average balances, it can be demonstrated how the Company had an opportunity to reduce the total dollars charged-off. A review of the Company's management of its non-residential accounts over several years will demonstrate the opportunity. Since the Company is afforded significant regulatory freedom in its collection of commercial and industrial accounts, it should be able to better manage its accounts receivable and charge-off volumes on non-residential accounts versus residential accounts. For instance, non-residential accounts may be disconnected for non-payment on any day of the week or month of the year, since day-of-the-week restrictions and the termination moratorium period are not applicable on non-residential accounts. It turns out, however, that since 2007, non-residential accounts account for a larger percentage of the Company's total charge-off dollar volume. In 2007, charge-offs from non-residential accounts equaled 13% of the total charge-off dollar volume. In 2009, the year-to-date percentage is running at 35% of the total charge-offs. Attachments 4, 5 & 6 show the Company's actual charge-off statistics on residential, low-income residential and non-residential accounts for 2007-2009.

<u>Non-Residential Charge-Offs</u>

In 2008, about 22% ($2,788,025) of the Company's total gross charge-offs were from non-residential accounts. Of the total dollars charged-off on non-residential accounts, 83% originated on accounts that closed at the request of the customer (i.e., close voluntarily). Of all the non-residential accounts with charge-off balances greater than $1,000, the Company

disconnected 118 accounts with a total due of $381,838, and an average balance per account of $3,236. On average, these accountholders were seriously delinquent (i.e., >90 days past due) at the time of disconnection.[2] Since this group of accounts was at least 90 days past due, many of the accounts could have been disconnected earlier, before the delinquency and total balance due became unmanageable. For example, had the Company accelerated disconnection activity on these same accounts by one month, then the total annual charge-off would be reduced by $94,990 (118 accounts X $805 avg. bill X 1 monthly bill). In addition to the disconnected accounts with balances greater than $1,000, there were 258 similarly high-balance accounts (>$1,000) that closed voluntarily with a total balance due $2,109,057, and an average balance per account of $8,175 (i.e., >9 months past due). Since this group of accounts was, on average, at least 9 months past due, many of the accounts could have been disconnected many months earlier. Had the Company performed disconnection activity on these same accounts, on average, seven months earlier, then the total annual charge-off would be reduced by $1,453,830 (258 accounts X $805 avg. bill X 7 monthly bills). Hence, the Company missed an opportunity to reduce charge-offs by a combined total of $1,548,820 by not taking termination action earlier, say at 60 days past due, on these two groups of accounts.

C. Non-Residential Accounts Receivable

Non-Residential Accounts Receivable

In April of 2008, the Company had at least 8,083 non-residential accounts with arrearages greater than 60 days past due.[3] The total balance due on these accounts was $25,650,420, and an average balance per account of $3,173. The table below offers perspective on how delinquency can increase on a typical non-residential account with average monthly billing in 2007:

[2] Average monthly bill in 2008 for non-residential accounts: $805. Therefore, charge- off amount of $3,236/$805 = 4.02 months (i.e., current bill + 3 month's past due= 805 +[805 x 3] = 3,230)

[3] Represents about 13% of the Company's entire non-residential customer base.

Narragansett Electric Co.--Average Monthly Non-Residential Bill 2007 (example of growing delinquency)

Month	Current Bill	> 30 Days	> 60 Days	> 90 Days	> 120 Days	> 150 Days	> 180 Days	Total Bill Due
1	$734							$734
2	$734	$734						$1,468
3	$734	$734	$734					$2,202
4	$734	$734	$734	$734				**$2,936**
5	$734	$734	$734	$734	$734			**$3,670**
6	$734	$734	$734	$734	$734	$734		$4,404
7	$734	$734	$734	$734	$734	$734	$734	$5,138

The table shows that it takes about four to five months of continuous non-payment for an average non-residential customer to achieve a delinquent balance of $2,936 to $3,670. In April of 2008, the entire portfolio of 8,083 delinquent accounts was eligible for disconnection for non-payment, excluding any accounts with special circumstances or payment arrangements (assumed to be a low percentage on non-residential accounts). Despite this large portfolio of delinquent accounts in April of 2008, however, the Company continued to allow the delinquency to increase. The following table illustrates the Company's performance in April 2008:

Narragansett Electric Company--Non-Residential Accounts

Accounts Receivable Vs. Performance

April 2008--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	8,083	$6,401,290	$25,650,420	$3,173
April Actual Performance	April 2008			
# of Outbound Calls:	-			
# of Disconnect Notices:	1,787			
# of Field Orders:	400			
# of Disconnections (CONP):	78		$77,782	$997
Disconnects as % of Total Eligible:	0.96%		0.30%	

Note: Outbound calls started in Nov. 2008

Specifically, the Company initiated no outbound calls, issued 1,787 disconnection notices, issued 400 orders for field visits and subsequently disconnected only 78 accounts, with a total balance due $77,782. The Company threatened disconnection on about 22% of the eligible accounts and disconnected less than 1% of the accounts in the delinquent portfolio. In

addition, only 0.30% of the total dollars delinquent were actually disconnected. Since the disconnection process is the most effective collection (and customer behavior modification) tool, the Company did not use it effectively to reduce the delinquent portfolio. The Company's performance in subsequent months was similar. In fact, the Company disconnected only an additional 1,084 non-residential accounts for the remainder of 2008.

By not managing the delinquent portfolio and allowing the delinquency to age, the average balance due increased. The evidence of the increase can be seen in the following year. Specifically, in April 2009, the Company had at least 5,551 non-residential accounts with arrearages greater than 60 days past due. The total balance due on these accounts was $21,751,832, and an average balance per account of $3,919 (a 24% increase from 2008). The following table illustrates the Company's April 2009 performance:

Narragansett Electric Company--Non-Residential Accounts

Accounts Receivable Vs. Performance

April 2009--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	5,551	$4,670,128	$21,751,832	$3,919
April Actual Performance	April 2009			
# of Outbound Calls:	1,111			
# of Disconnect Notices:	5,528			
# of Field Orders:	908			
# of Disconnections (CONP):	130		$118,071	$908
Disconnects as % of Total Eligible:	2.34%		0.54%	

Note: Outbound calls started in Nov. 2008

The Company in November 2008 started an outbound calling program on non-residential customers. As a result, 1,111 outbound calls were made in April 2009. The Company also increased the number of disconnection notices to delinquent customers as evidenced by the 5,528 notices sent in April (interestingly, almost the same number of notices as the number of total number of accounts greater than 60 days past due). However, the percentage of field orders and actual disconnections remained at very low percentages. In addition, only 0.54% of the total dollars delinquent were actually disconnected. The average balance on accounts

disconnected for non-payment was $908, which was substantially less than the average balance in the delinquent portfolio (i.e., $3,919). In sum, the Company's actual collection and disconnection activity was overwhelmingly disproportionate to size of the delinquent portfolio.

D. Standard Residential Charge-Offs

Q. Please provide a similar review the Company's accounts receivable performance on residential accounts.

A. Residential (A-16 Basic Residential Rate) Charge-Offs

In 2008, $8,747,620, or about 68%, of the Company's total gross charge-offs were from "Standard" residential accounts (A-16, Basic Residential Rate). Of the total dollars charged-off on standard residential accounts, 65% originated on accounts that were closed at the request of the customer (i.e., close voluntarily). Of the standard residential accounts with charge-off balances greater than $500, the Company disconnected 2,138 accounts with a total due of $2,557,229, and an average balance per account of $1,196. This entire group of accountholders was seriously delinquent (i.e., >13 months past due) at the time of disconnection.[4] Since this group of accounts was at least 13 months past due, many of the accounts could have been disconnected many months earlier, before the delinquency and total balance due became unmanageable. For example, had the Company accelerated disconnection activity on these same accounts by 11 months, then the total annual charge-off would be reduced by $1,951,994 (2,138 accounts X $83 avg. bill X 11 monthly bills). In addition to the disconnected accounts with balances greater than $500, there were 3,311 similarly high-balance accounts (>$500) that closed voluntarily with a total balance due $3,745,945, and an average balance per account of $1,181 (i.e., >13 months past due). Since this group of accounts was, on average, at least 13 months past due, many of the accounts could have been disconnected many months earlier. Had the Company performed disconnection activity on these same accounts, on average, 11 months earlier, then the total annual charge-off would be reduced by $3,022,943 (3,311 accounts X $83 avg. bill X 11 monthly bills). Hence, the Company missed an

[4] Average monthly bill in 2008 for residential accounts: $83. Therefore, charge- off amount of $1,196/$83 =14.41 months (i.e., current bill + 13 month's past due = 83 +[83 x13] = 1162)

opportunity to reduce charges-off by a combined total of $4,974,937 by not taking termination action earlier, say at 60 days past due, on these two groups of accounts.

E. Standard Residential Accounts Receivable

Residential (A-16 Basic Residential Rate) Accounts Receivable

In April of 2008, the Company had at least 51,395 residential (standard) accounts with arrearages greater than 60 days past due.[5] The total balance due on these accounts was $34,595,574, and an average balance per account of $673. The table below offers perspective on how delinquency can increase to this level on a typical residential account with average monthly billing in 2007:

Narragansett Electric Co.--Average Monthly Residential Bill 2007 (example of growing delinquency)

Month	Current Bill	> 30 Days	> 60 Days	> 90 Days	> 120 Days	> 150 Days	> 180 Days	> 210 Days	Total Bill Due
1	$83								$83
2	$83	$83							$166
3	$83	$83	$83						$249
4	$83	$83	$83	$83					$332
5	$83	$83	$83	$83	$83				$415
6	$83	$83	$83	$83	$83	$83			$498
7	$83	$83	$83	$83	$83	$83	$83		$581
8	$83	$83	$83	$83	$83	$83	$83	$83	**$664**

The table shows that it takes about eight months of continuous non-payment for the average residential customer to achieve a delinquent balance of $673. In April of 2008, the entire portfolio of 51,395 delinquent accounts was eligible for disconnection for non-payment, excluding any accounts with special circumstances or payment arrangements. Despite this large portfolio of delinquent accounts in April of 2008, however, the Company continued to allow the delinquency to increase. The following table illustrates the Company's performance in April 2008:

[5] Represents about 13% of the Company's entire residential (Std.) customer base.

Narragansett Electric Company--Residential (Standard) Accounts

Accounts Receivable Vs. Performance

April 2008--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	51,395	$14,504,432	$34,595,574	$673

April Actual Performance	April 2008			
# of Outbound "Disconnect" Calls:	-			
# of Disconnect Notices:	21,150			
# of Field Orders:	1,287			
# of Disconnections (CONP):	934		$548,258	$587
Disconnects as % of Total Eligible:	1.82%		1.58%	

Notes: Outbound disconnect calls started in August 2008--(on 60 day arrears accounts)
Disconnect Notices include all residential accounts, including protected customers

Specifically, the Company initiated no outbound calls, issued 21,150 disconnection notices (includes protected customers), issued 1,287 orders for field visits and subsequently disconnected 934 accounts, with a total balance due $548,258. Although, the Company threatened disconnection on about 42% of the eligible accounts, it disconnected less than 2% of the accounts in the delinquent portfolio, and only 1.6% of the total dollars delinquent. Again, the Company did not use the disconnection process effectively to reduce the delinquent portfolio. However, the Company did increase its disconnection activity in subsequent months, increasing the total disconnections on standard residential customers to 18,983 from 14,837 in 2008.

Despite the increase in disconnection activity, it appeared to be too little too late, given the magnitude of the problem. Specifically, the delinquent portfolio continued into the next year. In April 2009, the Company had at least 38,872 residential accounts with arrearages greater than 60 days past due. The total balance due on these accounts was $28,212,422, and an average balance per account of $726. The following table illustrates the Company's April 2009 performance:

Narragansett Electric Company--Residential (Standard) Accounts

Accounts Receivable Vs. Performance

April 2009--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	38,872	$11,492,857	$28,212,422	$726

April Actual Performance	April 2009			
# of Outbound "Disconnect" Calls:	45,391			
# of Disconnect Notices:	28,063			
# of Field Orders:	2,968			
# of Disconnections (CONP):	1,722		$1,177,848	$684
Disconnects as % of Total Eligible:	4.43%		4.17%	

Note: Disconnect Calls and Notices include all residential accounts, including protected customers

In August 2008, the Company started an outbound calling program on residential customers at least 60 days past due. As a result, 45,391 outbound "disconnect" calls were made in April 2009. The Company appears to have recognized the delinquency situation and initiated the calling program as an additional collection treatment strategy. In addition, the Company increased the percentage of disconnection notices to 73% from 42% of total eligible accounts. On the other hand, the percentage of field orders and actual disconnections remained at very low percentages. In addition, only about 4% of the total dollars delinquent were actually subjected to disconnection. The average balance on accounts disconnected for non-payment was $684, which was less than the average account balance due in the delinquent portfolio (i.e., $726). In sum, the Company's actual collection and disconnection activity was overwhelmingly disproportionate to size of the delinquent portfolio.

F. Protected Residential Charge-Offs

Q. Please provide review the Company's accounts receivable performance on Protected residential accounts.

A. Residential (A-60 Low Income Rate) Charge-Offs

In 2008, about 10% ($1,341,167), of the Company's total gross charge-offs were from low income residential accounts (A-60, Low Income Rate). Of the total dollars charged-off on low income residential accounts, 72% originated on accounts that were closed at the request of the customer (i.e., close voluntarily). Of the low income residential accounts with charge-off

balances greater than $500, the Company disconnected 287 accounts with a total due of $321,588, and an average balance per account of $1,121. These entire group of accountholders was seriously delinquent (i.e., >12 months past due) at the time of disconnection.[6] Since this group of accounts was at least 12 months past due, many of the accounts could have been disconnected earlier, before the delinquency and total balance due became unmanageable. However, unlike other classes of customers, protected residential customers are afforded protection from disconnection during the winter moratorium period, as well as more lenient re-payment terms on delinquent balances. Consequently, it would have been much more difficult for the Company to accelerate disconnection on these accounts. In any event, for the purposes of comparison, had the Company accelerated disconnection activity on the protected accounts by 6 months, then the total annual charge-off would be reduced by $142,926 (287 accounts X $83 avg. bill X 6 monthly bills). In addition to the disconnected accounts with balances greater than $500, there were 564 similarly high-balance accounts (>$500) that closed voluntarily with a total balance due $685,778, and an average balance per account of $1,216 (i.e., >14 months past due). Since this group of accounts was, on average, at least 14 months past due, many of the accounts could have been disconnected earlier. If the Company had performed disconnection activity on these same accounts, on average, 6 months earlier, then the total annual charge-off would be reduced by $280,872 (564 accounts X $83 avg. bill X 6 monthly bills). Hence, the Company missed an opportunity to reduce charge-offs by a combined total of $423,798 by not taking termination action earlier on these two groups of accounts.

G. Protected Residential Accounts Receivable

Residential (A-60 Low Income Rate) Accounts Receivable

In April of 2008, the Company had at least 14,847 residential protected accounts with arrearages greater than 60 days past due.[7] The total balance due on these accounts was $16,018,503, and an average balance per account of $1,079. As noted above, it takes many months for an average residential customer to achieve a high delinquent balance. In this case, it takes about 12 months of continuous non-payment for the average protected residential

[6] Average monthly bill in 2008 for all residential accounts: $83. Same calculation used as with Standard residential customers despite Low Income residential customers having lower rates (i.e., A-16 vs. A-60). Actual days/months past due on Low Income customers would likely be higher.

[7] Represents about 33% of the Company's entire protected residential customer base.

customer to achieve a delinquent balance of $1,079. As of April 15, 2008, the entire portfolio of 14,847 delinquent accounts was eligible for disconnection for non-payment, excluding any accounts with special circumstances or payment arrangements.[8] Despite this large portfolio of delinquent accounts in April of 2008, however, the Company continued to allow the delinquency to increase. The following table illustrates the Company's performance in April and May 2008:

Narragansett Electric Company--Residential (Low Income) Accounts

Accounts Receivable Vs. Performance

April 2008--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	14,847	$7,999,710	$16,018,503	$1,079

April Actual Performance	April & May 2008 *			
# of Outbound "Disconnect" Calls:	*na*			
# of Disconnect Notices:	*na*			
# of Field Orders:	400			
# of Disconnections (CONP):	40		$27,310	$683
Disconnects as % of Total Eligible:	0.27%		0.17%	

Notes: Data on Protected customers not available

* April & May numbers & dollars combined, since termination moratorium period ends April 15th

Specifically, in the month and one-half after the end of the termination moratorium period, the Company initiated no outbound calls, issued an unknown number of disconnection notices, issued 400 orders for field visits and subsequently disconnected only 40 accounts, with a total balance due $27,310. The Company disconnected only 0.27% of the accounts in the delinquent portfolio, and only 0.17% of the total dollars delinquent. Again, the Company did not use the disconnection process effectively to reduce the delinquent portfolio. Further, the Company did not significantly increase its monthly disconnection activity on protected customers until August 2008. In 2008, the total disconnections on protected customers were 1,735, a 44% decrease from 2007. Similar to the delinquent portfolios on non-residential and standard residential customers, this delinquent portfolio of protected customers also continued into the next year. In April 2009, the Company had at least 18,667 protected residential accounts with arrearages greater than 60 days past due. The total balance due on

[8] April 15th is the end of the termination moratorium period

these accounts was $21,842,848, and an average balance per account of $1,170. The following table illustrates the Company's April 2009 performance:

Narragansett Electric Company--Residential (Low Income) Accounts

Accounts Receivable Vs. Performance

April 2009--Arrearage Bucket	# Eligible for Disconnection	Total $ Past Due	Total Bill Due	Avg. Balance Per Account
> 60 Days Past Due:	18,667	$12,457,935	$21,842,848	$1,170
April Actual Performance	April & May 2009 *			
# of Outbound "Disconnect"Calls:	*na*			
# of Disconnect Notices:	*na*			
# of Field Orders:	1,610			
# of Disconnections (CONP):	665		$703,412	$1,058
Disconnects as % of Total Eligible:	3.56%		3.22%	

Notes: Data on Protected customers not available
* April & May numbers & dollars combined, since termination moratorium period ends April 15th

Although the Company was calling and sending disconnect notices to protected customers in 2009, the numbers are unknown, since the company did not provide separate statistics on protected customers. In any event, in 2009, the Company appears to have recognized the delinquency situation and increased the number of actual disconnections by 1,563%, compared to 2008. Moreover, the total amount due on accounts disconnected increased by 2,476%, compared to 2008. In spite of these tremendous percentage increases, disconnections as a percentage of total eligible accounts and dollars remained relatively low (i.e., less than 4%). In 2009, the average balance on accounts disconnected for non-payment was $1,058, which was about $112 less than the average account balance due in the delinquent portfolio. In sum, the Company's actual collection and disconnection activity was overwhelmingly disproportionate to size of the delinquent portfolio.

H. Impact of Payment Plans

Q. You mention that some of the standard and protected residential customers may have had payment plans active on the accounts during the period of your analysis. Would this significantly reduce the total number of accounts eligible for disconnection and change your conclusions?

A. While payment plans do reduce the total number of accounts eligible for collection and disconnection activity, it does not change the conclusions. Although the Company did not provide the number of deferred payment plans for 2007 or 2008, the 2009 numbers can be used to calculate the impact on the previous analysis. In April on 2009, the Company had 14,267 deferred payment plans on $8,227,827 worth of delinquent balances. During April, the Company negotiated an additional 5,740 plans, and had 5,332 plans broken, resulting in 14,675 net plans on an estimated $8,463,073 worth of delinquent balances. At the same time, the Company had a delinquent portfolio (i.e., > 60 days past due) of 74,325 accounts with a total due of $76,264,497.[9] Regardless of the accounts with payment plans, the Company still had thousands of accounts and millions of dollars eligible for disconnection activity that they did not act on.

VIII. Conclusions and Recommended Level of Charge-Offs

Q. Since the Company had an opportunity to reduce charge-offs in the past, what is your recommendation as to the appropriate level of bad debt (and corresponding ratio to revenue) for the test period of 2008?

A. In the previous sections, it was illustrated how the Company could have reduced its 2008 charge-offs by nearly $7 million by reducing the average balance on those accounts before they closed and were ultimately charged-off. Many of these accounts were eligible for disconnection activity many months earlier. For example, had the Company accelerated and expanded its disconnection activity on the entire portfolio of delinquent accounts (i.e., accounts receivable, >60 days past due) in 2007, then the overall balance on the entire portfolio (and the average balance per account) would have been reduced by the end of the year. Consequently, as delinquent accounts closed in the following months (i.e., in 2008) the average balance past due would have been less, and the Company would have experienced a reduction in its total dollars charged-off.

In the previous sections, it was also illustrated that the Company's management of its accounts receivable portfolios in 2008 and 2009 allowed the average delinquent balances (i.e., >60 days past due) to increase. The Company's collection and disconnection efforts did not keep pace

[9] Totals for all customer classes: non-residential, standard residential and protected residential.

with the aging delinquency and past due balances especially on non-residential and standard residential customers. The Company had an opportunity to reduce its charge-offs by increasing its disconnection activities and optimizing its collection treatment strategies in the years before the test period of 2008. Many of the Company's new programs and strategies recently deployed, such as outbound calling campaigns and increased notices, were mismatched as compared to the magnitude of the total balance due on each account. For a typical customer (particularly residential customers) once delinquency reaches an amount equal to, roughly, eight to ten times the average monthly bill for the customer, the total balance essentially becomes "toxic." That is, the customer cannot pay and the Company cannot collect the outstanding balance—essentially no one can manage it. In 2008, for example, there were 1,218 residential accounts which had charge-off balances greater than $1,500 (i.e., each, at least, 18 months past due). In fact, in 2008, 66 residential accounts had an average charge-off balance $7,357— approximately 90 months or 7.5 years past due. About half of these 66 accounts closed voluntarily; and the other half was disconnected by the Company. According to the Division, there has been a significant increase in informal reviews and formal hearings over the last several years for delinquent customers, many with high balances, who are subject to disconnections. In addition, there is anecdotal evidence from the Division that the Company has not followed the Commission's Termination Rules that require delinquent customers to move to the next higher "payment plan" step after defaulting in a payment agreement. That is, the Company has allowed customers to continuously stay on Step 1 and repeatedly roll their delinquent balances into new payment plans to avoid service disconnections and never be subject to down payment requirements. There is further anecdotal evidence from the Division that the Company has failed to identify situations of name switching of delinquent electric accounts that are subject to disconnections for nonpayment, in order to avoid disconnection.

In spite of the Company's recent deployment of new collection treatment strategies, such as outbound calling and risk-scoring systems, there are potentially powerful risk mitigation and collection strategies the Company has not utilized. For example, the Company does not assess security deposits or assess late pay fees on standard residential customers. Security deposits are an effective and well-established industry practice for mitigating credit risk, managing delinquent customers and mitigating losses on delinquent closed accounts. In addition, late

payment fees are a well-established industry practice for controlling customer behavior by incentivizing customers to pay on-time and penalizing customers who do not pay on-time. Many of the other utilities in Rhode Island assess late fees on balances greater than 30 days past due.

Recommended level of Charge-Offs in 2008

The Company had an opportunity to reduce charge-offs in 2008 by better managing its accounts receivable portfolios and optimizing its collection and disconnection activities in the years before the test period of 2008. More specifically, had the Company not allowed the past due balances to increase over the years, the 2008 charge-offs could have been substantially less. As explained in the previous sections, the Company could have reduced charge-off dollars in 2008 by an estimated $6,523,757, by taking action earlier in the delinquency cycle. That is, the Company could have reduced charge-off dollars in 2008 by $4,974,937, by disconnecting 2,138 standard residential accounts earlier than it had, as well as by performing timely disconnection activity on an additional 3,311 standard residential accounts that had high balances and closed voluntarily. Likewise, the Company could have reduced charge-off dollars in 2008 by $1,548,820, by disconnecting 118 non-residential accounts earlier than it had, as well as by performing timely disconnection activity on an additional 258 non-residential accounts that had high balances and closed voluntarily.

From a practical standpoint, however, in 2008 Company could not have disconnected all of the accounts as soon as they became 60 days past due (i.e., the estimated calculations). Nevertheless, it is reasonable to assume the Company could have disconnected most of the residential accounts at a point not greater than 150 days past due. In addition, it is reasonable to assume the Company could have disconnected most of the non-residential accounts at a point not greater than 90 days past due. The following table presents the reduction in 2008 charge-offs and the corresponding percentage bad debt ratio that I recommend. The reductions in charge-offs are based on the Company disconnecting standard residential accounts at a point not greater 150 days past due and disconnecting non-residential accounts at a point not greater than 90 days past due. Charge-off reductions from protected residential customers are not included, given the stricter regulations, and since the total dollar impact is much less as compared to non-

residential and standard residential customers. Therefore, the bad debt ratio I recommend be approved by the Commission is 0.71% for both distribution and commodity related service.

Narragansett Electric Company--Recommended Reduction to Charge-Offs 2008

2008 Gross Charge Offs (Actual)	Charge Off Dollars [1]	Revenue [2]	Charge Off %
Standard Residential:	$8,747,620	$493,742,607	
Protected Residential:	$1,341,167		
Non-Residential:	$2,788,025	$572,226,221	
Total:	$12,876,812	$1,065,968,828	
2008 CO Recoveries:	($463,961)		
Total:	$12,412,851 [3]		1.16%
2008 Gross Charge Offs (Recommended)			
Standard Residential:	($3,618,136) [4]		
Protected Residential:	*na* [5]		
Non-Residential:	($1,246,140) [6]		
Total:	($4,864,276)		
2008 CO Recoveries:	($463,961)		
Recommended Total:	**$7,548,575**	**$1,065,968,828**	**0.71%**

Notes:
1. Source for gross charge-off data: DIV 5-A-3
2. Source for revenue data: DIV 8-4 (residential revenue includes standard and protected customers)
3. Source for 2008 net charge offs: Wynter's testimony, page 3 of 23
4. Residential account disconnection at 150 days past due (CO reduction = 5449 accts. x $83 avg. bill x 8 months)
5. Non-residential account disconnection at 90 days past due (CO reduction = 258 accts. x $805 avg. bill x 6 months)
6. Protected customers not included in recommendation

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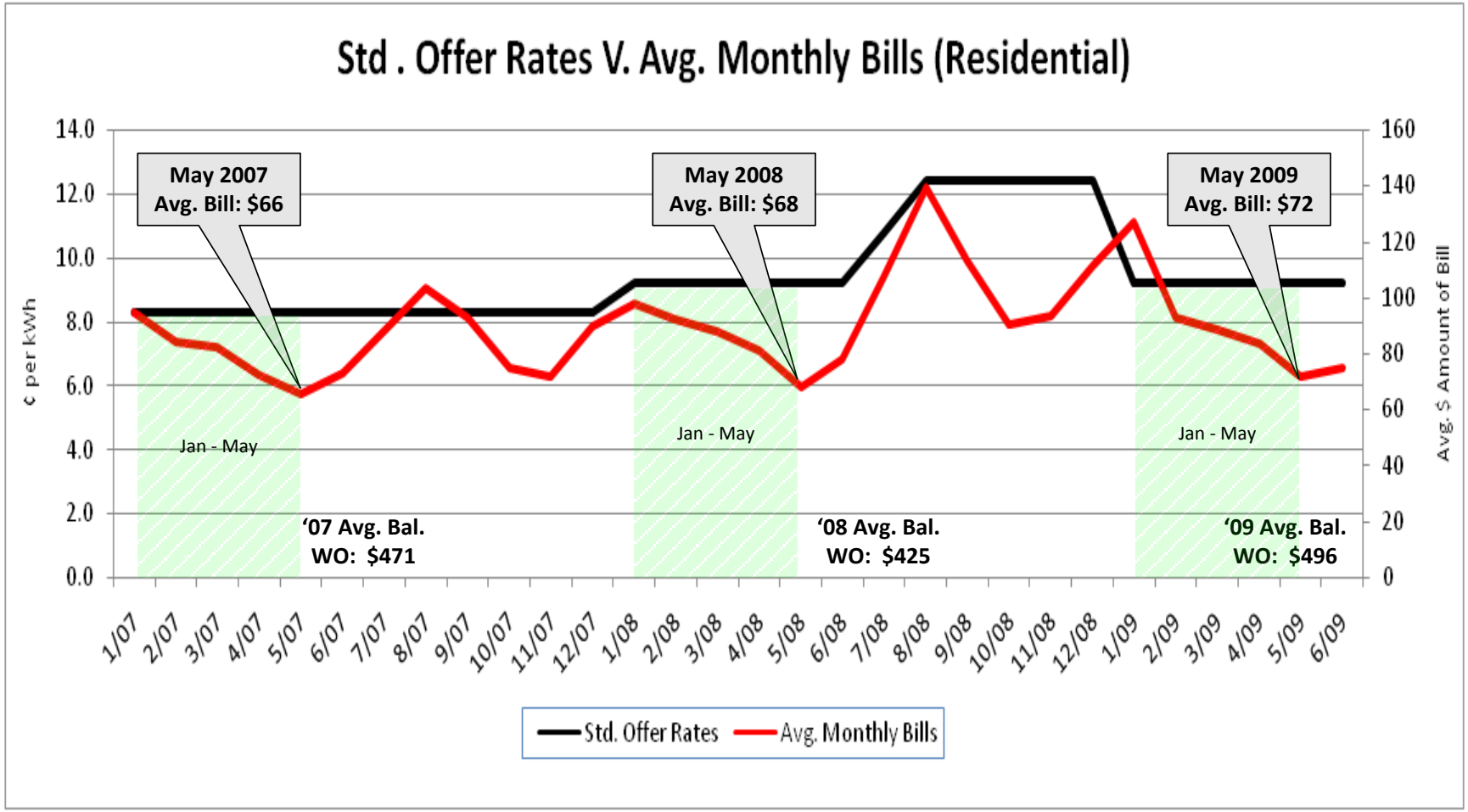
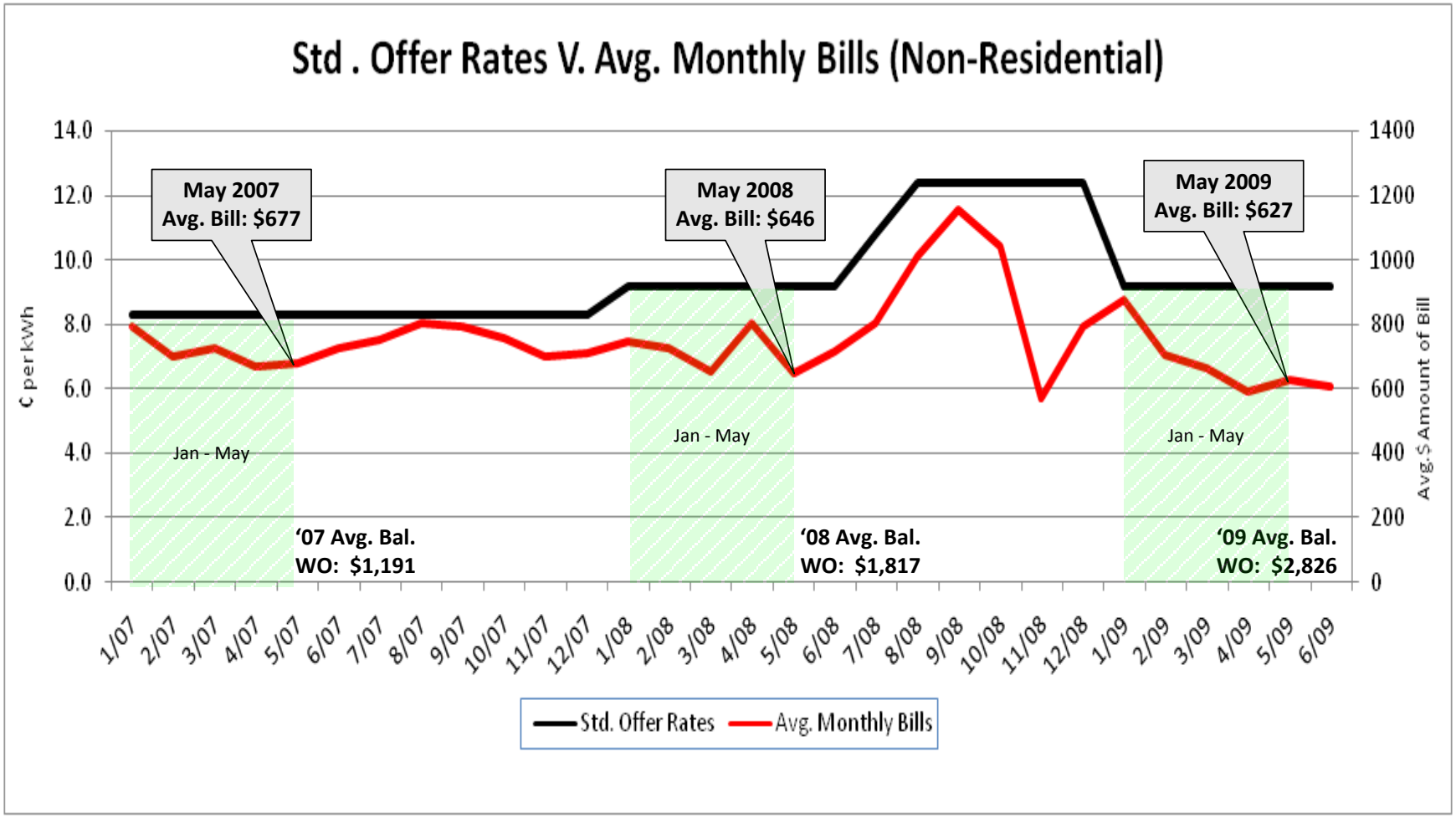
IX. Attachments

Attachment 1	Standard Offer Rates vs. Average Monthly Bills (Residential)
Attachment 2	Standard Offer Rates vs. Average Monthly Bills (Non-Residential)
Attachment 3	Standard Offer Rates vs. Average Bills & Charge-Offs (Comparison)
Attachment 4	2007 Charge-Off Summary & Key Findings
Attachment 5	2008 Charge-Off Summary & Key Findings
Attachment 6	2009 May YTD Charge-Off Summary & Key Findings

Narragansett Electric Company



Narragansett Electric Company



ATTACHMENT 3

Narragansett Electric Company-Residential Customers

Standard Offer Rates Vs. Average Bills & Charge-Offs

	2007	2008	June 2009 YTD	June 2007 YTD	June 2008 YTD	June 2009 YTD
Avg. Standard Offer Rates (Cents/kWh):	8.3	10.7	9.2	8.3	9.2	9.2
Yr. over Yr. % Change:	-	29%	-14%	-	11%	0%
Average Monthly Bill:	$83	$97	$90	$79	$84	$90
Yr. over Yr. $ Increase (Decrease):	-	**$14**	**($7)**	-	**$5**	**$6**
Average Yearly Bill:	$993	$1,161	$1,077	$946	$1,010	$1,077
Yr. over Yr. $ Increase (Decrease):	-	**$168**	**($84)**	-	**$64**	**$67**
Average Balance Charge-Off:	$471	$425	$496			
Yr. over Yr. $ Increase (Decrease):	-	**($46)**	**$71**			

Narragansett Electric Company-Non-Residential Customers

Standard Offer Rates Vs. Average Bills & Charge-Offs

	2007	2008	June 2009 YTD	June 2007 YTD	June 2008 YTD	June 2009 YTD
Avg. Standard Offer Rates (Cents/kWh):	8.3	10.7	9.2	8.3	9.2	9.2
Yr. over Yr. % Change:	-	29%	-14%	-	11%	0%
Average Monthly Bill:	$734	$805	$677	$715	$714	$677
Yr. over Yr. $ Increase (Decrease):	-	**$71**	**($128)**	-	**-$1**	**($37)**
Average Yearly Bill:	$8,808	$9,660	$8,128	$8,581	$8,570	$8,128
Yr. over Yr. $ Increase (Decrease):	-	**$852**	**($1,532)**	-	**-$11**	**($442)**
Average Balance Charge-Off:	$1,191	$1,817	$2,826			
Yr. over Yr. $ Increase (Decrease):	-	**$626**	**$1,009**			

ATTACHMENT 4

Narragansett Electric Company

2007 Charge Off Detail (CO) Detail & Key Findings

Total 2007	Accounts	% of Total	Dollars	% of Total	Avg. Balance	Accts. CONP	Dollars CONP	CONP Avg. Bal.	Closed Vol. Accounts	Closed Vol. Dollars	Closed Vol. Avg. Bal.
Total Residential CO:	27,362	94.3%	$ 12,892,578	86.7%	$ 471						
Total Non-Residential CO:	1,657	5.7%	$ 1,974,147	13.3%	$ 1,191						
Total:	29,019	100.0%	$ 14,866,726	100.0%	$ 512						
Residential Charge-Offs											
Total Residential CO:	27,362		$ 12,892,578								
Bankrupt:	N/A		N/A								
Closed Voluntarily:	22,666	82.8%	$ 8,131,165	63.1%	$ 359						
Disconnected for Non-Pay (CONP):	4,696	17.2%	$ 4,761,414	36.9%	$ 1,014						
A-16 Accounts (Basic Res. Rate):	23,711	86.7%	$ 10,270,744	79.7%	$ 433	3,778	$ 3,679,037	$ 974	19,933	$ 6,591,707	$ 331
A-60 Accounts (Low Income Rate):	3,492	12.8%	$ 2,462,758	19.1%	$ 705	871	$ 1,028,969	$ 1,181	2,621	$ 1,433,788	$ 547
Other Res. Rates:	159	0.6%	159,077	1.2%	$ 1,000	47	$ 53,408	$ 1,136	112	$ 105,670	$ 943
CO Balance Less Than $500:	19,141	70.0%	$ 3,274,078	25.4%	$ 171	1,449	$ 430,515	$ 297	17,692	$ 2,843,563	$ 161
CO Balance Greater Than $500:	8,221	30.0%	$ 9,618,500	74.6%	$ 1,170	3,247	$ 4,330,899	$ 1,334	4,974	$ 5,287,601	$ 1,063
CO Balance Greater Than $1000:	3,362	12.3%	$ 6,209,478	48.2%	$ 1,847	1,705	$ 3,228,687	$ 1,894	1,657	$ 2,980,791	$ 1,799
A-16 CO Balance Less Than $500:	17,138	62.6%	$ 2,865,061	22.2%	$ 167	1,219	$ 362,644	$ 297	15,919	$ 2,502,417	$ 157
A-16 CO Balance Greater Than $500:	6,573	24.0%	$ 7,405,683	57.4%	$ 1,127	2,559	$ 3,316,393	$ 1,296	4,014	$ 4,089,290	$ 1,019
A-60 CO Balance Less Than $500:	1,907	7.0%	$ 391,180	3.0%	$ 205	212	$ 62,813	$ 296	1,695	$ 328,367	$ 194
A-60 CO Balance Greater Than $500:	1,585	5.8%	$ 2,071,578	16.1%	$ 1,307	659	$ 966,157	$ 1,466	926	$ 1,105,421	$ 1,194
Non-Residential Charge-Offs											
Total Non-Residential CO:	1,657		$ 1,974,147								
Bankrupt:	N/A		N/A								
Closed Voluntarily:	1,263	76.2%	$ 1,564,481	79.2%	$ 1,239						
Disconnected for Non-Pay (CONP):	394	23.8%	$ 409,666	20.8%	$ 1,040						
C-O6 Accounts (Small C&I Rate):	1,369	82.6%	$ 861,473	43.6%	$ 629	364	$ 291,590	$ 801	1,005	$ 569,884	$ 567
G-O2 Accounts (Gen. C&I Rate):	158	9.5%	$ 607,894	30.8%	$ 3,847	23	$ 112,962	$ 4,911	135	$ 494,932	$ 3,666
G-32 Accounts (200kW Demand Rate):	13	0.8%	$ 327,538	16.6%	$ 25,195	-	$ -	$ -	13	$ 327,538	$ 25,195
All Other Non-Res Rates:	117	7.1%	$ 177,242	9.0%	$ 1,515	7	$ 5,114		110	$ 172,128	$ 1,565
CO Balance Less Than $500:	1,024	61.8%	$ 169,862	8.6%	$ 166	208	$ 42,546	$ 205	816	$ 127,316	$ 156
CO Balance Greater Than $500:	633	38.2%	$ 1,804,285	91.4%	$ 2,850	186	$ 367,120	$ 1,974	447	$ 1,437,165	$ 3,215
CO Balance Greater Than $1000:	371	22.4%	$ 1,618,445	82.0%	$ 4,362	101	$ 307,793	$ 3,047	270	$ 1,310,652	$ 4,854

ATTACHMENT 5

Narragansett Electric Company

2008 Charge Off Detail (CO) Detail & Key Findings

Total 2008	Accounts	% of Total	Dollars	% of Total	Avg. Balance	Accts. CONP	Dollars CONP	CONP Avg. Bal.	Closed Vol. Accounts	Closed Vol. Dollars	Closed Vol. Avg. Bal.
Total Residential CO:	23,755	93.9%	$ 10,094,575	78.4%	$ 425						
Total Non-Residential CO:	1,534	6.1%	$ 2,788,025	21.6%	$ 1,817						
Total:	25,289	100.0%	$ 12,882,601	100.0%	$ 509						
Residential Charge-Offs											
Total Residential CO:	23,755		$ 10,094,575								
Bankrupt:	1,229	5.2%	947,087	9.4%	$ 771						
Closed Voluntarily:	19,222	80.9%	$ 6,608,790	65.5%	$ 344						
Disconnected for Non-Pay (CONP):	4,533	19.1%	$ 3,485,786	34.5%	$ 769						
A-16 Accounts (Basic Res. Rate):	21,008	88.4%	$ 8,747,620	86.7%	$ 416	4,041	$ 3,101,513	$ 768	16,967	$ 5,646,107	$ 333
A-60 Accounts (Low Income Rate):	2,731	11.5%	$ 1,341,167	13.3%	$ 491	490	$ 382,207	$ 780	2,241	$ 958,960	$ 428
Other Res. Rates:	16	0.1%	5,788	0.1%	$ 362	2	$ 2,065	$ 1,033	14	$ 3,723	$ 266
CO Balance Less Than $500:	17,450	73.5%	$ 2,779,711	27.5%	$ 159	2,106	$ 604,904	$ 287	15,344	$ 2,174,807	$ 142
CO Balance Greater Than $500:	6,305	26.5%	$ 7,314,865	72.5%	$ 1,160	2,427	$ 2,880,882	$ 1,187	3,878	$ 4,433,983	$ 1,143
CO Balance Greater Than $1000:	2,519	10.6%	$ 4,660,590	46.2%	$ 1,850	1,033	$ 1,892,503	$ 1,832	1,486	$ 2,768,087	$ 1,863
A-16 CO Balance Less Than $500:	15,559	65.5%	$ 2,444,446	24.2%	$ 157	1,903	$ 544,284	$ 286	13,656	$ 1,900,162	$ 139
A-16 CO Balance Greater Than $500:	5,449	22.9%	$ 6,303,174	62.4%	$ 1,157	2,138	$ 2,557,229	$ 1,196	3,311	$ 3,745,945	$ 1,131
A-60 CO Balance Less Than $500:	1,880	7.9%	$ 391,180	3.9%	$ 208	212	$ 62,813	$ 296	1,668	$ 328,367	$ 197
A-60 CO Balance Greater Than $500:	851	3.6%	$ 1,007,366	10.0%	$ 1,184	287	$ 321,588	$ 1,121	564	$ 685,778	$ 1,216
Non-Residential Charge-Offs											
Total Non-Residential CO:	1,534		$ 2,788,025								
Bankrupt:	129	8.4%	495,763	17.8%	$ 3,843						
Closed Voluntarily:	1,182	77.1%	$ 2,312,300	82.9%	$ 1,956						
Disconnected for Non-Pay (CONP):	352	22.9%	$ 475,725	17.1%	$ 1,351						
C-O6 Accounts (Small C&I Rate):	1,258	82.0%	$ 965,118	34.6%	$ 767	304	$ 317,920	$ 1,046	954	$ 647,198	$ 678
G-O2 Accounts (Gen. C&I Rate):	193	12.6%	$ 942,153	33.8%	$ 4,882	35	$ 151,030	$ 4,315	158	$ 791,123	$ 5,007
G-32 Accounts (200kW Demand Rate):	10	0.7%	$ 859,582	30.8%	$ 85,958	-	$ -	$ -	10	$ 859,582	$ 85,958
All Other Non-Res Rates:	73	4.8%	$ 21,173	0.8%	$ 290	13	$ 6,775		60	$ 14,397	$ 240
CO Balance Less Than $500:	937	61.1%	$ 139,858	5.0%	$ 149	153	$ 34,403	$ 225	784	$ 105,455	$ 135
CO Balance Greater Than $500:	597	38.9%	$ 2,648,167	95.0%	$ 4,436	199	$ 441,322	$ 2,218	398	$ 2,206,845	$ 5,545
CO Balance Greater Than $1000:	376	24.5%	$ 2,490,895	89.3%	$ 6,625	118	$ 381,838	$ 3,236	258	$ 2,109,057	$ 8,175

ATTACHMENT 6

Narragansett Electric Company

2009 MayYTD Charge Off Detail (CO) Detail & Key Findings

Total 2009 MayYTD	Accounts	% of Total	Dollars	% of Total	Avg. Balance	Accts. CONP	Dollars CONP	CONP Avg. Bal.	Closed Vol. Accounts	Closed Vol. Dollars	Closed Vol. Avg. Bal.
Total Residential CO:	9,238	91.2%	$ 4,582,895	64.6%	$ 496						
Total Non-Residential CO:	888	8.8%	$ 2,509,052	35.4%	$ 2,826						
Total:	10,126	100.0%	$ 7,091,947	100.0%	$ 700						
Residential Charge-Offs											
Total Residential CO:	9,238		$ 4,582,895								
Bankrupt:	574	6.2%	511,571	11.2%	$ 891						
Closed Voluntarily:	7,337	79.4%	$ 3,049,237	66.5%	$ 416						
Disconnected for Non-Pay (CONP):	1,901	20.6%	$ 1,533,658	33.5%	$ 807						
A-16 Accounts (Basic Res. Rate):	8,407	91.0%	$ 4,072,637	88.9%	$ 484	1,722	$ 1,331,139	$ 773	6,685	$ 2,741,498	$ 410
A-60 Accounts (Low Income Rate):	826	8.9%	$ 508,205	11.1%	$ 615	178	$ 202,398	$ 1,137	648	$ 305,807	$ 472
Other Res. Rates:	5	0.1%	2,053	0.0%	$ 411	1	$ 122	$ 122	4	$ 1,931	$ 483
CO Balance Less Than $500:	6,599	71.4%	$ 1,117,389	24.4%	$ 169	997	$ 264,832	$ 266	5,602	$ 852,557	$ 152
CO Balance Greater Than $500:	2,639	28.6%	$ 3,465,506	75.6%	$ 1,313	904	$ 1,268,827	$ 1,404	1,735	$ 2,196,679	$ 1,266
CO Balance Greater Than $1000:	1,131	12.2%	$ 2,400,587	52.4%	$ 2,123	415	$ 925,794	$ 2,231	716	$ 1,474,793	$ 2,060
A-16 CO Balance Less Than $500:	6,070	65.7%	$ 1,021,650	22.3%	$ 168	927	$ 246,331	$ 266	5,143	$ 775,319	$ 151
A-16 CO Balance Greater Than $500:	2,337	25.3%	$ 3,050,987	66.6%	$ 1,306	795	$ 1,084,807	$ 1,365	1,542	$ 1,966,180	$ 1,275
A-60 CO Balance Less Than $500:	525	5.7%	$ 95,610	2.1%	$ 182	69	$ 62,813	$ 910	456	$ 32,797	$ 72
A-60 CO Balance Greater Than $500:	301	3.3%	$ 412,595	9.0%	$ 1,371	109	$ 184,019	$ 1,688	192	$ 228,576	$ 1,191
Non-Residential Charge-Offs											
Total Non-Residential CO:	888		$ 2,509,052								
Bankrupt:	90	10.1%	879,486	35.1%	$ 9,772						
Closed Voluntarily:	612	68.9%	$ 1,853,917	73.9%	$ 3,029						
Disconnected for Non-Pay (CONP):	276	31.1%	$ 655,134	26.1%	$ 2,374						
C-O6 Accounts (Small C&I Rate):	704	79.3%	$ 646,511	25.8%	$ 918	241	$ 377,523	$ 1,566	463	$ 268,988	$ 581
G-O2 Accounts (Gen. C&I Rate):	124	14.0%	$ 874,545	34.9%	$ 7,053	29	$ 260,447	$ 8,981	95	$ 614,098	$ 6,464
G-32 Accounts (200kW Demand Rate):	22	2.5%	$ 964,312	38.4%	$ 43,832	-	$ -	$ -	22	$ 964,312	$ 43,832
All Other Non-Res Rates:	38	4.3%	$ 23,684	0.9%	$ 623	6	$ 17,164		32	$ 6,521	$ 204
CO Balance Less Than $500:	485	54.6%	$ 76,204	3.0%	$ 157	111	$ 24,829	$ 224	374	$ 51,375	$ 137
CO Balance Greater Than $500:	403	45.4%	$ 2,432,848	97.0%	$ 6,037	165	$ 630,306	$ 3,820	238	$ 1,802,542	$ 7,574
CO Balance Greater Than $1000:	297	33.4%	$ 2,357,149	93.9%	$ 7,937	114	$ 593,415	$ 5,205	183	$ 1,763,734	$ 9,638