

Division Data Request 2-2

Request:

Regarding the “External Allocation Values – Functionalization” on page 3 of Schedule NG-HSG-2, please indicate the units that are shown and provide all studies, analyses and data that underlie these functional allocations among Sub-Transmission, Primary and Secondary.

Response:

The values on Schedule NG-HSG-2, page 3 are taken directly from Schedule NG-HSG-2, pages 34-35. Please see response to Division Data Request 2-6 for information on the analysis that supports these values.

The units for Account 365- Overhead Conductors and Devices and Account 366- Underground Conduits are circuit miles. The units for Account 364- Poles, Towers and Fixtures are Overhead Linear Miles. The units for Account 367- Underground Conductors are Circuit Miles Excluding Neutrals.

Division Data Request 2-3

Request:

At page 5, lines 7-9, Mr. Gorman states that the “ACOSS allocates among the rate classes \$281,077,000, which is the total distribution revenue requirement...” Please reconcile this statement with the \$288,772,000 of Proposed Revenue and \$280,242,000 of Proposed Distribution Charges at lines 52 and 50 on page 2 of Schedule NG-HSG-4.

Response:

Please see the reconciliation below:

Revenue from proposed distribution charges, Rate Classes A16/A60, C6, G2/E40, B32/G32, B62/G62, S10/S14 and X01 <sup>1</sup>		<b>\$280,242,000</b>
Revenue from Rate Class M1, present rates	\$123,000	
Revenue from Rate Class M1, increase	<u>37,000</u>	
		160,000 <sup>2</sup>
Forfeited discounts, present rates	\$2,230,000 <sup>3</sup>	
Forfeited discounts, proposed rates	<u>2,901,000<sup>4</sup></u>	
Increase in Forfeited discounts due to proposed rate increase		671,000
Rounding		<u>4,000</u>
Amount to allocate in the ACOSS <sup>5</sup>		<b>281,077,000</b>
Other revenue <sup>6</sup>		7,699,000
Rounding		<u>(4,000)</u>
Total distribution revenue, proposed rates <sup>7</sup>		<b><u>\$288,772,000</u></b>

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<sup>1</sup> Schedule NG-HSG-4, Page 2, Line 50, Total column.

<sup>2</sup> Schedule NG-HSG-6, Page 12.

<sup>3</sup> Schedule NG-HSG-1, Page 6, line 134

<sup>4</sup> Schedule NG-HSG-1, Page 2, line 24

<sup>5</sup> Schedule NG-RLO-1, Page 1, Line 3, Column (c), rounded to the nearest \$1,000.

<sup>6</sup> Schedule NG-RLO-1, Page 1, Line 9, Column (c), rounded to the nearest \$1,000.

<sup>7</sup> Schedule NG-HSG-4, Page 2, Line 52, Total column.

Division Data Request 2-4

Request:

At page 5, line 17, Mr. Gorman states that “Storage Cooling Rate E-40 will be discontinued as of December 2009.” Is this a Company proposal in this proceeding or has the Commission already authorized this discontinuance?

Response:

As indicated in availability section of the Storage Cooling Rate E-40, R.I.P.U.C. No. 1190, customers who were receiving service on Rate E-40 as of October 28, 2004 are allowed to remain on the rate through the billing month of December 2009. However, effective after the bills issued to customers during December 2009, all customers remaining on the rate will be transferred to the appropriate general service rate. This tariff was approved by the Commission as part of the Company’s rate settlement in Docket No. 3617. Attachment DIV-2-4 is a copy of R.I.P.U.C. No. 1190 for reference.

THE NARRAGANSETT ELECTRIC COMPANY  
**Storage Cooling Rate (E-40)**  
Retail Delivery Service

Effective  
January 1, 2009

R.I.P.U.C. No 1190

Monthly Charge As Adjusted

Rates for Retail Delivery Service

<u>Customer Charge per month</u>	\$75.15
<u>Non-Bypassable Transition Charge per kWh</u>	0.235¢
<u>Transmission Charge per kWh</u>	0.141¢
<u>Transmission Adjustment Factor per kWh</u>	1.064¢
<u>Distribution Charge per kWh</u>	
Peak/Shoulder	2.536¢
Off Peak	0.949¢
<u>Conservation and Load Management Adjustment per kWh</u>	0.350¢

Rates for Standard Offer Service or Last Resort Service (Optional)

<u>Standard Offer per kWh</u>	per Standard Offer Service tariff
<u>Last Resort per kWh</u>	per Last Resort Service tariff

**Tax Note: The rates listed above do not reflect gross earnings tax or sales taxes. However, such taxes, when applicable, will appear on bills sent to customers.**

Other Rate Clauses apply as usual.



THE NARRAGANSETT ELECTRIC COMPANY  
**STORAGE COOLING RATE (E-40)**  
RETAIL DELIVERY SERVICE

**RATE ADJUSTMENT PROVISIONS**

Transmission Service Charge Adjustment

The prices under this rate as set forth under “Monthly Charge” may be adjusted from time to time in the manner described in the Company’s Transmission Service Cost Adjustment Provision.

Transition Charge Adjustment

The prices under this rate as set forth under “Monthly Charge” may be adjusted from time to time in the manner described in the Company’s Non-Bypassable Transition Charge Adjustment Provision.

Standard Offer Adjustment

All Customers served on this rate must pay any charges required pursuant to the terms of the Company’s Standard Offer Adjustment Provision, whether or not the Customer is taking or has taken Standard Offer Service.

Conservation and Load Management Adjustment

The amount determined under the preceding provisions shall be adjusted in accordance with the Company’s Conservation and Load Management Adjustment Provision as from time to time effective in accordance with law.

Customer Credit Provision

The amount determined under the preceding provisions shall be adjusted in accordance with the Company’s Customer Credit Provision as from time to time effective in accordance with law.

**STANDARD OFFER SERVICE**

Any Customer served under this rate who is eligible for Standard Offer Service shall receive such service pursuant to the Standard Offer Service tariff.

**LAST RESORT SERVICE**

Any Customer served under this rate who does not take its power supply from a non-regulated power producer and is ineligible for Standard Offer Service will receive Last Resort Service pursuant to the Last Resort Service tariff.

THE NARRAGANSETT ELECTRIC COMPANY  
**STORAGE COOLING RATE (E-40)**  
RETAIL DELIVERY SERVICE

**MINIMUM CHARGE**

The minimum charge each month shall be the Customer Charge.

**HIGH-VOLTAGE METERING ADJUSTMENT**

The Company reserves the right to determine the metering installation. Where service is metered at the Company's supply line voltage, in no case less than 2400 volts, thereby saving the Company transformer losses, a discount of 1% will be allowed from the amount determined under the preceding provisions.

**GROSS EARNINGS TAX**

A Rhode Island Gross Earnings Tax adjustment will be applied to the charges determined above in accordance with Rhode Island General Laws.

**GROSS EARNINGS TAX CREDIT FOR MANUFACTURERS**

Consistent with the gross receipts tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will be exempt from Gross Earnings Tax to the extent allowed by the Division of Taxation.

Eligible manufacturing customers are those customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30(H) of Rhode Island General Laws) indicating the customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a customer, the customer will be required to reimburse the Company in the amount of the credits provided to such customer which were disallowed, including any interest required to be paid by the Company to such authority.

**TERMS AND CONDITIONS**

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this rate.

Effective: October 28, 2004

Division Data Request 2-5

Request:

At page 6, lines 17-18, Mr. Gorman indicates that transmission assets are included in the sub-transmission function. Is this the \$3,127,000 for Accounts 350-359 that appears on page 8, line 4 of Schedule NG-HSG-1?

- a. Please explain why these transmission assets are included in the sub-transmission function and why they are not assigned to the FERC-jurisdictional cost of service.

Response:

The sentence that reads, "In addition, transmission assets are included in the sub-transmission function", should read instead, "In addition, hydroelectric production facilities are included in the sub-transmission function".



Division Data Request 2-6

Request:

Please provide a detailed explanation of the “Functional Splits-NECO” analysis provided on pages 34-35 of Schedule NG-HSG-2.

- a. Provide a general discussion of what is being done in this analysis, what are the results, and how these results are used to split plant and associated O&M among sub-transmission, primary and secondary.
- b. Define “GIS”.
- c. What is “Allocate Unknown”?
- d. Define “From XXX”.
- e. Explain “Unknown in GIS”.
- f. Does the 59 percent primary share under Account 364 mean that the cost of poles, towers and fixtures functionalized as primary is set equal to the share of linear miles of conductor at 5 kV and 15 kV? If not, please explain the basis of the 59 percent share.

Response:

- a. The purpose of this analysis is to develop functional allocators for Account 364 – Poles, Towers and Fixtures; Account 365 – Overhead Conductors and Devices; Account 366 – Underground Conduits; and Account 367 – Underground Conductors. The functional allocators are used to allocate costs among the functions sub-transmission, primary distribution and secondary distribution.

The allocators are based on miles of conductor applicable to each asset, at various voltage levels that correspond to the functional splits. Conductors operating at 5kV and 15 kV are functionalized to primary distribution and conductors operating at 23 kV and 35 kV are functionalized to sub-transmission. Information on secondary distribution assets was also obtained from the Geographic Information System (“GIS”) system.

Division Data Request 2-6 (cont'd)

The Company's GIS system provided the circuit miles at primary and sub-transmission voltages for Account 365 – Overhead Conductors (page 34, lines 1-4) and Devices and Account 367 – Underground Conductors (page 35, lines 49-53). A small portion of the assets were not able to be completely categorized in GIS (page 34, line 8 and page 35, line 56) and these assets were allocated between primary and sub-transmission in proportion to the known assets. The Company circuit miles of secondary Overhead Conductors and Underground Conductors were added to the total. The proportion of Overhead Conductors functionalized to sub-transmission, primary and secondary is shown on page 34, lines 10-12. The proportion of Underground Conductors functionalized to sub-transmission, primary and secondary is shown on page 35, lines 58-60.

The same information was used to develop the functional allocator for Poles, Towers and Fixtures, and for Underground Conduits except that linear miles, rather than circuit miles, were used as the allocation basis.

- b. The term "GIS" refers to the Company's Geographic Information System.
- c. Please see the response to part a. above. "Unknown in GIS" is the small portion of the assets not completely categorized in GIS (page 34, line 8 and page 35, line 56). These assets were allocated between primary and sub-transmission in proportion to the known assets, under "Allocate Unknown".
- d. The term XXX should have been replaced with "GIS".
- e. Please see the response to parts a. and c. above. Please note that the total amount shown in the column labeled "Unknown in GIS" includes both the amounts in the column labeled "From GIS" plus the unknown amount.
- f. Yes, that is correct.

Division Data Request 2-7

Request:

Please explain the relationship between the numbers that appear on page 3 of Schedule NG-HSG-2 with the analysis provided on pages 34 and 35 of Schedule NG-HSG-2.

Response:

Page 3 of Schedule NG-HSG-2 summarizes the values reflected on pages 34 and 35 of the same schedule.

The numbers on Schedule NG-HSG-2, page 3, line 1, are the Overhead Linear Miles for Account 364- Poles, Towers and Fixtures. They are taken from page 34, lines 26-28.

The numbers on Schedule NG-HSG-2, page 3, line 2, are the Circuit Miles for Account 365 Overhead Conductors and Devices. They are taken from page 34, lines 10-12.

The numbers on Schedule NG-HSG-2, page 3, line 3, are the Circuit Miles for Account 366- Underground Conduits. They are taken from page 35, lines 42-44.

The numbers on Schedule NG-HSG-2, page 3, line 4, are the Circuit Miles Excluding Neutrals for Account 367- Underground Conductors. They are taken from page 35, lines 58-60.

Division Data Request 2-8

Request:

Are both primary and secondary conductors frequently on the same pole or tower?

Response:

Based on information provided by the Company, primary-voltage and secondary-voltage conductors are frequently on the same pole or tower.

Division Data Request 2-9

Request:

Does the use of overhead conductor linear miles to functionalize the cost of poles assume that only secondary or primary conductors are on a given pole? If not, please explain.

Response:

No, the use of overhead conductor linear miles to functionalize the cost of poles does not assume that only secondary or primary conductors are on a given pole. The analysis allocates the cost of poles to primary, secondary or sub-transmission functions based on the linear miles of conductors. This allocation basis is appropriate because there is a causal relationship between the number of poles and the linear miles of conductors. The poles are not examined directly because the information necessary to do so was not available.

Division Data Request 2-10

Request:

At page 15, line 19, Mr. Gorman refers to the Company's "last base rate case." Please provide the docket number of that case and provide the Commission's final order in that proceeding.

Response:

Mr. Gorman's testimony on page 15, line 19, is referring to the last allocated cost of service study that was performed as part of a base rate case. The Company's last distribution rate change was approved in Docket No. 3617. However, the Company did not file an allocated cost of service study in that docket.<sup>1</sup> The last base rate case that included an allocated cost of service study was in Docket No. 2290 filed in March 1995 and approved by the Commission in its written order dated November 14, 1995. A copy of the order in that docket is attached.

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<sup>1</sup> The Company filed a revenue neutral allocated study in Docket No. 3610 on June 7, 2004 pursuant to Section 23 of the Third Amended Stipulation and Agreement in Docket No. 2930. The settlement agreement in Docket No. 3617 resolved all outstanding issues in Docket No. 3610.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: TARIFF FILING MADE BY :  
THE NARRAGANSETT ELECTRIC : CONSOLIDATED DOCKET NOS.  
COMPANY ON MARCH 1, 1995 : 2290, 2290A & 2290B

REPORT AND ORDER

On March 1, 1995, the Narragansett Electric Company (the "Company") filed an application with the Rhode Island Public Utilities Commission (the "Commission") seeking authorization for a 6.38% general rate increase in the amount of \$30,516,000. On March 24, 1995 the Commission suspended the effective date of the rates for a period of five months beyond the proposed effective date of March 31, 1995. (Order No. 14669). On August 29, 1995, the Commission suspended the effectiveness of the proposed rates for an additional three months to December 1, 1995. (Order No. 14805)

In recent years the company has filed for the following rate increases:

Year Filed	Docket Number	Amount Requested	Amount Granted
1981	1591	\$15,396,000	\$ 9,386,000
1982	1659	\$15,365,000	\$ 6,245,000
1984	1719	\$13,474,000	\$(1,484,000)
1989	1938	\$15,471,000	\$ 5,790,000
1990	1976	\$18,680,000	\$13,000,000

The following appearances were entered in this proceeding:

FOR THE COMPANY:

Thomas G. Robinson, Esquire  
Craig L. Eaton, Esquire  
David J. Saggau, Esquire

FOR THE DIVISION OF PUBLIC  
UTILITIES AND CARRIERS AND  
THE DEPARTMENT OF THE  
ATTORNEY GENERAL

Patricia French  
Assistant Attorney General

FOR THE ENERGY COUNCIL  
OF RHODE ISLAND (TEC-RI)

Andrew J. Newman, Esquire

FOR THE CONSERVATION  
LAW FOUNDATION

Elizabeth Thagard

RHODE ISLAND LEGAL SERVICES  
COALITION FOR CONSUMER JUSTICE

John Rao, Esquire

DIRECT ACTION FOR RIGHTS  
AND EQUALITY

PARENTS FOR PROGRESS

FOR THE COMMISSION

Lindsay Johnson, Esquire

Description of the Company

The Narragansett Electric Company engages in the generation, transmission, and distribution of electricity, and serves approximately 323,000 customers located in 27 Rhode Island cities and towns. The Company is a wholly owned subsidiary of the New England Electric System ("NEES"), a registered public utility holding company incorporated in Massachusetts. Narragansett purchases substantially all of its energy requirements from the New England Power Company ("NEPCO"), NEES' wholesale generating and transmission subsidiary. The relationship between the Company and NEPCO is governed by an Integrated Facilities Agreement, executed and approved in 1967, by which Narragansett makes available to NEPCO its generating and transmission facilities. In return, NEPCO sells electricity to Narragansett to meet the needs of the Company's retail customers under a rate regulated by the Federal Energy Regulatory Commission ("FERC"). To the extent Narragansett provides power to NEPCO from its generating facilities, NEPCO reimburses the Narragansett for its generation and transmission expenses by way of a credit against Narragansett's purchased power bill.



The Company also receives and pays for various technical, engineering, and financial services which are provided by another NEES subsidiary, New England Power Service Company ("NEPSCO").

#### TRAVEL OF THE CASE

In support of its request for higher rates, the Company submitted pre-filed testimony of eight witnesses on March 1, 1995. The Company's President, Mr. Robert L. McCabe described the service territory and operations of the Company and explained its need for increased rates. (Narr. Ex. 1)

Ms. Lisa M. Fowler presented the derivation of the ongoing intrastate cost of service. (Narr. Ex. 2) The intrastate cost of service represents the total costs, including capital costs, incurred by the Company to provide service to end-use customers in Rhode Island. The difference between the cost of service and the revenues derived under the existing rate schedules represents the required rate increase.

Ms. Pamela A. Viapiano (Narr. Ex. 3) presented the allocation of costs between intrastate and interstate customers. More specifically, the costs of doing business are allocated between (1) the retail (end-users) customers in Rhode Island and (2) the wholesale customer, NEPCO, which purchases electricity for resale to other customers.

Ms. Ruth B. Langh (Narr. Ex. 4) presented the short term forecast of electricity sales. Ms. Langh's forecast is incorporated into Ms. Fowler's cost of services.

Mr. John G. Cochrane (Narr. Ex. 6) presented testimony on the Company's cost of capital, its external capital requirements and the impact of the Company's current earning capacity on its ability to issue long term debt. Mr. Cochrane also derived the overall cost of capital incorporated in Ms. Fowler's cost of service.

Dr. J. Peter Williamson presented an analysis of the cost of equity capital to the Company. (Narr. Ex. 7) His estimate was incorporated into the testimony of Mr. Cochrane and ultimately Ms. Fowler's cost of service analysis.

Ms. Roberta L. Laccetti presented the allocation of the intrastate cost of service to the Company's various rate classes and the allocation of the rate increase among such rate classes. (Narr. Ex. 8)

On March 1, 1995, the Company presented a motion for Authority to Implement Alternative Rate Proposal. In support of its motion, the Company presented the testimony of Mr. Lawrence J. Reilly in support of the Company's proposal to implement the rate increase in two steps occurring in June of 1995 and June of 1996. The Company's motion was denied by the Commission March 28, 1995.

On June 12, 1995, the Company filed testimony in support of a new revised tariff G-30 and a new tariff G-60. On June 26, 1995 the Company filed a new revised tariff G-30 and a new tariff G-60 and published notice of the changes in accordance with §39-3-11. (Narr. Ex. 8a) The filing was docketed as Docket 2290A and was consolidated with Docket 2290 by Order of the Commission on September 13, 1995. (Order 14807)

On June 29, 1995 the Division of Public Utilities and Carriers (the "Division") pre-filed the testimony of four witnesses. Mr. Matthew I. Kahal, Senior Economist at Exeter Associates, Inc. presented an analysis of the cost of equity capital to the Company. (Div. Ex. 4) Mr. Kahal's estimate of 10.75% was incorporated into the Division's proposed cost of service. Mr. Stephen L. Estomin, Senior Economist at Exeter Associates, presented testimony on the Company's revenue forecast. (Div. Ex. 3) Mr. Estomin proposed that the Company's revenue forecast be increased by the amount of \$4,870,000 and his proposed adjustment was incorporated into the Division's proposed cost of service. Dr.

Charles E. Johnson presented testimony that the Company's proposed increase in depreciation rates be denied. (Div. Ex. 9) Finally, Mr. Michael L. Arndt presented the Division's proposed cost of service and proposed that the rate increase be limited to \$11,389,000. (Div. Ex. 2)

On July 20, 1995 the Division and TEC-RI filed testimony on interclass cost allocation and rate design. Dr. Charles Johnson, the Division's witness presented a detailed critique of (1) the Division's interclass cost allocation, (2) a number of the proposed rates, and (3) the proposed changes to the Company's terms and conditions. (Div. Ex. 1) TEC-RI presented the testimony of Mark Drazen who addressed the proposed increase in the existing Auxiliary Service Rate and the need for a back-up service rate. (TEC-RI 1)

On August 4, 1995 the Company filed the rebuttal testimony of six witnesses. Mr. William R. Richer, Manager of the Financial Reporting Department of NEPCO, presented testimony rebutting the testimony of the Division's witness Arndt. (Narr. Ex. 9) Mr. William F. Dowd, Director of Compensation Benefits at NEPCO, presented testimony on the compensation provisions and health care plan changes instituted as part of collective bargaining negotiation completed in May, 1995. (Narr. Ex. 10) Ms. Langh presented testimony rebutting the testimony of the Division's witness Mr. Johnson on forecast sales. (Narr. Ex. 11) Mr. White presented testimony to rebut the testimony of the Division's witness Mr. Johnson on the Company's proposed depreciation rates. (Narr. Ex. 12) Mr. Williamson presented testimony to rebut the Division's testimony on rate of return. (Narr. Ex. 13) And finally, Ms. Laccetti presented testimony to rebut the testimony of Dr. Johnson's and Mr. Drazen on interclass cost allocation and rate design. (Narr. Ex. 14)

On September 6, 1995 each of the witnesses of the Division and TEC-RI filed surrebuttal testimony. (TEC-RI Ex.2, Div. Ex. 5-8)

On September 8, 1995 the Division, TEC-RI and the Company filed a proposed Settlement Agreement (Ex. Joint No. 1, attached) with the Commission resolving all issues between the Parties regarding the Company's revenue requirements in this Docket. The Agreement provided for a \$17,800,000 increase in rates. The Agreement also provides for a return on equity of 11.0% and an overall return on the rate base of 9.24%. While the other parties did not enter into the Agreement, they were notified and did not oppose the Agreement. Hearings on the proposed Agreement were held on September 11, 1995.

On September 14, 1995 the Division, TEC-RI and the Company filed a proposed Settlement Agreement (Ex. Joint No. 2, attached) with the Commission resolving all issues between the Parties regarding all of the interclass cost allocation and rate design issues raised in this Docket. The Agreement allowed the Company to implement a charge for returned checks<sup>1</sup> and also lowered the interest rate paid on customer deposits<sup>2</sup>. Agreement p. 3 Accordingly, the Company recognized an additional \$65,000 of revenues to be realized from returned check fees and \$378,000 of savings in interest on customer deposits. *Id.* In addition, the rates were increased by \$117,364 to recover lost revenues attributable to the Economic Development Discount. (Ex. RLL 14-M., Attachment 3). The net result was that the required rate increase was reduced to \$17,474,000. *Id.* While the other parties did not enter into the Agreement, they were notified and did not oppose the Agreement. A hearing on the proposed Agreement was held on September 27, 1995.

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<sup>1</sup> Under Paragraph 12 of the Company's Terms and Conditions a charge of fifteen dollars (\$15.00) is imposed on a customer for each check presented for which there are insufficient funds to honor the check.

<sup>2</sup> The interest rate pursuant to Paragraph 14 of the Terms and Conditions was lowered from twelve percent (12%) to the average rate over the prior calendar year for 10-year constant maturity Treasury Bonds as reported by the Federal Reserve Board.

## THE COMMISSION'S REQUEST FOR MODIFICATION OF THE AGREEMENT

The Commission held open meetings on the Settlement Agreement on September 27, and October 6, 1995. The Commission was concerned about two aspects of the case. First, there was concern about the magnitude of the 2.93% rate increase which had been agreed upon by the Parties. (Narr. Ex. 18) Second, the Chairman was concerned that the Settlement Agreement shifted costs between rate classes and, based upon the Company's allocated cost of service study, created the type of cross-subsidization that the Commission has attempted to eliminate in recent years. The Chairman expressed surprise that TEC-RI had agreed to a settlement that created cross subsidies whereby industrial customers would subsidize residential customers. At the October 6, 1995 hearing the Commission voted to accept the Agreement if the Parties would agree to reduce the amount of the rate increase by approximately \$3,000,000. The result reduced the impact of the increase and also decreased the amount of interclass cross-subsidization. On October 10, 1995 the Parties agreed to a reduced revenue increase of \$14,910,000.

Pursuant to this agreement, a Supplemental Settlement on Revenue Requirement and Rate Design (Identified for the record by the Commission as Joint Ex. 4), supporting schedules and modified rates were filed with the Commission on October 11, 1995 and compliance rates were filed on October 16, 1995. (Compliance Filing, October 16, 1995 entered by agreement of the Parties on November 9, 1995 as Narr. Ex. 19, attached) Giving recognition to the additional income to be realized from sources other than base rates, as discussed above, the Company filed rates designed to produce revenues of \$14,583,633. (Id. Schedule 1, Page 1 of 28) The increase was derived as follows:

Agreed upon Rate Increase	\$14,910,000
Less:	
Reduced Int. Cust. Dep	378,000
Returned Check Charge	65,000
Add: Economic Dev. Discount	<u>117,364</u>
Increase in Base Rates	<u>\$14,584,364</u>

### RATE STRUCTURE CHANGES

The Settlement Agreement adopted a number of significant changes to the Company's rates and charges. The most significant changes are discussed below.

#### Credit to Promote Manufacturing

The most substantial rate structure change implemented is a revision to General Service Rates C, G, V, E-10, E-20, G-30 and G-60 to incorporate a Credit to Promote Manufacturing (CPM). (Narr. Ex. 8, p. 18) This provision grants to manufacturing customers a 5% discount on base rates, provided the customers account was not in arrears at the time the bill was issued. To qualify a customer must qualify for the exemption from the Rhode Island Gross Earning Tax. (Id.) The CPM shall terminate on the earlier of (1) two years after the date that it becomes effective, or (2) the effective date of any Rhode Island legislation which limits or alters the current exclusivity of the Company's franchise rights beyond those currently in effect on July 13, 1995. The Company estimated that the CPM would reduce customers' rates and the Company's revenues by approximately \$1,957,000. Settlement on Cost Allocation and Rate Design Issues, Paragraph II.A.2 In other words, the revenue loss attributable to the CMP would not be allocated to the other customers and the economic loss would be absorbed by the Company.

New Rate G-60

The Company also proposed a new rate for large customers with a 12-month demand of 3,000 kw or more. This new G-60 rate is designed for high load factor customers and is a cost based rate based upon the Company's allocated cost of service study. The rate is expected to produce substantial saving for large customers billed under the rate. (Narr. Ex. 18, p. 4, RLL 8(u)) To the extent that any existing customer would save money by staying on rate G-30, those customers would be allowed to stay on the G-30 rate and the Company has agreed to absorb the revenue loss. The resulting revenue loss is estimated to be \$1,092,000.

Because the Company has agreed to absorb the revenue loss associated with the CPM and the G-30 customers who do not transfer to Rate G-60, the rates allowed will not produce additional revenues \$14,584,364. The rates will produce the following additional net revenues:

Agreed upon Rate Increase	\$14,584,364
Less:	
Credit to promote manuf.	1,957,000
Rate G-60 Cust. on G-30	<u>1,092,000</u>
Net Revenue Increase	<u>\$11,535,364</u>

#### NORMALIZATION OF BOOK/TAX DIFFERENCE ON COST OF REMOVAL

In its direct case the Company proposed to increase the depreciation rates used for book and rate setting purposes to recover the cost of removing plant from service at the end of its useful life. (Narr. Ex. 5) Under the proposal the Company would recover the cost of removal through depreciation rates before the actual cost of removal was incurred.

The Company would not realize any corresponding increase in its tax depreciation because, for tax purposes, the cost of removal can be taken as a tax deduction only when

the cost of removal is actually incurred. Thus, the proposed change in depreciation rates would create a book/tax timing difference.

The Company sought to normalize the taxes (Narr. Ex. 2, pp. 18-22) or, more specifically, to "record a deferred tax on the difference between the amount of cost of removal reflected in book depreciation expense and the amount of cost of removal deducted for tax purposes" (Narr. Ex. 2, p. 21). In essence, under the proposal the Company would defer the tax liability and charge it into the future period in which the offsetting tax deduction for the cost of removal was actually taken.

In the Settlement Agreement the Parties agreed that the depreciation rates would not be increased at this time to recover cost of removal. The Parties agreed, however, to implement the normalization of taxes for the book/tax timing difference. The Commission objected to this normalization because there is no longer a book/tax timing difference to normalize. Accordingly, the Commission informed the Parties that it would approve the Settlement Agreement only if the tax normalization proposal were eliminated. This change reduced revenue requirements by approximately \$2,890,000. The parties agreed to the change.

If the Company proposes to increase depreciation rates for cost of removal in its next rate case, the Commission would encourage the Company to again incorporate the normalization of the book/tax timing difference. It should, however, provide a broader analysis which shows how the taxes are being allocated and how the proposal will build up the appropriate deferred tax balance.



Accordingly, it is

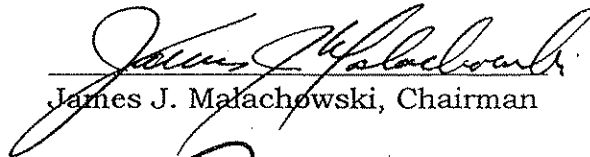
(14857) ORDERED:

1. That the tariff filing made by the Narragansett Electric Company on March 1, 1995, is hereby rejected, denied and dismissed;
2. That the Settlement Agreement submitted by the Parties hereto, which allows for changes in the Terms and Conditions and base rates designed to produce additional revenues of approximately \$14,583,633, for a total cost of service of \$432,487,000 is hereby approved and adopted by the Commission, in toto;
3. That the tariffs filed by the Company on October 16, 1995 in compliance with the Supplemental Settlement on Revenue Requirement and Rate Design are hereby approved and the rate changes designed to produce additional revenues of \$14,583,633 are hereby approved and adopted by the Commission to be applied to bills based upon meter readings taken thirty (30) days and after the date of this Order;
4. That the Narragansett Electric Company shall act in accordance

with all other findings and instructions contained in this report and order.

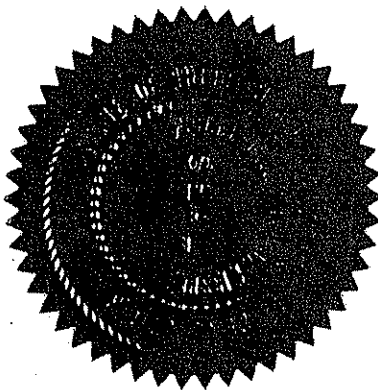
DATED AND EFFECTIVE AT PROVIDENCE, RHODE ISLAND, ON  
NOVEMBER 14 1995.

PUBLIC UTILITIES COMMISSION

  
James J. Malachowski, Chairman

  
Paul E. Hanaway, Commissioner

  
Kate F. Racine, Commissioner



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC COMPANY : DOCKET 2290  
REQUEST FOR RATE INCREASE :

## SETTLEMENT ON REVENUE REQUIREMENT

## I. INTRODUCTION

The Narragansett Electric Company ("Narragansett" or "Company"), the Energy Council of Rhode Island, and the Division of Public Utilities and Carriers ("Division") hereby stipulate and agree to the following resolution of the revenue requirement issues in the above-captioned proceeding.<sup>1/</sup>

## II. BACKGROUND

On March 1, 1995, Narragansett filed with the Public Utilities Commission ("Commission") proposed tariffs and documentation designed to support its request for increased pro forma revenues of \$30,500,000. Since that date, the Division has undertaken to investigate all aspects of the Company's filing. Accordingly, in its initial pre-filed direct testimony, the Division posited that Narragansett's pro forma rate year revenues

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<sup>1/</sup> The Conservation Law Foundation, Coalition for Consumer Justice, Direct Action for Rights and Equality and Parents for Progress, while not signatories to this agreement, stipulate that they are not opposed to its contents.

were deficient by \$11,400,000. Subsequently, through various updates and changes, the Company's rebuttal position reduced its revenue request to \$28,200,000. The Division's surrebuttal revised the Division's position on the Company's revenue deficiency upward to \$15,200,000.

### III. STIPULATION AND SETTLEMENT

The parties agree, in the interest of settling the instant rate proceeding, as follows.

#### A. Revenue Requirement, Generally

The parties agree that Narragansett shall file rates and tariffs pursuant to this Stipulation and Settlement which shall correct a rate year revenue deficiency of \$17.8 Million. For purposes of illustration, the parties note that the resultant rate increase is \$10,440,000 less than Narragansett's latest filed position, and \$2,623,000 above the Division's latest filed position.

The parties further agree that, whether or not there is a later comprehensive settlement or a fully litigated outcome in this proceeding on the issue of rate design, Narragansett's revenue shall be approximately \$3,000,000 per year less than the revenue requirement agreed to in this settlement assuming the Company's proposed discount to manufacturers and rate G-60 implementation plan are approved by the Commission.

The parties offer the following adjustments to reach the stipulated deficiency, for settlement purposes only:

1. Cost of Capital

In their filings, Narragansett requested an authorized return on equity of 12.0 percent; the Division recommended 10.75 percent. As part of this settlement, the Parties agree that Narragansett's equity return for AFDC calculations, earnings reports, and the cost of capital in this case shall be based on a return on equity of 11.0 percent. This represents a decrease of 0.5 percent from the currently authorized return on equity of 11.5%. The parties stipulate that the Company's capital structure is based upon Narragansett's actual capital structure as of June 30, 1995. (Attachment 1, p. 22) The overall rate of return on rate base shall be 9.24 percent.

2. Cost of Removal

In its initial filing, Narragansett included \$2.6 Million of additional depreciation expense associated with the cost of removal for intrastate plant in its cost of service. That additional depreciation expense has been removed from the Settlement Cost of Service in Attachment 1, and the parties agree to resolve the appropriate level of depreciation expense associated with cost of removal in the context of the overall depreciation review discussed in Paragraph II below.

3. Deferred Taxes on Cost of Removal

As noted above, Narragansett's depreciation rates do not currently include an allowance for cost of removal. To

date, Narragansett has flowed through to customers the current tax deduction related to its expenditures for cost of removal related to distribution and general plant, rather than normalizing these expenditures. As part of this settlement, the parties agree to normalize the cost of removal on a prospective basis for ratemaking purposes.

4. Storm Contingency Fund

In order to reach settlement, the parties stipulate that Narragansett's increased amortization of underfunding (as set forth in the Company's original filing) is removed. Narragansett instead will apply the net revenue proceeds from leases (other than those referenced in § 7 below) entered into by the Company for space in its transmission and distribution facilities for the purpose of laying fiber optic cable. The parties intend Narragansett, for the purposes of reaching this settlement, to apply all cash receipts received from September 1, 1995 through December 31, 1996 (the "period"), including bonuses and other payments, for such leases which are in excess of the expenses actually incurred by Company for its part in the initial laying of fiber optic line on behalf of the lessees. Narragansett shall continue the annual accruals to the storm contingency fund at the preexisting level of \$641,000 per year. Narragansett agrees to cooperate fully with the Division in an audit of past charges and accruals to the storm contingency fund, and in the development of

additional guidelines, if appropriate, for these accruals and charges. Narragansett also agrees to file reports with the Division and the Commission which itemize and specifically describe the lessees, the space leased, and the gross and net proceeds attributable to fiber optic space leases at minimum on a quarterly basis throughout this period.

5. Municipal Taxes

The Company's rate year municipal tax recovery is decreased by \$283,000.

6. Pension Expense

The settlement cost of service includes pension expense calculated using the methodology prescribed by FAS 87 based on FAS 87 expense booked in the test year. For the purposes of settlement only, the parties agree that no amortization of contributions in excess of FAS 87 expense is reflected in the settlement cost of service.

7. Amortization to Revenues from Certain 1995

Fiber Optic Leases

For the purposes of reaching settlement, revenues obtained by Narragansett, and calculated by the Company to be \$3,995,000 (and this amount includes \$150,000 which has been billed but not yet received from one of the lessees), from certain leases entered into by the Company for space in its transmission and distribution facilities for the purpose of laying fiber optic cable, shall be amortized to income

over 24 months at a rate of approximately \$167,000 per month, commencing on the effective date of the settlement rates. The parties believe and expect that this amortization reflects the total cash receipt amount of these contracts, inclusive of all bonuses and other payments, less the costs actually incurred by Company for its part in the laying of fiber optic line on behalf of the lessees.

8. Sales

In order to reach settlement, the Company's revenue deficiency and rate design are based on the kilowatthour sales recommended by the Division, but priced out per Narragansett's revenue model as set forth in its rebuttal exhibits. There has been no agreement on the appropriate method for future sales forecasts. This adjustment increases the Company's projected rate year revenues under present rates by \$1,694,000 and reduces the revenue deficiency by that amount.

9. Settlement Credit

For the purposes of settlement, Narragansett agrees to a comprehensive additional reduction of \$679,000 in compromise of miscellaneous contested issues.

IV. **DEPRECIATION ISSUE**

The parties agree to complete, by January 31, 1996, a review of the depreciation study filed by Narragansett in the rebuttal phase of this proceeding. If the parties reach agreement on the appropriate depreciation rates to be used for Narragansett, the



parties agree that those rates may be submitted by Narragansett, without opposition by the Division, in Narragansett's next base rate proceeding.

#### V. MISCELLANEOUS PROVISIONS

A. Unless expressly stated herein, the making of this stipulation establishes no principles and shall not be deemed to foreclose any party from making any contention in any other proceeding or investigation.

B. Unless expressly stated herein, the acceptance of this stipulation by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any rate proceeding for this Company or another.

C. This stipulation is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any party.

D. This stipulation is submitted on the condition that it be approved in full by the Commission, and on the further condition that if the Commission does not approve the stipulation in its entirety, the stipulation shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or used for any purpose.

E. The Exhibits referenced in and attached to this Stipulation shall be deemed an integral part hereof. In the event that any inconsistency exists between the provisions of this stipulation and settlement and any of the Exhibits attached


hereto, the provisions of this settlement shall supercede the provisions of any such Exhibits.

VI. CONCLUSION

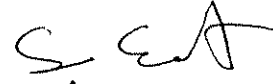

WHEREFORE, the parties respectfully request the Commission approve this Stipulation to resolve all revenue requirement issues in Docket 2290.

DATED AT PROVIDENCE, this 8th day of September, 1995.


THE DIVISION OF PUBLIC UTILITIES  
AND CARRIERS,

  
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NARRAGANSETT ELECTRIC COMPANY,

  
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Craig Eaton, Esq.  
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THE ENERGY COUNCIL OF RHODE ISLAND

  
Andrew Newman, Esq.  
Rubin & Rudman  
50 Rowes Wharf  
Boston, MA 02110  
(617) 330-7000

CERTIFICATION

I, Patricia M. French, hereby certify that I have, this 8th day of September, 1995, served a copy of the within Stipulation and Settlement on Revenue Requirement to each of the parties on the service list on file with the Clerk of the Public Utilities Commission.

Pat M French

## SETTLEMENT COST OF SERVICE

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## The Narragansett Electric Company

Intrastate Cost of Service  
Rate Year 12/1/95 to 11/30/96  
(S000)

	5/ Total Company Per Books 7/1/93-6/30/94	Interstate and Other 1/ 7/1/93-6/30/94	Intrastate 7/1/93-6/30/94	Adjustment	5/ Intrastate Rate Year	Reference
1 Operation & Maintenance Expense	\$67,585	\$11,424	\$56,161	2,789	58,950	Page 2
2 Conservation and Load Management Expense	10,509	10,509	0	0	0	-
3 Other Power Supply Expense	34	0	34	0	34	-
4 Donations	409	121	288	0	288	-
5 Fuel Expense	245	245	0	0	0	-
6 Depreciation Expense	21,900	6,767	15,133	2,106	17,239	Page 10
7 Gross Earnings Tax	19,220	0	19,220	(13,548)	5,672	Page 11
8 Municipal Taxes	14,044	1,794	12,250	978	13,228	Page 12
9 FICA	2,296	680	1,616	163	1,779	Page 13
10 Federal Unemployment	41	12	29	0	29	-
11 Federal Other - Environmental Tax	23	3	20	0	20	-
12 State Unemployment	307	91	216	0	216	-
13 Current FIT	-	-	-	-	6,046	Page 14
14 Net Deferred FIT	671	(121)	792	3,989	4,781	Page 15
15 Amort. of Investment Tax Credit	(508)	0	(508)	0	(508)	-
16 Amort. of Loss on Reacquired Debt 7/	841	81	760	3	763	-
17 Int. on Cust. Dep. (Cust. Dep. x 12%) 3/	666	0	666	53	719	-
18 Overall Return \$352,284 x 9.24% 4/	-	-	-	-	32,551	-
19 Settlement Credit	-	-	-	-	(679)	-
20 Total Cost of Service	-	-	-	-	\$141,128	-
21	-	-	-	-	-	-
22	-	-	-	-	-	-
23 Electric Energy Revenue 5/	5,444	0	\$5,444	\$1,748	\$115,671	5/
24 Other Revenues	-	-	-	-	7,658	-
25 Total Operating Revenue Rate Year	-	-	-	-	\$123,329	-
26	-	-	-	-	-	-
27 Revenue Deficiency	-	-	-	-	\$17,800	-

1/ Exhibit PAV - 3(a), page 1

2/ Intrastate Rate Base Allocation Factor (page 16) 86.75%

	Rate Year	Less: Test year	Adjustment
3/ Rate Year Customer Deposits (p. 19)	\$5,991		
Interest @ 12.0%	\$719	\$666	\$53

4/ See page 16.

5/ Expenses and revenues above exclude purchased power related costs and costs related to Post-Retirement Benefits Other than Pensions (PBOP's).

6/ Adjustment to increase pole attachment rentals in the rate year and to reflect amortization of \$4 million of fiber optic revenues over 24 months.

7/ Intrastate amortization of Loss on Reacquired Debt  
Rate Year Total Company Amortization \$844  
Intrastate Percentage 90.41%  
Intrastate rate year Amortization of Loss on Debt \$763

8/ See page 15.

9/ Reflects correction of an overstatement of revenue from traffic signals of \$466,000.

REMAINING PAGES OF ATTACHMENT 1  
HAVE BEEN OMITTED

THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

RE: THE NARRAGANSETT ELECTRIC COMPANY )  
PROPOSAL TO CHANGE RATE SCHEDULES )

DOCKET NO. 2290

Settlement on Cost Allocation and  
Rate Design Issues

The Division of Public Utilities and Carriers (The "Division"), The Energy Council of Rhode Island ("TEC-RI"), and The Narragansett Electric Company ("Narragansett") together the "Parties") filed a Settlement Agreement with the Commission on September 8, 1995 resolving all issues between the Parties regarding the Company's revenue requirements in this Docket ("September 8 Settlement"). The Coalition for Consumer Justice, Direct Action for Rights and Equality, and Parents for Progress did not oppose the September 8 Settlement and do not oppose the Agreement reflected in today's settlement.

The September 8 Settlement expressly excluded rate design, cost allocation, and related issues. Since the September 8 Settlement, the Parties have engaged in further discussions regarding these unresolved issues, and the Parties have now agreed to a settlement of these issues which resolves all the outstanding issues in this Docket ("Settlement").

The Settlement is as follows:

I. Terms and Conditions

The revised terms and conditions and policies included in Attachment 1 to this Settlement are reasonable and should be approved. The revised terms and conditions and policies implement the following three changes:

A. Returned Check Fee

Revised term and condition paragraph 12 authorizes the Company to implement a returned check fee of \$15 when a check is dishonored for insufficient funds after a second submission to a bank. This fee represents the recovery of Narragansett's actual costs incurred as a result of a dishonored check. The estimated proceeds from the returned check fee are credited to the allocated cost of service together with an adjustment for the Gross Earnings Tax, as discussed below. This will be used to reduce revenues required to be raised from tariffed rates.

B. Reduced Interest Rate on Customer Deposits

Revised term and condition paragraph 14 authorizes Narragansett to implement an interest rate on customer deposits equal to the rate paid on ten year, United States Treasury bonds for the preceding calendar year. This change reduces the level of interest expense on customer deposits included in the September 8 Settlement in this proceeding. These savings, adjusted for the Gross Earnings Tax, are credited to the allocated cost of service as discussed below and will reduce revenues required to be raised from tariffed rates. An interest rate of 12 percent is now required by the Commission in Order No. 10571 dated December 1, 1981, in Docket 1624, and to implement this change the parties request a waiver of that requirement.

C. Construction Advance Policy

Narragansett's Line Extension and Construction Advance Policy for Commercial and Industrial Customers shall be amended to allow customers to reduce the five year notice requirement available under the Service Agreement option to three years by repaying a ratable proportion of the construction advance that would have been required absent the customer's initial decision to sign the original Service Agreement.

II. Cost Allocation Study

The cost allocation for rate design purposes is included in Attachment 2. It contains the following adjustments:

A. Revenue Requirement Adjustments

The \$17.8 million revenue deficiency included in the Settlement shall be adjusted as follows in the cost allocation study:

1. Reduction for Proceeds from Returned Check Fee

The revenue deficiency shall be reduced by \$65,000 of other revenues received from the implementation of the returned check fee under paragraph I.A., above. (See Attachment 2, p. 14)

2. Savings in Interest on Customer Deposits

The revenue deficiency shall be reduced by \$378,000 of savings in interest on customer deposits under Paragraph I.B., above. (See Attachment 2, p. 14)



B. Unrecovered Rate Discounts and Revenue Shortfalls

The cost allocation study in Attachment 2 does not include any recovery for the following elements:

1. Credit to Promote Manufacturing

Narragansett is authorized under paragraph III. C., below to implement a five percent discount from base rates for manufacturers. The revenue effect of this discount under the rates as initially filed in this case was projected to be \$1,957,000 as shown on Attachment 3. This loss of revenue is not being recovered in Narragansett's rate design and is therefore being borne by Narragansett's shareholders.

2. G-60 Revenue Shortfall

Narragansett is authorized under Paragraph III. D., below to implement the G-60 rate with a limited one-time option for customers otherwise required to go on the G-60 rate to remain on the G-30 rate. The cost allocation study is based on the assumption that all customers eligible for the G-60 rate take service under the G-60 rate. The opt-out provision allows existing customers who would receive lower bills under the G-30 rate to remain on the G-30 rate. Narragansett projects that several customers may select the opt-out provision producing an estimated revenue shortfall of \$1,092,000 below the revenues projected in Narragansett's cost allocation study under the rates as filed in this case. The revenue shortfall associated with this opt-out provision is not being recovered in

Narragansett's rate design and is therefore being borne by Narragansett's shareholders.

Together the adjustments, discounts, and shortfalls under this section reduce Narragansett's net revenue increase to customers by \$3,492,000 and reduces the net revenue increase received by the Company from \$17.8 million to \$14,308,000 million.

C. Cost Allocation Settlement

The cost allocation study in Attachment 2 includes settlement adjustments for the cost allocations among the rate classes. (See Attachment 2, Ex. RLL-14(a), page 1, line 11a). The settlement adjustment represents a compromise of the positions of the parties. Under this Settlement, no increase shall be allocated to rate A-65, and the increase allocated to the streetlighting class shall be limited to \$732,000 in the first year of the rates. Effective December 1, 1996, the street lighting rates shall be increased by an additional \$844,000 and proceeds from this second increase to the streetlighting class shall be credited to all customers in Narragansett's PPCA reconciliation, thereby reducing the amount of purchased power costs required to be collected from customers.

III. Rate Design

By September 18, 1995, Narragansett will file tariffs revised to collect the cost allocation shown in Attachment 2, which include the following modifications from the tariffs proposed by Narragansett in this case.

A. Auxiliary Service Rate

The changes proposed by Narragansett to the Auxiliary Service Rate are withdrawn, and the present Auxiliary Service Rate shall remain in effect.

B. Two Year Notice

The two year notice provision proposed by Narragansett for all general service rates is withdrawn, and the present notice provision shall remain in effect.

C. Credit to Promote Manufacturing

The Credit to Promote Manufacturing provisions proposed by Narragansett for inclusion in its general service rates as set forth on Attachment 4 shall be implemented.

D. G-60 Rate

The Parties agree that in order to avoid significant bill impacts associated with the establishment of the new G-60 rate class, existing customers currently taking service under Rate G-30 should be provided a one time option to stay on Rate G-30 even though they otherwise qualify for Rate G-60. Narragansett agrees to inform each affected customer of this opportunity and to provide billing analyses and other relevant information to assist customers in deciding whether to take advantage of this option, which will be available for 30 days after the new rates become effective.

E. Additional Issues

In addition, the following specific changes proposed by the Company are agreed to:

- (I) The elimination of the hours use blocking and the increase in the customer charge for the G Rate;
- (ii) The update of the water heater credit;
- (iii) The rate design for the G-60 Rate with a nonseasonal demand charge and on-and off-peak energy prices; and
- (iv) The increase in the customer and demand charges in the G-30 Rate.

IV. Miscellaneous Provisions

A. Unless expressly stated herein, the making of this Settlement establishes no principles and shall not be deemed to foreclose any party from making any contention in any other proceeding or investigation.

B. Unless expressly stated herein, the acceptance of this Settlement by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any rate proceeding for this Company or another.

C. This Settlement is the product of settlement negotiations. The content of those negotiations is privileged and all offers of settlement shall be without prejudice to the position of any party.

D. This Settlement is submitted on the condition that it be approved in full by the Commission, and on the further condition that if the Commission does not approve the Settlement in its entirety, the Settlement shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or used for any purpose.

E. The Attachments referenced in and attached to this Settlement shall be deemed an integral part hereof. In the event that any inconsistency exists between the

provisions of this Settlement and any of the Attachments hereto, the provisions of this Settlement shall supersede the provisions of any such Attachments.

V. Conclusion

The parties respectfully request the Commission to approve this Settlement to resolve all cost allocation and rate design issues in Docket 2290.

Dated at Providence, this 14th day of September, 1995.

Respectfully submitted,

THE ENERGY COUNCIL OF  
RHODE ISLAND

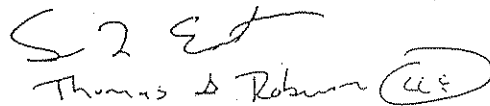
DIVISION OF PUBLIC UTILITIES  
AND CARRIERS

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Providence, RI 02903

THE NARRAGANSETT ELECTRIC COMPANY

  
Thomas G. Robinson (CE)  
Craig L. Eaton, Esq.  
Thomas G. Robinson, Esq.  
280 Melrose Street  
Providence, RI 02907

provisions of this Settlement and any of the Attachments hereto, the provisions of this Settlement shall supersede the provisions of any such Attachments.

V. Conclusion

The parties respectfully request the Commission to approve this Settlement to resolve all cost allocation and rate design issues in Docket 2290.

Dated at Providence, this 14th day of September, 1995.

Respectfully submitted,

THE ENERGY COUNCIL OF  
RHODE ISLAND

DIVISION OF PUBLIC UTILITIES  
AND CARRIERS

SM  
Andrew J. Newman

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THE NARRAGANSETT ELECTRIC COMPANY

Craig L. Eaton, Esq.  
Thomas G. Robinson, Esq.  
280 Melrose Street  
Providence, RI 02907

ATTACHMENTS 1-4 HAVE BEEN OMITTED

THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC COMPANY : DOCKET 2290  
REQUEST FOR RATE INCREASE :

SUPPLEMENTAL SETTLEMENT ON REVENUE  
REQUIREMENT AND RATE DESIGN

I. INTRODUCTION

On September 8, 1995, The Narragansett Electric Company ("Narragansett" or "Company"), the Energy Council of Rhode Island ("TEC-RI"), and the Division of Public Utilities and Carriers ("Division") filed a settlement agreement with the Commission resolving all issues between those parties regarding the Company's revenue requirement in this docket. On September 14, 1995, the Company, TEC-RI, and the Division filed a second settlement agreement with the Commission resolving all issues between those parties with respect to cost allocation, rate design, and related issues. While not signatories to either settlement, the Conservation Law Foundation, Coalition for Consumer Justice, Direct Action for Rights and Equality, and Parents for Progress stipulated that they were not opposed to the settlements.

The Commission held public hearings on the settlements filed on September 8 and September 14, on September 13 and 27,

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respectively. At an open meeting on October 6, 1995, the Commission voted to approve the settlement agreements submitted in this docket subject to the condition that the parties to those agreements agree to delete the provision in the settlement submitted on September 8, 1995, relating to the prospective adoption of tax normalization for cost of removal expenditures. This supplemental settlement agreement is intended to comply with the Commission's request.

## II. COST OF REMOVAL

As noted in the Paragraphs III.A.2. and 3 of the settlement submitted on September 8, 1995, Narragansett's depreciation rates do not currently include an allowance for cost of removal. To date, Narragansett has flowed through to customers the current tax deduction related to its expenditures for cost of removal related to distribution and general plant, rather than normalizing these expenditures. As part of this supplemental settlement, Narragansett agrees to continue the current practice of flowing these tax deductions through to customers on a current basis. Paragraph III.A.3. of the settlement submitted on September 8, 1995, which would have allowed Narragansett to normalize cost of removal tax deductions on a prospective basis for ratemaking purposes, is therefore deleted and of no force and effect. This change reduces Narragansett's overall revenue requirement by \$2,890,000.

A revised Settlement Cost of Service reflecting this change is included as Attachment 1 to this Agreement. Attachment 1 supports an overall revenue increase to the Company of \$14,910,000 compared to the \$17,800,000 increase originally agreed to by the parties.

### III. RATE DESIGN

A. In the settlement agreement submitted on September 14, 1995, the parties agreed to an allocation among the Company's various rate classes of a net revenue increase of \$17,473,633. As part of this Agreement, the parties agree that the \$2,890,000 reduction in revenue requirement specified above shall be allocated among rate classes in proportion to allocated rate base, provided no decrease shall be allocated to the streetlighting rate class for which a rate moderation plan has been developed. As previously agreed, no increase shall be allocated to the A-65 rate class. These adjustments are specified on Attachment 2 to this Agreement.

B. The Company agrees to submit rate designs, typical bill calculations, and revised tariffs to implement the lower revenue increase agreed to herein by October 16, 1995.

#### IV. MISCELLANEOUS PROVISIONS

A. The parties stipulate to the admission of this Agreement, including all attachments, as a Full Exhibit in the record of this proceeding.

B. Except as specifically modified or superseded herein, the terms and conditions of the settlement agreements filed on September 8, 1995, and September 14, 1995, remain in full force and effect.

C. This Settlement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceeding.

D. Other than as expressly stated herein, the acceptance of this stipulation by the Commission shall not in any respect constitute a determination by the Commission as to the merits of any issue in any subsequent rate proceeding.

E. This stipulation is submitted on the condition that it be approved in full by the Commission, and on the further condition that if the Commission does not approve the stipulation in its entirety, the stipulation shall be deemed withdrawn and shall not constitute a part of the record in any proceeding or used for any purpose.

V. CONCLUSION

The parties respectfully request that the Commission approve the agreements submitted on September 8 and 14, as modified by this agreement as the final resolution of all issues in Docket 2290.

Respectfully submitted,

The Division of Public Utilities  
and Carriers,

 (hysas)

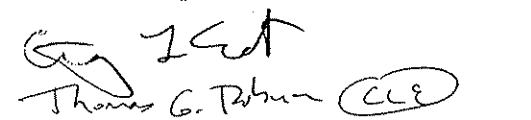
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The Energy Council of  
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 / LOR

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The Narragansett Electric Company

 (CLE)

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(401) 874-7526

Dated: October 11, 1995

## ATTACHMENT 1

## SETTLEMENT COST OF SERVICE

THE NARRAGANSETT ELECTRIC COMPANY Attachment 1 to DIV 2-10  
 R.I.P.U.C. Docket No. 2290  
 Attachment 1  
 Page 1 of 22

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### The Narragansett Electric Company

#### Intrastate Cost of Service Rate Year 12/1/95 to 11/30/96 (\$000)

	5/ Total Company Per Books 7/1/93-6/30/94	Interstate and Other 1/ 7/1/93-6/30/94	Intrastate 7/1/93-6/30/94	Adjustment	5/ Intrastate Rate Year	Reference
1 Operation & Maintenance Expense	\$67,585	\$11,424	\$56,161	2,789	58,950	Page 2
2 Conservation and Load Management Expense	10,509	10,509	0	0	0	-
3 Other Power Supply Expense	34	0	34	0	34	-
4 Donations	409	121	288	0	288	-
5 Fuel Expense	245	245	0	0	0	-
6 Depreciation Expense	21,900	6,767	15,133	2,106	17,239	Page 10.
7 Gross Earnings Tax	19,220	0	19,220	(13,663)	5,557	Page 11
8 Municipal Taxes	14,044	1,794	12,250	978	13,228	Page 12
9 FICA	2,296	680	1,616	163	1,779	Page 13
10 Federal Unemployment	41	12	29	0	29	-
11 Federal Other - Environmental Tax	23	3	20 2/	0	20	-
12 State Unemployment	307	91	216	0	216	-
13 Current FIT	-	-	-	-	5,064	Page 14
14 Net Deferred FIT	671	(121) 8/	792	2,117	2,909	Page 15
15 Amort. of Investment Tax Credit	(508)	0	(508)	0	(508)	-
16 Amort. of Loss on Reacquired Debt 7/	841	81	760	3	763	-
17 Int. on Cust. Dep. (Cust. Dep. x 12%) 3/	666	0	666	53	719	-
18 Overall Return \$353,148 x 9.24% 4/	-	-	-	-	32,631	-
19 Settlement Credit	-	-	-	-	(679)	-
20 Total Cost of Service	-	-	-	-	\$138,239	-
21	-	-	-	-	-	-
22	-	-	-	-	-	-
23 Electric Energy Revenue 9/	5/	-	5/	-	\$115,671 5/	-
24 Other Revenues	5,444	0	\$5,444	\$2,214 6/	7,658	-
25 Total Operating Revenue Rate Year	-	-	-	-	\$123,329	-
26	-	-	-	-	-	-
27 Revenue Deficiency	-	-	-	-	\$14,910	-

1/ Exhibit PAV - 3(a), page 1

2/ Intrastate Rate Base Allocation Factor (page 16) 86.75%

3/		Less:		
	Rate Year	Test year	Adjustment	
	Rate Year Customer Deposits (p. 19)	\$5,991		
	Interest @ 12.0%	\$719	\$666	\$53

4/ See page 16.

5/ Expenses and revenues above exclude purchased power related costs and costs related to Post-Retirement Benefits Other than Pensions (PBOP's).

6/ Adjustment to increase pole attachment rentals in the rate year and to reflect amortization of \$4 million of fiber optic revenues over 24 months.

7/ Intrastate amortization of Loss on Reacquired Debt  
 Rate Year Total Company Amortization \$844  
 Intrastate Percentage 90.41%  
 Intrastate rate year Amortization of Loss on Debt \$763

8/ See page 15.

9/ Reflects correction of an overstatement of revenue from traffic signals of \$466,000.

REMAINING PAGES OF ATTACHMENT 1  
HAVE BEEN OMITTED

## ATTACHMENT 2



THE NARRAGANSETT ELECTRIC COMPANY  
DOCKET NO. 2290  
Calculation of Supplemental Settlement Increase

Rate	(1) Original Allocated Increase (after Credits)	(2) Allocated Rate Base	(3) New Reduction Allocated by Proportion of Rate Base	(4) Supplemental Settlement Increase (after Credits)	(5) Percent Increase
A-10	\$8,653,906	\$139,926,499	(\$1,222,307)	\$7,431,599	4.55%
A-11	\$2,240,667	\$30,333,374	(\$264,973)	\$1,975,694	5.08%
A-30	(\$68,133)	\$1,810,414	(\$15,815)	(\$83,948)	-2.98%
A-65	\$0			\$0	0.00%
C-2	\$3,872,477	\$34,175,047	(\$298,531)	\$3,573,946	8.33%
E-01	\$4,748			\$4,748	3.19%
E-10	\$10,236			\$10,236	3.05%
G	\$569,984	\$56,893,664	(\$496,986)	\$72,998	0.09%
G-30	\$1,751,683	\$54,128,278	(\$472,829)	\$1,278,854	1.11%
G-60	(\$485,448)	\$11,157,344	(\$97,463)	(\$582,911)	-1.82%
St Ltg	\$843,896			\$843,896	10.47%
T	\$2,995	\$1,473,888	(\$12,875)	(\$9,880)	-0.39%
V	\$76,276	\$941,219	(\$8,222)	\$68,054	5.03%
Contract	\$346			\$346	2.73%
Total	\$17,473,633	\$330,839,727	(\$2,890,000)	\$14,583,633	2.93%

Notes:

- (1) Page 2 of 3, Column 10 (Exhibit RLL-14(n))
- (2) Allocated Cost of Service Study (Exhibit RLL-14(a), page 5)  
(excluding streetlights).
- (3) (Column (2) / Sum of Column (2)) times \$2,890,000 reduction
- (4) Column (1) + Column (3)
- (5) Column (4) as a percent of Page 2, Column (4)

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THE NARRAGANSETT ELECTRIC COMPANY  
DOCKET NO. 2290  
Reconciliation of Revenue Calculations

Rate	(1) Present Base Revenues	(2) KWh	(3) Factor Revenues @ \$0.01809	(4) Total Present Revenues	(5) Allocated Increase (before Credits)	(6) Total Proposed Revenues (before Credits)	(7) Allocated Credits and Discounts (after Credits)	(8) Total Proposed Revenues (after Credits)	(9) Proposed Base Revenues (for Rate Design)	(10) Allocated Increase after Credits
A-10	\$138,040,301	1,401,139,561	\$25,346,615	\$163,386,916	\$9,659,786	\$173,046,702	(\$1,005,880)	\$172,040,822	\$146,694,207	\$8,653,906
A-11	\$32,104,567	375,483,442	\$6,792,495	\$38,897,062	\$2,082,413	\$40,979,475	\$158,254	\$41,137,729	\$34,345,234	\$2,240,667
A-30	\$2,364,787	25,091,877	\$453,912	\$2,818,699	(\$77,579)	\$2,741,120	\$9,446	\$2,750,566	\$2,296,654	(\$68,133)
A-65	\$4,761,982	61,572,528	\$1,113,847	\$5,875,829	\$0	\$5,875,829	\$0	\$5,875,829	\$4,761,982	\$0
C-2	\$36,685,997	343,127,738	\$6,207,181	\$42,893,178	\$3,694,181	\$46,587,359	\$178,296	\$46,765,655	\$40,558,474	\$3,872,477
E-01	\$112,513	2,005,115	\$36,273	\$148,786	\$0	\$148,786	\$4,748	\$153,534	\$117,261	\$4,748
E-10	\$242,563	5,159,156	\$93,329	\$335,892	\$0	\$335,892	\$10,236	\$346,128	\$252,799	\$10,236
G	\$70,145,152	794,238,996	\$14,367,783	\$84,512,935	\$273,161	\$84,786,096	\$296,823	\$85,082,919	\$70,715,136	\$569,984
G-30	\$91,896,757	1,300,802,566	\$23,531,518	\$115,428,275	\$1,469,287	\$116,897,562	\$282,396	\$117,179,958	\$93,648,440	\$1,751,683
G-60	\$24,945,909	394,054,198	\$7,128,440	\$32,074,349	(\$543,657)	\$31,530,692	\$58,209	\$31,588,901	\$24,460,461	(\$485,448)
St Lig	\$6,989,256	59,326,516	\$1,073,217	\$8,062,473	\$732,008	\$8,794,481	\$111,888	\$8,906,369	\$7,833,152	\$843,896
T	\$2,048,318	25,559,514	\$462,372	\$2,510,690	(\$4,695)	\$2,505,995	\$7,690	\$2,513,685	\$2,051,313	\$2,995
V	\$1,146,789	11,386,433	\$205,981	\$1,352,770	\$71,365	\$1,424,135	\$4,911	\$1,429,046	\$1,223,065	\$76,276
Contra	\$8,370	238,890	\$4,322	\$12,692	\$0	\$12,692	\$346	\$13,038	\$8,716	\$346
Total	\$411,493,261	4,799,186,530	\$86,817,284	\$498,310,545	\$17,356,270	\$515,666,815	\$117,364	\$515,784,178	\$428,966,894	\$17,473,633

Notes:

- (1) = Forecasted Present Revenues (Settlement Filing, Attachment 4)
- (2) = Forecasted kWh Sales (Settlement Filing, Attachment 4)
- (3) = Column (2) x \$0.01809/kWh (Fuel, PPCA, C&LM, FAS106, UCCA factors effective 7/1/95)
- (4) = Column (1) + Column (3)
- (5) = Summary of Total Rate Increases by Rate Class (Rate Design Settlement Agreement, Attachment 2, page 1 of 1)
- (6) = Column (4) + Column (5) (per Rate Design Settlement Agreement)
- (7) = See Page 3 (Column (7) - Column(5))
- (8) = Column (6) + Column (7)
- (9) = Column (8) - Column (3) (Proposed Design Revenues used in Settlement Filing, Schedule 1)
- (10) = Column (9) - Column (1)

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NARRAGANSETT ELECTRIC COMPANY  
Effect of Discounts on Rate Class Revenue Increases

1	2	3	4	5	6	7
Revenue Increase	E-10 E01,CON	A-65	Allocation of Economic Development	Economic Development	Total Adjustments	Adjusted Revenue Increase
A-10	\$9,659,786	(\$1,046,407)	\$46,616		(\$1,005,880)	\$8,653,906
A-11	\$2,082,413	\$149,468	\$10,106		\$158,254	\$2,240,667
A-30	(\$77,579)	\$8,921	\$603		\$9,446	(\$68,133)
A-65					\$0	\$0
C-2	\$3,694,181	\$168,398	\$11,385		\$178,296	\$3,872,477
E-01	\$4,748				\$4,748	\$4,748
E-10	\$10,236				\$10,236	\$10,236
G-00	\$273,161	\$280,345	\$18,954		\$296,823	\$569,984
G-30	\$1,469,287	\$266,718	\$18,033		\$230,949	\$1,700,236
G-60	(\$543,657)	\$54,978	\$3,717	(\$51,447)	(\$7,708)	(\$551,365)
T	(\$4,695)	\$7,263	\$491	(\$65,917)	\$7,690	\$2,995
V	\$71,365	\$4,638	\$314		\$4,911	\$76,276
Street Lights	\$732,008	\$105,677	\$7,145		\$111,888	\$843,896
Contracts					\$346	\$346
	\$17,356,270	\$0	\$117,364	(\$117,364)	\$0	\$17,356,270

Notes:

- (1) Rate Design Settlement Agreement, Attachment 2, page 1 of 1.
- (2) Increase to E-10, E-01, and Contract Customers, allocated as a credit to other classes by Rate Base.
- (3) Rate Design Settlement Agreement, Attachment 2, page 3 of 20, line (1) + line (2).
- (4) Rate Design Settlement Agreement, Attachment 2, page 3 of 20, line (3).
- (5) Rate Design Settlement Agreement, Attachment 2, page 3 of 20, line (7).
- (6) Column (2) + Column (3) + Column (4) + Column (5)
- (7) Column (1) + Column (6)

STATE OF      ODE ISLAND AND PROVIDENCE      INTATIONS  
PUBLIC UTILITIES COMMISSION

Narragansett Electric Company  
d/b/a National Grid  
Docket No. C. No. 4065  
Attachment 1 to DIV 2-10  
Page 46 of 69

Narragansett Electric Co.  
General Rate Filing  
Docket No. 2290

*Rate  
Case*

Final Procedural Schedule

03/01/95    Narragansett Electric filed new rate schedules  
05/10        Deadline to file Motion to Intervene  
06/29        Filing of Division's/Intervenor's prefiled testimony  
08/04        Filing of Narragansett's rebuttal testimony  
08/31        Filing of Division's/Intervenor's surrebuttal testimony  
09/11-09/14\* & 9:30 a.m. Cross-examination of all witnesses  
09/20-09/22  
10/10        Filing of briefs and a reconciliation explanation on  
              the cost of service issues  
10/20        Filing of reply briefs  
11/30/95    Report and Order

**Evening hearings:**

08/03 @ 7:00 p.m. Burnside Memorial Bldg., Hope St. (Corner of Hope  
                          & Court St.)  
08/17 @ 7:00 p.m. Public Utilities Commission, 100 Orange St.,  
                          Providence, RI  
09/07 @ 7:00 p.m. Council Chambers, Warwick City Hall, 3275 Post  
                          Rd., Warwick RI

\*09/14 hearing date is reserved.

*CC: PG Flynn  
TG Robinson  
LJ Beilly  
mz J  
ADH*

*From: RGS*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: THE NARRAGANSETT ELECTRIC  
COMPANY FLEX RATE

DOCKET NO. 2229

Report and Order

On August 11, 1994, the Narragansett Electric Company ("Narragansett" or "Company") filed with the Public Utilities Commission ("Commission") a proposed flexible time of use rate ("FLEX Rate"), designed to provide firm service through hourly energy prices reflecting Narragansett's marginal cost of service for purchased power. The tariff was suspended to allow the Division of Public Utilities and Carriers ("Division") adequate time to investigate the proposal.

The parties filed an Offer of Settlement on April 6, 1995.<sup>1</sup>

On April 12, 1995, following published notice, the Commission conducted a hearing on the filing at 100 Orange Street in Providence. The following appearances were entered:

FOR NARRAGANSETT:	David J. Saggau, Esq.
FOR THE DIVISION:	Patricia M. French, Esq. Assistant Attorney General
FOR THE COMMISSION:	Adrienne G. Southgate General Counsel

The Company called Peter T. Zschokke, manager of retail rates for the New England Power Service Company ("NEPSCo"), as its witness.<sup>2</sup> Mr. Zschokke testified that, under the

<sup>1</sup> This document is attached and incorporated by reference as Appendix A.

<sup>2</sup> The prefiled testimony, admitted as Narragansett Ex. 1, was submitted by Tina M. Bennett of the NEPSCo Rate Department. Ms. Bennett has accepted a new position. Mr. Zschokke adopted her prefiled testimony as his own.

Offer of Settlement, the proposed G-50 rate would be offered for a period of time from Commission approval through December 31, 1997. The settlement made a number of changes to the proposed tariff to incorporate suggestions made by the Division and its consultant, Dr. Johnson.<sup>3</sup>

The FLEX Rate allocated New England Power Company demand charges to each hour, based upon a probability of peak basis. There are four schedules in each season, allowing more accurate delineation of the actual costs of serving customers during any given day. The rate was described as an experiment in which no more than twenty customers take service under the proposed G-50 rate.<sup>4</sup>

The settlement contemplates that the Company will file a report on or before April 1, 1997, reporting the experience to date on real time pricing and proposing what should be done after the experimental rate expires on December 31, 1997.

Mr. Zschokke described the customer access charge, which is designed into the Flex Rate to permit customers to pay the same amount which would have been assessed under Rate G-30. There would be no immediate loss of contribution from these customers. If the customers respond to the FLEX Rate price signals by consuming more electricity during lower-priced hours, and/or by consuming less during higher-priced hours, then they can save money relative to the G-30 rates.

The G-50 customer who cannot shift load in response to the price signals has some protection under the tariff: rates are capped at 110% of the G-30 rate. Any overage will be

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<sup>3</sup> Dr. Johnson's prefiled testimony was admitted as Division Ex. 1.

<sup>4</sup> In Massachusetts, where the FLEX Rate has been in effect since October, only two customers have elected to take service under the rate. The witness indicated that approximately 200 G-30 customers would be eligible for the G-50 rate.

borne by Narragansett until the next general rate filing. Mr. Zschokke stated that, in his experience, customers who elect the Flex Rate do so because they know they can benefit.

Customers who increase their loads over the base year demand level will have to pay a distribution expansion charge, which is estimated to equal the marginal cost for Narragansett's distribution facility of \$2.37 per kW. Customers who merely shift loads will not incur this charge.

Mr. Zschokke gave his opinion that the FLEX Rate is not inimical to emerging competition in the electric market. In fact, he stated, service under the G-50 rate develops the mechanisms at the customer's location that are required for competition.

The Commission conducted an open meeting to discuss the Offer of Settlement and the testimony, and concluded that FLEX Rate, as modified by the settlement, is just and reasonable, and in the ratepayers' best interests.

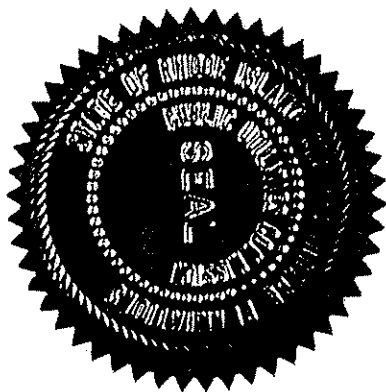
Accordingly, it is

(14720) ORDERED:


The Narragansett Electric Company's FLEX Rate is hereby approved, as modified by the Offer of Settlement.

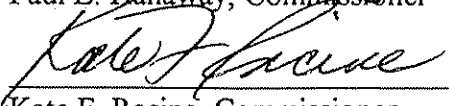
EFFECTIVE AT PROVIDENCE, RHODE ISLAND ON APRIL 14, 1995, PURSUANT TO AN OPEN MEETING DECISION. WRITTEN ORDER ISSUED MAY 5, 1995.

PUBLIC UTILITIES COMMISSION



  
James J. Malachowski, Chairman

  
Paul E. Hanaway, Commissioner

  
Kate F. Racine, Commissioner

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

\_\_\_\_\_  
The Narragansett Electric Company )  
FLEX Rate )  
\_\_\_\_\_ )

Docket No. 2229

OFFER OF SETTLEMENT

PUBLIC UTILITIES COMMISSION	
DOCKET NO.	2229
SPANION	JOINT
EXHIBIT NO.	1
IDENT. (DATE)	4/12/75
FILE (DATE)	4/12/75
RECEIVED BY	ACIS



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

\_\_\_\_\_  
The Narragansett Electric Company )  
FLEX Rate )  
\_\_\_\_\_ )

Docket No. 2229

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PUBLIC UTILITIES COMMISSION

OFFER OF SETTLEMENT

This Offer of Settlement is jointly submitted by the Division of Public Utilities and Carriers ("Division") and The Narragansett Electric Company ("NECO"), together hereinafter the "Parties," and resolves all issues between the Parties in this proceeding regarding NECO's proposed flexible time of use rate.

I. Background

On August 11, 1994, NECO filed a proposed flexible time of use rate (FLEX Rate) which is designed to provide firm service through hourly energy prices reflecting NECO's marginal cost of service for purchased power. On September 20, 1994, the Commission suspended the rate for five months beyond the proposed October 1, 1994 effective date, and on February 14, 1994, suspended the rate for an additional three months.

Pursuant to the procedural schedule originally approved by the Commission, the Parties have completed discovery. On March 8, 1995, prefiled testimony of Dr. Charles Johnson was submitted on behalf of the Division. That testimony raised certain concerns about the FLEX Rate as proposed by the Company. On Thursday, March 30, 1995, the Parties held a settlement conference pursuant to a revised procedural schedule approved by the Commission. After a discussion of NECO's proposal and a review of the record, the Parties have agreed to the following proposal as a full resolution of all issues between them in this proceeding.

## II. Agreement

The Parties agree that NECO's proposed Flex Rate be approved as originally filed subject to the modifications and conditions described below and as reflected in the revised tariff sheets attached hereto:

1. The FLEX Rate shall be approved and available to customers through December 31, 1997, on an experimental basis.
2. On or before April 1, 1997, NECO shall file a proposal with the Commission to either make the FLEX Rate permanent, or to modify or eliminate the rate, based on the experience achieved with the experimental FLEX Rate. The proposal shall address the Division's concerns about the cost of incremental usage being lower under the FLEX Rate than under the otherwise applicable G-30 rate.
3. Through December 31, 1997 the rate shall be limited to twenty (20) customers on a first-come first-served basis.
4. New customers or customers with insufficient load data shall be eligible for the rate using an estimated base usage level to be established by NECO. The estimated base usage level shall be set at the expected actual usage level.

## III. Miscellaneous Provisions

- 1) Other than as expressly stated herein, this Offer of Settlement establishes no principles and shall not be deemed to foreclose either Party from making any contention in any future proceeding or investigation.
- 2) Other than as expressly stated herein, the approval of this Offer of Settlement by the Commission shall not in any respect constitute a determination as to the merits

of any issue in any other proceeding.

- 3) This Offer of Settlement is the product of settlement negotiations. All offers of settlement shall be without prejudice to the position of either Party presenting such offer.
- 4) This Offer of Settlement is submitted on the condition that it be approved in full by the Commission and on further condition that if the Commission does not approve this Offer of Settlement in its entirety, this Settlement shall be deemed withdrawn and shall not constitute a part of the record in this or any other proceeding or be used for any purpose unless any changes or unauthorized usage of the Settlement is expressly agreed to by the Parties.

The Parties respectfully request the Commission to adopt this Offer of Settlement as a final resolution of all issues in this proceeding.

Dated this 6th day of April, 1995.

Respectfully submitted:

THE NARRAGANSETT ELECTRIC  
COMPANY

By: David J. Saggau  
David J. Saggau, Esq.  
280 Melrose Street  
Providence, RI 02903  
(401) 784-7000

DIVISION OF PUBLIC UTILITIES  
AND CARRIERS

By: Patricia M. French (STS)  
Patricia M. French  
Assistant Attorney General  
Dept. of the Attorney General  
72 Pine Street  
Providence, RI 02903  
(401) 274-4400

### Revisions to the Originally Filed G-50 Tariff

1. Inserted language into the Availability section for conformance with the G-30 tariff. The inserted language states that all service at a given location shall be furnished under this tariff.
2. Amended the PPCA cover sheet for changes in adjustment factors.
3. Added language in the section Definition of Holidays to note that all holidays are the date of national observance.
4. Added language to specify the number of times each price schedule would be called in each season.
5. Removed language for the Oil Conservation Adjustment.
6. Added Gross Earnings Tax Credit for Manufacturers.
7. Removed redundant notice language in the section entitled "Terms of Agreement." Notice requirements are given under the availability clause.
8. The prices are updated to reflect NEP's W-95(s) Tail Block Demand and Energy charges. Thus, the tariff reflects the latest approved estimate of long-run marginal energy costs.
9. NEP's tail block demand charges are allocated to each hour with a 5 year history of probabilities of peak instead of the one year history in the original filing. This change should stabilize the hourly rates over time.
10. Removed any demand allocation from weekends and holidays price schedules since actual peaks have never occurred during those periods. This change improves the price signal to customers.
11. Adjusted the hourly energy prices for the Gross Earnings Tax.
12. Re-structured the detail price schedule pages to allow a customer to view all prices in a given season on one page.
13. Revised the detail hourly price schedules for better comprehension by the customer.

THE NARRAGANSETT ELECTRIC COMPANY

Business Service - Flexible Time-of-Use (G-50)  
R.I P.U.C. .P.U.C. No. 1009  
Adjusted by:

Effective  
May 1, 1995

Purchased Power Cost Adjustment W-95(S) February 10, 1995

Monthly Charge As Adjusted

Customer Charge: Set forth in the Service Agreement  
Demand Charge: \$2.37 per kW times the Distribution Expansion Demand  
Energy Charge: The hourly kWh cost as shown in the hourly kWh prices in  
Attachment 1 of the rate will be adjusted by the following:

Plus .007¢ per kWh for Uniform Conservation Cost Adjustment (Eff. Jan. 1, 1995).  
Plus .233¢ per kWh for Conservation and Load Management Adjustment (Eff. Jan. 1, 1995).  
Plus .097¢ per kWh for Phase-in of FAS 106 (Eff. January 1, 1995).  
Plus .138¢ per kWh for PPCA Reconciliation Adjustment Factor (Eff. February 10, 1995).

Other Rate Clauses apply as usual.

THE NARRAGANSETT ELECTRIC COMPANY

BUSINESS SERVICE - FLEXIBLE TIME-OF-USE PRICING (G-50)

AVAILABILITY

This rate is an experimental rate that is available only to a limited number of customers that will be selected by the Company from customers whose maximum billing demand exceed 500 kW and who would otherwise take service under the G-30 rate. Customers taking service under this rate must sign a service agreement.

Service under this rate is available for a term of 1 year. On or before the anniversary of beginning service under this rate, the Company and the customer will mutually determine whether service under this rate will continue beyond the one year term. In any event, the Company has the right to terminate the rate by moving customers back to the G-30 rate after two years of service under this rate.

If any electricity is delivered hereunder at a given location, then all electricity delivered by the Company at such location shall be furnished hereunder.

The actual delivery of service and the rendering of bills under this rate is contingent upon the installation of the necessary metering equipment by the Company; subject to both the availability of such meters from the Company's supplier and the conversion or installation procedures established by the Company.

All customers served on this rate must elect to take their total electric service under the metering installation as approved by the Company. If delivery is through more than one meter, except at the Company's option, the Monthly Charge for service through each meter shall be computed separately under this rate. If any electricity is delivered hereunder at a given location, then all electricity delivered by the Company at such location shall be furnished hereunder, except for service taken under rate E-10 or E-20.

MONTHLY CHARGE

The Monthly Charge will be the sum of the Customer Access Charge, the Distribution Expansion Charge and Energy Charges:

Customer Access Charge: Set forth in the Service Agreement.

Distribution Expansion Charge: \$2.37 per kW times the Distribution Expansion Demand.

THE NARRAGANSETT ELECTRIC COMPANY  
 BUSINESS SERVICE - FLEXIBLE TIME-OF-USE PRICING (G-50)

Energy Charges: As shown on Attachment 1 of this rate.

The schedule of energy charges for a day will be posted to individual customer computer mail boxes and will be available to the Customer via a toll-free telephone number. The schedule will be posted by 3 p.m. of the prior week day, excluding holidays. Weekends and holidays will be priced under rate schedule 4 in each season. In the event that the Company is unable to transfer prices in the manner described above, the Company reserves the right to use an alternative communication method to transfer the schedule of energy charges to the customer such as via telephone or fax. In each season, except as provided above, price schedule 3 will be in effect if the Company fails to post the prices by 3 p.m. on the prior week day, excluding holidays.

Following the first twelve months of service under this rate, the Company shall compare the sum of the twelve monthly billings under this rate to the corresponding monthly billings under the G-30 rate and shall credit the customers with the amount the actual billings for the twelve month period exceed 110 percent of the billings that would have been made under the G-30 rate. No interest will be applied to this amount.

Definition of Holidays:

New Years' Day, Presidents' Day, Memorial Day, Independence Day, Columbus Day, Labor Day, Veterans' Day, Thanksgiving Day and Christmas Day. All holidays will be the nationally observed day.

Definition of Seasons:

Winter: The calendar months of January, February and December  
 Summer: The calendar months of June, July, August and September  
 Spring/Fall: The calendar months of March, April, May, October and November

Number of occurrences for each price schedule:

<u>Season</u>	<u>Price Schedule</u>	<u>Number of Days</u>
Winter	1	9
	2	18
	3	All other weekdays
	4	Weekends and Holidays
Summer	1	8
	2	8
	3	All other weekdays
	4	Weekends and Holidays
Spring/Fall	1	10
	2	20
	3	All other weekdays
	4	Weekends and Holidays

RESERVATION DEMAND

The Reservation Demand shall be set forth in the Service Agreement as the maximum billing demand of the customer within the base period. The provisions of the General Service Time-of-Use Rate G-30 shall define the billing demand.

DISTRIBUTION EXPANSION DEMAND

The Distribution Expansion Demand shall be the amount by which the customer's highest actual demands in any billing month exceeds its Reservation Demand during any month that service has been taken under this rate, provided however that the customer shall have the option to reset the Distribution Expansion Demand to current usage by agreeing to pay 120 percent of the Customer Access Charge and Distribution Expansion Charge for the three billing periods after this option is exercised. In addition, the Company reserves the right to adjust the Distribution Expansion Demand at the Customer's request to reflect the installation of verifiable Conservation and Load Management measures.

THE NARRAGANSETT ELECTRIC COMPANY  
BUSINESS SERVICE - FLEXIBLE TIME-OF-USE PRICING (G-50)

PURCHASED POWER COST ADJUSTMENT

The prices under this rate as set forth under "Monthly Charge" may be adjusted from time to time in the manner provided in the Company's Purchased Power Cost Adjustment Provisions to reflect changes occurring after February 28, 1993 in the Primary Service for Resale Rate of the Company's supplier, New England Power Company.

ADJUSTMENT FOR COST OF FUEL

The amount determined under the preceding provisions shall be adjusted in accordance with the Company's Procedures for Fuel Review as from time to time effective in accordance with law.

CONSERVATION LOAD MANAGEMENT ADJUSTMENT

The amount determined under the preceding provisions shall be adjusted in accordance with the Company's Conservation and Load Management Adjustment Provision as from time to time effective in accordance with law.

CREDIT FOR HIGH VOLTAGE DELIVERY

If the Customer takes delivery at the Company's supply line voltage, not less than 2400 volts, and the Company is saved the cost of installing any transformer and associated equipment, a credit of 39 cents per kilowatt of the Distribution Expansion Demand for such month shall be allowed against the amount determined under the preceding provisions.

An additional credit of \$2.51 per kilowatt of the Distribution Expansion Demand for such month shall also be allowed if said customer accepts delivery at not less than 115,000 volts, and the Company is saved the cost of installing any transformer and associated equipment.



THE NARRAGANSETT ELECTRIC COMPANY

BUSINESS SERVICE - FLEXIBLE TIME-OF-USE PRICING (G-50)

SERVICE EXTENSION DISCOUNT

The Company will grant a five percent Service Extension Discount on the otherwise applicable base rate exclusive of the Customer Charge, the Purchased Power Cost Adjustment, the adjustment for phase-in of FAS 106, the Adjustment for Cost of Fuel, fuel expense collected in base rates, the Oil Conservation Adjustment, the Conservation and Load Management Adjustment, the Uniform Conservation Cost Adjustment, and any other adjustment mechanism approved or adopted by the Rhode Island Public Utilities Commission when the Customer (1) has an average annual demand of 200 kW or greater, (2) has signed a service agreement with the Company in which the Customer has agreed to provide the Company with five years prior written notice before purchasing, allowing to be purchased, or using electricity from a source other than the Company or installing or allowing to be installed a non-emergency generator for its use, and (3) has not provided written notice under the service agreement, provided, however, that no Service Extension Discount shall be applied when the Customer has an arrearage on its account at the time a bill is issued.

Any Customer giving notice under its service agreement shall have the option to shorten the notice provision to three years by repaying all Service Extension Discounts received from the Company over the prior two years with interest calculated at the rate approved by the Commission for crediting interest on customer deposits that is in effect at the time notice is given, and the Company shall credit such repayments to its Storm Contingency Fund. A Customer with generation at its location on June 12, 1994, shall be eligible for the Service Extension Discount if it has executed a service agreement under which it agrees not to increase the nameplate capacity of the generation at its location.

Any Customer who signs a service agreement by October 10, 1994 is eligible to receive a discount on their usage beginning May 15, 1994.

HIGH-VOLTAGE METERING ADJUSTMENT

The Company reserves the right to determine the metering installation. Where service is metered at the Company's supply line voltage, in no case less than 2400 volts, thereby saving the Company transformer losses, a discount of 1.0% will be allowed from the amount determined under the preceding provisions, excluding the Customer Access Charge.

GROSS EARNINGS TAX CREDIT FOR MANUFACTURERS

Consistent with the gross receipts tax exemption provided in Section 44-13-35 of Rhode Island General Laws, eligible manufacturing customers will receive credits according to the amounts shown in the schedule below (effective on the dates indicated):

<u>Effective Date</u>	<u>Amount of Total Credit</u>
July 1, 1994	1.031%
July 1, 1995	2.041%
July 1, 1996	3.030%
July 1, 1997	4.000%

Eligible manufacturing customers are those customers who have on file with the Company a valid certificate of exemption from the Rhode Island sales tax (under section 44-18-30(H) of Rhode Island General Laws) indicating the customer's status as a manufacturer. If the Division of Taxation (or other Rhode Island taxing authority with jurisdiction) disallows any part or all of the exemption as it applies to a customer, the customer will be required to reimburse the Company in the amount of the credits provided to such customer which were disallowed, including any interest required to be paid by the Company to such authority.

THE NARRAGANSETT ELECTRIC COMPANY  
BUSINESS SERVICE - FLEXIBLE TIME-OF-USE PRICING (G-50)

TERMS AND CONDITIONS

The Company's Terms and Conditions in effect from time to time, where not inconsistent with any specific provisions hereof, are a part of this rate.

Effective May 1, 1995

FILE: RTPSCH9R  
RANGE: SPR1  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SPRING/FALL MONTHS**  
**CUSTOMERS SERVED AT PRIMARY DISTRIBUTION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02222	\$0.02222	\$0.02222	\$0.02222
2	\$0.02222	\$0.02222	\$0.02222	\$0.02222
3	\$0.02222	\$0.02222	\$0.02222	\$0.02222
4	\$0.02222	\$0.02222	\$0.02222	\$0.02222
5	\$0.02222	\$0.02222	\$0.02222	\$0.02222
6	\$0.02223	\$0.02222	\$0.02222	\$0.02222
7	\$0.02285	\$0.02223	\$0.02222	\$0.02222
8	\$0.03929	\$0.02562	\$0.02248	\$0.02222
9	\$0.06584	\$0.04673	\$0.03478	\$0.02222
10	\$0.07139	\$0.04873	\$0.03473	\$0.02222
11	\$0.07399	\$0.05004	\$0.03479	\$0.02222
12	\$0.06887	\$0.04655	\$0.03449	\$0.02222
13	\$0.05806	\$0.04066	\$0.03418	\$0.02222
14	\$0.05222	\$0.03864	\$0.03419	\$0.02222
15	\$0.04449	\$0.03674	\$0.03412	\$0.02222
16	\$0.04175	\$0.03600	\$0.03408	\$0.02222
17	\$0.06627	\$0.04082	\$0.03419	\$0.02222
18	\$0.08916	\$0.06418	\$0.03500	\$0.02222
19	\$0.09361	\$0.07296	\$0.03713	\$0.02222
20	\$0.08515	\$0.05505	\$0.03614	\$0.02222
21	\$0.06251	\$0.03832	\$0.03422	\$0.02222
22	\$0.02551	\$0.02224	\$0.02222	\$0.02222
23	\$0.02224	\$0.02222	\$0.02222	\$0.02222
24	\$0.02222	\$0.02222	\$0.02222	\$0.02222

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: SPR2  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SPRING/FALL MONTHS**  
**CUSTOMERS SERVED AT SECONDARY VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02227	\$0.02227	\$0.02227	\$0.02227
2	\$0.02227	\$0.02227	\$0.02227	\$0.02227
3	\$0.02227	\$0.02227	\$0.02227	\$0.02227
4	\$0.02227	\$0.02227	\$0.02227	\$0.02227
5	\$0.02227	\$0.02227	\$0.02227	\$0.02227
6	\$0.02228	\$0.02227	\$0.02227	\$0.02227
7	\$0.02292	\$0.02228	\$0.02227	\$0.02227
8	\$0.03991	\$0.02578	\$0.02254	\$0.02227
9	\$0.06725	\$0.04752	\$0.03519	\$0.02227
10	\$0.07298	\$0.04958	\$0.03512	\$0.02227
11	\$0.07567	\$0.05093	\$0.03519	\$0.02227
12	\$0.07039	\$0.04733	\$0.03487	\$0.02227
13	\$0.05921	\$0.04125	\$0.03455	\$0.02227
14	\$0.05319	\$0.03916	\$0.03456	\$0.02227
15	\$0.04520	\$0.03719	\$0.03449	\$0.02227
16	\$0.04237	\$0.03643	\$0.03447	\$0.02227
17	\$0.06770	\$0.04142	\$0.03457	\$0.02227
18	\$0.09134	\$0.06554	\$0.03540	\$0.02227
19	\$0.09593	\$0.07460	\$0.03761	\$0.02227
20	\$0.08719	\$0.05611	\$0.03658	\$0.02227
21	\$0.06382	\$0.03883	\$0.03460	\$0.02227
22	\$0.02568	\$0.02229	\$0.02227	\$0.02227
23	\$0.02229	\$0.02227	\$0.02227	\$0.02227
24	\$0.02227	\$0.02227	\$0.02227	\$0.02227

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: SPR3  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SPRING/FALL MONTHS**  
**CUSTOMERS SERVED AT TRANSMISSION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02193	\$0.02193	\$0.02193	\$0.02193
2	\$0.02193	\$0.02193	\$0.02193	\$0.02193
3	\$0.02193	\$0.02193	\$0.02193	\$0.02193
4	\$0.02193	\$0.02193	\$0.02193	\$0.02193
5	\$0.02193	\$0.02193	\$0.02193	\$0.02193
6	\$0.02193	\$0.02193	\$0.02193	\$0.02193
7	\$0.02248	\$0.02193	\$0.02193	\$0.02193
8	\$0.03700	\$0.02492	\$0.02214	\$0.02193
9	\$0.06054	\$0.04368	\$0.03313	\$0.02193
10	\$0.06544	\$0.04544	\$0.03308	\$0.02193
11	\$0.06774	\$0.04660	\$0.03314	\$0.02193
12	\$0.06322	\$0.04352	\$0.03288	\$0.02193
13	\$0.05367	\$0.03832	\$0.03260	\$0.02193
14	\$0.04853	\$0.03654	\$0.03261	\$0.02193
15	\$0.04170	\$0.03485	\$0.03254	\$0.02193
16	\$0.03927	\$0.03421	\$0.03251	\$0.02193
17	\$0.06092	\$0.03846	\$0.03261	\$0.02193
18	\$0.08112	\$0.05909	\$0.03332	\$0.02193
19	\$0.08505	\$0.06682	\$0.03521	\$0.02193
20	\$0.07758	\$0.05103	\$0.03433	\$0.02193
21	\$0.05760	\$0.03625	\$0.03264	\$0.02193
22	\$0.02483	\$0.02194	\$0.02193	\$0.02193
23	\$0.02194	\$0.02193	\$0.02193	\$0.02193
24	\$0.02193	\$0.02193	\$0.02193	\$0.02193

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: SUM1  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SUMMER MONTHS**  
**CUSTOMERS SERVED AT PRIMARY DISTRIBUTION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02225	\$0.02225	\$0.02225	\$0.02224
2	\$0.02225	\$0.02225	\$0.02225	\$0.02224
3	\$0.02225	\$0.02225	\$0.02225	\$0.02224
4	\$0.02225	\$0.02225	\$0.02225	\$0.02224
5	\$0.02225	\$0.02225	\$0.02225	\$0.02224
6	\$0.02225	\$0.02225	\$0.02225	\$0.02224
7	\$0.02225	\$0.02225	\$0.02225	\$0.02224
8	\$0.02225	\$0.02225	\$0.02225	\$0.02224
9	\$0.03587	\$0.03431	\$0.03423	\$0.02224
10	\$0.16540	\$0.04029	\$0.03431	\$0.02224
11	\$0.48422	\$0.09298	\$0.03530	\$0.02224
12	\$0.66341	\$0.19305	\$0.03728	\$0.02224
13	\$0.69705	\$0.23721	\$0.03803	\$0.02224
14	\$0.73730	\$0.33658	\$0.04196	\$0.02224
15	\$0.73014	\$0.29563	\$0.04256	\$0.02224
16	\$0.69138	\$0.21431	\$0.04062	\$0.02224
17	\$0.64742	\$0.18160	\$0.03922	\$0.02224
18	\$0.47096	\$0.09269	\$0.03538	\$0.02224
19	\$0.24000	\$0.05781	\$0.03434	\$0.02224
20	\$0.13164	\$0.05657	\$0.03428	\$0.02224
21	\$0.16850	\$0.05953	\$0.03427	\$0.02224
22	\$0.05744	\$0.03468	\$0.02225	\$0.02224
23	\$0.02233	\$0.02269	\$0.02225	\$0.02224
24	\$0.02225	\$0.02225	\$0.02225	\$0.02224

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: SUM2  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SUMMER MONTHS**  
**CUSTOMERS SERVED AT SECONDARY VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02230	\$0.02230	\$0.02230	\$0.02230
2	\$0.02230	\$0.02230	\$0.02230	\$0.02230
3	\$0.02230	\$0.02230	\$0.02230	\$0.02230
4	\$0.02230	\$0.02230	\$0.02230	\$0.02230
5	\$0.02230	\$0.02230	\$0.02230	\$0.02230
6	\$0.02230	\$0.02230	\$0.02230	\$0.02230
7	\$0.02230	\$0.02230	\$0.02230	\$0.02230
8	\$0.02230	\$0.02230	\$0.02230	\$0.02230
9	\$0.03639	\$0.03476	\$0.03468	\$0.02230
10	\$0.17110	\$0.04098	\$0.03477	\$0.02230
11	\$0.50267	\$0.09578	\$0.03579	\$0.02230
12	\$0.68902	\$0.19985	\$0.03785	\$0.02230
13	\$0.72401	\$0.24577	\$0.03863	\$0.02230
14	\$0.76587	\$0.34912	\$0.04272	\$0.02230
15	\$0.75841	\$0.30653	\$0.04334	\$0.02230
16	\$0.71811	\$0.22196	\$0.04131	\$0.02230
17	\$0.67240	\$0.18793	\$0.03987	\$0.02230
18	\$0.48887	\$0.09548	\$0.03588	\$0.02230
19	\$0.24868	\$0.05920	\$0.03480	\$0.02230
20	\$0.13597	\$0.05791	\$0.03473	\$0.02230
21	\$0.17433	\$0.06099	\$0.03472	\$0.02230
22	\$0.05891	\$0.03524	\$0.02231	\$0.02230
23	\$0.02239	\$0.02276	\$0.02230	\$0.02230
24	\$0.02230	\$0.02230	\$0.02230	\$0.02230

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: SUM3  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE SUMMER MONTHS**  
**CUSTOMERS SERVED AT TRANSMISSION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02193	\$0.02193	\$0.02193	\$0.02193
2	\$0.02193	\$0.02193	\$0.02193	\$0.02193
3	\$0.02193	\$0.02193	\$0.02193	\$0.02193
4	\$0.02193	\$0.02193	\$0.02193	\$0.02193
5	\$0.02193	\$0.02193	\$0.02193	\$0.02193
6	\$0.02193	\$0.02193	\$0.02193	\$0.02193
7	\$0.02193	\$0.02193	\$0.02193	\$0.02193
8	\$0.02193	\$0.02193	\$0.02193	\$0.02193
9	\$0.03392	\$0.03257	\$0.03249	\$0.02193
10	\$0.14656	\$0.03777	\$0.03257	\$0.02193
11	\$0.42378	\$0.08358	\$0.03343	\$0.02193
12	\$0.57961	\$0.17059	\$0.03514	\$0.02193
13	\$0.60886	\$0.20899	\$0.03579	\$0.02193
14	\$0.64386	\$0.29540	\$0.03921	\$0.02193
15	\$0.63763	\$0.25980	\$0.03973	\$0.02193
16	\$0.60392	\$0.18909	\$0.03804	\$0.02193
17	\$0.56570	\$0.16063	\$0.03683	\$0.02193
18	\$0.41225	\$0.08333	\$0.03350	\$0.02193
19	\$0.21142	\$0.05299	\$0.03260	\$0.02193
20	\$0.11719	\$0.05192	\$0.03253	\$0.02193
21	\$0.14925	\$0.05449	\$0.03252	\$0.02193
22	\$0.05253	\$0.03274	\$0.02193	\$0.02193
23	\$0.02200	\$0.02231	\$0.02193	\$0.02193
24	\$0.02193	\$0.02193	\$0.02193	\$0.02193

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐



FILE: RTPSCH9R  
RANGE: WIN1  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE WINTER MONTHS**  
**CUSTOMERS SERVED AT PRIMARY DISTRIBUTION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02225	\$0.02224	\$0.02224	\$0.02224
2	\$0.02225	\$0.02224	\$0.02224	\$0.02224
3	\$0.02225	\$0.02224	\$0.02224	\$0.02224
4	\$0.02225	\$0.02224	\$0.02224	\$0.02224
5	\$0.02225	\$0.02224	\$0.02224	\$0.02224
6	\$0.02225	\$0.02225	\$0.02224	\$0.02224
7	\$0.02436	\$0.02271	\$0.02228	\$0.02224
8	\$0.12179	\$0.04600	\$0.02829	\$0.02224
9	\$0.22518	\$0.07996	\$0.04397	\$0.02224
10	\$0.26136	\$0.07841	\$0.04207	\$0.02224
11	\$0.27316	\$0.07401	\$0.04000	\$0.02224
12	\$0.22995	\$0.05822	\$0.03740	\$0.02224
13	\$0.13327	\$0.04244	\$0.03544	\$0.02224
14	\$0.10194	\$0.03720	\$0.03500	\$0.02224
15	\$0.07088	\$0.03485	\$0.03441	\$0.02224
16	\$0.06039	\$0.03451	\$0.03428	\$0.02224
17	\$0.24763	\$0.05143	\$0.03553	\$0.02224
18	\$0.43735	\$0.31792	\$0.06672	\$0.02224
19	\$0.43615	\$0.28141	\$0.06148	\$0.02224
20	\$0.38135	\$0.10649	\$0.04182	\$0.02224
21	\$0.21524	\$0.04502	\$0.03558	\$0.02224
22	\$0.03958	\$0.02231	\$0.02225	\$0.02224
23	\$0.02242	\$0.02224	\$0.02224	\$0.02224
24	\$0.02225	\$0.02224	\$0.02224	\$0.02224

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: WIN2  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE WINTER MONTHS**  
**CUSTOMERS SERVED AT SECONDARY VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02230	\$0.02230	\$0.02230	\$0.02230
2	\$0.02230	\$0.02230	\$0.02230	\$0.02230
3	\$0.02230	\$0.02230	\$0.02230	\$0.02230
4	\$0.02230	\$0.02230	\$0.02230	\$0.02230
5	\$0.02230	\$0.02230	\$0.02230	\$0.02230
6	\$0.02231	\$0.02230	\$0.02230	\$0.02230
7	\$0.02450	\$0.02278	\$0.02234	\$0.02230
8	\$0.12558	\$0.04695	\$0.02857	\$0.02230
9	\$0.23276	\$0.08209	\$0.04476	\$0.02230
10	\$0.27030	\$0.08049	\$0.04278	\$0.02230
11	\$0.28253	\$0.07592	\$0.04065	\$0.02230
12	\$0.23770	\$0.05954	\$0.03793	\$0.02230
13	\$0.13740	\$0.04316	\$0.03589	\$0.02230
14	\$0.10491	\$0.03773	\$0.03545	\$0.02230
15	\$0.07267	\$0.03530	\$0.03482	\$0.02230
16	\$0.06179	\$0.03494	\$0.03470	\$0.02230
17	\$0.25605	\$0.05249	\$0.03600	\$0.02230
18	\$0.45288	\$0.32898	\$0.06836	\$0.02230
19	\$0.45163	\$0.29110	\$0.06292	\$0.02230
20	\$0.39478	\$0.10962	\$0.04253	\$0.02230
21	\$0.22245	\$0.04585	\$0.03605	\$0.02230
22	\$0.04028	\$0.02237	\$0.02231	\$0.02230
23	\$0.02248	\$0.02230	\$0.02230	\$0.02230
24	\$0.02230	\$0.02230	\$0.02230	\$0.02230

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

FILE: RTPSCH9R  
RANGE: WIN3  
05-Apr-95

**THE NARRAGANSETT ELECTRIC COMPANY**  
**FLEX BASE RATE PRICE SCHEDULES**  
**(EXCL. PPCA, CC FACTORS & FUEL)**  
**FOR THE WINTER MONTHS**  
**CUSTOMERS SERVED AT TRANSMISSION VOLTAGE**

HOUR ENDING	PRICE SCHEDULE 1	PRICE SCHEDULE 2	PRICE SCHEDULE 3	PRICE SCHEDULE 4
1	\$0.02193	\$0.02193	\$0.02193	\$0.02193
2	\$0.02193	\$0.02193	\$0.02193	\$0.02193
3	\$0.02193	\$0.02193	\$0.02193	\$0.02193
4	\$0.02193	\$0.02193	\$0.02193	\$0.02193
5	\$0.02193	\$0.02193	\$0.02193	\$0.02193
6	\$0.02193	\$0.02193	\$0.02193	\$0.02193
7	\$0.02377	\$0.02232	\$0.02196	\$0.02193
8	\$0.10871	\$0.04263	\$0.02720	\$0.02193
9	\$0.19902	\$0.07241	\$0.04104	\$0.02193
10	\$0.23056	\$0.07106	\$0.03938	\$0.02193
11	\$0.24085	\$0.06722	\$0.03758	\$0.02193
12	\$0.20317	\$0.05346	\$0.03530	\$0.02193
13	\$0.11889	\$0.03969	\$0.03360	\$0.02193
14	\$0.09158	\$0.03513	\$0.03321	\$0.02193
15	\$0.06449	\$0.03309	\$0.03269	\$0.02193
16	\$0.05535	\$0.03278	\$0.03259	\$0.02193
17	\$0.21859	\$0.04754	\$0.03367	\$0.02193
18	\$0.38400	\$0.27988	\$0.06086	\$0.02193
19	\$0.38294	\$0.24804	\$0.05630	\$0.02193
20	\$0.33517	\$0.09554	\$0.03916	\$0.02193
21	\$0.19035	\$0.04195	\$0.03372	\$0.02193
22	\$0.03704	\$0.02198	\$0.02193	\$0.02193
23	\$0.02207	\$0.02193	\$0.02193	\$0.02193
24	\$0.02193	\$0.02193	\$0.02193	\$0.02193

\*Includes fuel in base of \$0.01500

The price called for \_\_\_\_\_ is indicated by the checked box below

Price Schedule 1 ☐  
Price Schedule 2 ☐  
Price Schedule 3 ☐  
Price Schedule 4 ☐

Division Data Request 2-11

Request:

Regarding the transformer cost analysis provided on pages 11 through 17 of Schedule NG-HSG-2:

- a. Please confirm that the “Total Transformer Cost” in lines 1-8 on page 11 provide the basis for allocating the \$160,299,000 of line transformer plant on line 14 on page 28 of Schedule NG-HSG-1.
- b. Please provide a general explanation of the transformer cost study, including its objective, how it is generally constructed, how its results are used, and the source of the data.
- c. Is the 63,991 total on page 17 the total number of all line transformers on the Narragansett distribution system, and is the \$114,166,123 the total original cost of those transformers from the books of account? If no, please explain.
- d. What is the source of the total customers by rate class using each type of transformer in the third column of the table “Transformer Cost Allocation to Rate Classes” on pages 12 through 16?
- e. Please reconcile the \$113,631,803 Total Transformer Cost on line 8 of page 11 of Schedule NG-HSG-2, with the \$160,299,000 Line Transformers Plant Cost on line 14 of page 28 of Schedule NG-HSG-1.

Response:

- a. Yes, the “Total Transformer Cost” in Schedule NG-HSG-2, page 11, lines 1-8 is the basis for allocating the \$160,299,000 of line transformer plant on line 14 on page 28 of Schedule NG-HSG-1.
- b. In the transformer cost study, an estimated cost for installation of the ‘standard’ transformer sizes was created. All existing transformers were mapped into these ‘standard’ transformer sizes to provide a cost basis for analysis. Additionally, each line transformer on the distribution system was analyzed to determine the number of customers in each rate class served by that transformer. The results were summed by ‘standard’ transformer type. Then, the current replacement cost of each transformer type was allocated among the rate classes based on the number of customers served. The total dollars allocated to each rate class was the basis of the allocation of Account 368 – Line transformers account. The customer

Division Data Request 2-11 (cont'd)

count by rate class data came from the Company's Customer Service System ("CSS") and this was combined with the line transformers data in the Company's Geographic Information System ("GIS") via the premise number (a common field available in both systems).

- c. The 63,991 total transformers shown on page 17 represents total transformer installations currently in service in Narragansett Electric's service territory as extracted from GIS. It does not include transformers that are in inventory. The \$114,166,123 represents the current cost to install each type and number of transformer included in the study.
- d. CSS is the source of the number of customers by rate class utilizing each type of transformer. Information from GIS provided the location and size of each transformer. This information was then "linked" to information in the billing system to identify the customers utilizing each transformer, including the rate class of each customer via the premise number.
- e. Schedule NG-HSG-2, page 11, line 8, reflects the replacement cost for the transformers installed on the system. Schedule NG-HSG-1, page 28, line 14 is the original cost of the transformers. There is no way to reconcile the two numbers. Please note that the transformer unit costs shown on Schedule NG-HSG-2, page 35, include equipment, material and overhead costs, but do not include cost of labor to install. Thus, the calculated total replacement cost is less than the original installed cost. The Company intends to revise the transformer allocation factor to include cost of labor and will submit an updated allocator study and allocated cost of service study at a later date.

Division Data Request 2-12

Request:

Regarding the “Services Costs” analysis provided on pages 18 and 19 of Schedule NG-HSG-2:

- a. Please confirm that the “Total Services Cost” in lines 1-8 on page 18 provide the basis for allocating the \$72,382,000 of services plant on line 15, page 33 of Schedule NG-HSG-1.
- b. Please provide a general explanation of the services cost study, including its objective, how it is generally conducted, how its results are used, and the source of the data.
- c. Is the 465,108 in the “Services/Customers” column at line 8 the total number of services on the Narragansett distribution system?
- d. What is the basis for the “Average Services Cost” in the next to last column and the “Total Services Cost” in the last column? Do these figures represent the original installed cost of this equipment on the books of account? If not, please explain.
- e. Please reconcile the \$158,103,601 Total Services Cost on page 18, line 8 of Schedule NG-HSG-2, with the \$72,382,000 of services plant on line 15, page 33, of Schedule NG-HSG-1.

Response:

- a. Yes, the “Total Services Cost” on Schedule NG-HSG-2, page 18, lines 1-8, provides the basis for allocating the \$72,382,000 of services plant on Schedule NG-HSG-1, page 33, line 15.
- b. The purpose of the services study is to develop an allocator to allocate the balance in Account 369 - Services among the rate classes, based on the average replacement cost of a service drop for the each rate class. Schedule NG-HSG-2, pages 18 and 19, summarize the results of the Company’s services study. The current replacement cost for each configuration is shown on Schedule NG-HSG-2, page 19. Using these per-unit costs, the Company valued the rate class cost by applying the per-unit costs to the applicable customer counts on Schedule NG-HSG-2, page 18, lines 9-39, which is summarized by rate class on lines 1-8.

Division Data Request 2-12 (continued)

Workpaper NG-HSG-2 presents the detailed information provide by the Company about the service drops on its system and includes rate class, numbers of customers served, transformer type, and service drop type. Information for similar configurations is summarized; for example, line 48 shows there are 166,854 customers receiving service on Rate Class A-16 that are served by overhead, single phase 25 kVA transformers, with configuration C.

The information on Workpaper NG-HSG-2 is summarized on Schedule NG-HSG-2, page 18, lines 9-39.

The current replacement cost for each configuration is shown on Schedule NG-HSG-2, page 19. Using these costs, the information on Schedule NG-HSG-2, page 18, lines 9-39 was costed out, and summarized by Rate Class on lines 1-8.

- c. Yes, the 465,108 in the “Services/Customers” column at line 8 is the total number of services on the Narragansett distribution system.
- d. The “Total Services Cost” on lines 1-7 in the last column is the summation, by rate class, of the more detailed cost data from lines 9-39 and, when divided by the number of “Services / Customers”, results in the “Average Services Cost” in the second to last column. “Total Services Cost” on lines 9-39 is the product of “Services / Customers” and the replacement cost for each configuration. These figures represent the replacement cost for services, not the original cost.
- e. Schedule NG-HSG-2, page 18, line 8 reflects the replacement cost for the services installed on the system. Schedule NG-HSG-1, page 33, line 15 is the original cost of the services. There is no way to reconcile the two numbers.