Thomas R. Teehan
Senior Counsel

February 15, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4219 - Gas Infrastructure, Safety, and Reliability Plan FY 2012
<u>Supplemental Testimony & Response to Division Data Request 2-1</u>

Dear Ms. Massaro:

On behalf of National Grid[1], I have enclosed ten (10) copies of the supplemental testimony and attachments of Company witnesses William R. Richer and John F. Nestor, III. The supplemental testimony amends the proposed FY 2012 Gas ISR Plan to reflect the extension of bonus depreciation provisions found in the recently enacted Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The result is a reduction in the proposed revenue requirement for the FY 2012 Gas ISR Plan. The revised revenue requirement is approximately $1.8 million.

In addition, I have enclosed ten (10) copies of the Company's response to Division Data Request 2-1.

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

Very truly yours,

Thomas R. Teehan

Enclosure

cc: Docket 4219 Service List
Leo Wold, Esq.
Steve Scialabba, Division

---

[1] The Narragansett Electric Company d/b/a National Grid (hereinafter referred to as "National Grid" or the "Company").

Docket No. 4219 National Grid's FY 2012 Gas Infrastructure, Safety and Reliability Plan - Service List 2/3/11

Name/Address	E-mail Distribution	Phone/FAX
Thomas R. Teehan, Esq. National Grid. 280 Melrose St. Providence, RI 02907	Thomas.teehan@us.ngrid.com Joanne.scanlon@us.ngrid.com	401-784-7667 401-784-4321
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence, RI 02903	Lwold@riag.ri.gov Sscialabba@ripuc.state.ri.us Jlanni@ripuc.state.ri.us Dledversis@ripuc.state.ri.us mcorey@riag.ri.gov dmacrae@riag.ri.gov	401-222-2424 401-222-3016
David Effron Berkshire Consulting 12 Pond Path North Hampton, NH 03862-2243	Djeffron@aol.com	603-964-6526
File an original & nine (9) copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick RI 02888	Lmassaro@puc.state.ri.us Plucarelli@puc.state.ri.us Sccamara@puc.state.ri.us	401-780-2107

FY 2012 GAS INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN

SUPPLEMENTAL TESTIMONY

OF

WILLIAM R. RICHER

DOCKET NO. 4219

FEBRUARY 15, 2011

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is William R. Richer and my business address is 40 Sylvan Road, Waltham, Massachusetts 02451.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. I previously filed Direct Testimony in this proceeding on December 20, 2010 on the calculation of the revenue requirement for the Company's Infrastructure, Safety and Reliability ("ISR") Plan ("ISR Plan").

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my supplemental testimony is to update the calculation of the Company's revenue requirement for fiscal year ("FY") 2012 in support of the Company's ISR Plan as described in the testimony of Ms. Susan Fleck. My supplemental testimony also addresses the comments filed by the Rhode Island Division of Public Utilities and Carriers (Division) on February 14, 2011 concerning bonus depreciation and property taxes.

Q. ARE THERE ANY ATTACHMENTS TO YOUR TESTIMONY?

A. Yes, I am sponsoring the following Attachment:

- WRR-1S-Updated ISR Revenue Requirement Calculation

II. <u>REVENUE REQUIREMENT</u>

Q. WHY IS THE COMPANY UPDATING ITS REVENUE REQUIREMENT?

A. Subsequent to the Company's filing, Congress passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("Act") which provided for an extension of bonus depreciation. Specifically, the Act provided for the application of 100% bonus depreciation for investment constructed and placed into service after September 8, 2010 through December 31, 2011, and then 50% bonus depreciation for similar capital investment placed into service after December 31, 2011 through December 2012. The Company assumed that 75% of the plant additions under the ISR Plan would qualify for bonus depreciation. This in turn would reduce the revenue requirement of $2,130,467 filed on December 20, 2010 by $312,577 to $1,817,890. As such, the Company is updating its revenue requirement to recognize this bonus depreciation.

Q. WHY DID THE COMPANY ASSUME THAT ONLY 75% OF ITS PLANT ADDITIONS UNDER THE GAS ISR PLAN WOULD QUALIFY FOR BONUS DEPRECIATION?

A. The 75% factor is representative of the Company's experience with bonus depreciation in the past. At this time, there are a number of unknown factors that could potentially impact the actual investment that qualifies for the bonus depreciation. For example, the

Company cannot estimate with any certainty the amount of ISR Plan investment that would qualify for 100% depreciation and the amount that will qualify for 50% bonus depreciation. The Company assumed that 75% of the FY 2012 investments would be eligible for the 100% bonus depreciation, which is very likely to be an aggressive assumption on actual eligibility for the fiscal year period. In addition, it is the Company's understanding that the Internal Revenue Service is expected to issue further guidance on this issue.

Q. WERE THERE ANY OTHER FACTORS CONSIDERED BY THE COMPANY IN UTILIZING THE 75% FACTOR?

A. Yes. Since the 75% factor represents a change in the revenue requirement of $312,577, the Company recognized that any increase in the factor would likely be mitigated by the amount of investment that would be eligible for only the 50% bonus rate rather than the 100% bonus rate applied to the 75% eligibility assumption in the Company's estimated calculation. The Company expects that this would be very small and have a minimal impact. In addition, as noted in the testimony of Mr. Nestor, the Company will reconcile any over/under recovery of the ISR Plan revenue requirement in the Company's annual Distribution Adjustment Charge (DAC) filing. Accordingly, based on the above, the Company believes that the 75% eligibility factor for 100% bonus depreciation is reasonable and represents as accurate an estimate as any of the ISR Plan investment that would qualify for 50% and 100% bonus depreciation for FY 2012.

Q. WHAT IS THE UPDATED REVENUE REQUIREMENT?

A. The updated revenue requirement, accounting for bonus depreciation, is $1,817,890 as depicted on Attachment WRR-1S.

Q. ON FEBRUARY 14, 2011, THE RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS ("DIVISION") FILED COMMENTS IN THIS PROCEEDING. PLEASE DESCRIBE THE DIVISION'S POSITION ON PROPERTY TAXES IN THE FISCAL 2013 ISR PLAN REVENUE REQUIREMENT.

A. Although the Company is not seeking approval for ISR rates for FY 2013 at this time, a brief comment is warranted. Calculations were provided in the ISR Plan submission simply to demonstrate the amount of the FY 2013 revenue requirement that would be associated with FY 2012 capital investment. Included in the calculation of the FY 2013 revenue requirement are the incremental property taxes attributable to the incremental FY 2012 ISR Plan plant investment. The Company calculates FY 2013 property taxes by applying a composite property tax rate to the net amount of FY 2012 ISR Plan plant investment (including cost of removal) less the prior year cumulative depreciation expense on that investment. The Division is proposing that the Company also reduce the plant investment by the growth in the depreciation reserve on embedded plant before applying the composite property tax rate.

Q. DOES THE COMPANY AGREE WITH THE DIVISION'S PROPOSAL?

A. No. The Company does not agree with this proposal. As the Company explained its position in its response to Division 1-2, the ISR Plan reflects capital investment that is purely incremental to amounts embedded in base rates, and is therefore not intended to adjust rate base and rate base-related costs that are embedded in the Company's base distribution rates. The property taxes on embedded plant represent property tax expense that was reflected in the Company's last rate case. The Division's proposal is akin to adjusting the base rate recovery of property taxes through the ISR Plan revenue requirement. Such a proposal is well beyond the incremental framework of the ISR Plan and is inappropriate. Moreover, the Division's proposal only addresses the assessed property values of embedded plant and does not take into account the related property tax rates which the municipalities adjust to achieve their desired revenue needs. In any case, the issue of any specific FY 2013 ISR Plan adjustment is premature and need not be considered at this time.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

The Narragansett Electric Company
d/b/a National Grid
Computation of Gas Capital Investment Revenue Requirement
FY 2012 Investment
Updated for Impact of Bonus Depreciation

				Fiscal Year 2012 (a)	Fiscal Year 2013 (b)
1	Depreciable Net Plant Additions				
2	Plant Additions			$47,660,716	$0
3	Retirements	(Line 1 * Retirements Rate)	1/	$3,074,116	$0
4	Net Depreciable Additions	(Line 1 - Line 2)		$44,586,600	$0
5	Cumulative Net Depreciable Additions	(Prior Year Line 4 + Current Year Line 3)		$44,586,600	$44,586,600
6					
7	Change in Net Plant				
8	Plant Additions	(From Line 1)		$47,660,716	$0
9	Depreciation Expense	(As approved per Docket No. 3943, exluding general plant and 2009 CXT)		$18,443,542	$0
10	Incremental Depreciable Amount	(Line 7 - Line 8)		$29,217,174	$0
11	Cumulative Depreciable Amount	(Prior Year Line 10 + Current Year Line 9)		$29,217,174	$29,217,174
12					
13	Cost of Removal			$5,755,088	$0
14	Cumulative Cost of Removal	(Prior Year Line 14 + Current Year Line 13)		$5,755,088	$5,755,088
15					
16	**Cumulative Incremental Spend**	**(Line 11 + Line 14)**		**$34,972,262**	**$34,972,262**
17					
18	Deferred Tax Calculation:				
19	Composite Book Depreciation Rate	(As approved in Docket No. 3943)		3.38%	3.38%
20	20 YR MACRS Tax Depreciation Rates			3.75%	7.22%
21	Capital Repairs Deduction			48.00%	
22	100% Bonus Depreciation	On Plant Addittions net of Capital Repairs Deduction(Apr-Dec 2011)		39.00%	
23	50% Bonus Depreciation	On Plant Addittions net of Capital Repairs Deduction(Jan-March 2012)		6.50%	
24	50% Bonus Depreciation	On Plant Addittions net of Capital Repairs Deduction(Jan-March 2012)		N/A	
25					
26	Annual Tax Depreciation		2/	$45,215,927	$615,012
27	Cumulative Tax Depreciation	(Prior Year Line 27 + Current Year Line 26)		$45,215,927	$45,830,939
28					
29	Book Depreciation	(Prior Year Line 5 * Line 19 * 50%)		$753,514	$1,507,027
30	Cumulative Book Depreciation	(Prior Year Line 30 + Current Year Line 29)		$753,514	$2,260,541
31					
32	Cumulative Book / Tax Timer	(Line 27 - Line 30)		$44,462,413	$43,570,398
33	Effective Tax Rate			35.000%	35.000%
34	Deferred Tax Reserve	(Line 32 * Line 33)		$15,561,845	$15,249,639
35					
36	Rate Base Calculation:				
37	Cumulative Incremental Spend	(Line 16)		$34,972,262	$34,972,262
38	Accum Depreciation	(Line 30 * -1)		($753,514)	($2,260,541)
39	Deferred Tax Reserve	(Line 34 * -1)		($15,561,845)	($15,249,639)
40	Year End Rate Base	(Sum of Lines 37 through 39)		$18,656,904	$17,462,082
41					
42	Revenue Requirement Calculation:				
43	Average Rate Base	(Line 40/2 for 2012 then, (Prior Year Line 40 + Current Year Line 40)/2)		$9,328,452	$18,059,493
44	Pre-Tax ROR		3/	11.41%	11.41%
45	Return and Taxes	(Line 43 * Line 44)		$1,064,376	$2,060,588
46	Book Depreciation	(Line 29)		$753,514	$1,507,027
47	Property Taxes	(Prior Year Lines 5 plus 14 minus Prior Year Line 29) * Property Tax	4/	$0	$1,522,864
48	**Annual Revenue Requirement**	**(Sum of Lines 45 through 47)**		**$1,817,890**	**$5,090,480**
49	**Incremental Revenue Requirement**	**(Line 48 Current Year - Line 49 Prior Year)**		**$1,817,890**	**$3,272,590**

1/ Assumes 6.45% based on 2009 retirements as a percent of capital spend; to be replaced with actual retirements
2/ Refer to Attachment 2 to Division Data Request 1-1
3/ Weighted Average Cost of Capital as approved in Docket No. 3943

	Ratio	Rate	Weighted Rate	Taxes	Pre-tax Return
Long Term Debt	40.63%	7.990%	3.25%		3.25%
Short Term Debt	11.66%	3.910%	0.46%		0.46%
Common Equity	47.71%	10.500%	5.01%	2.70%	7.71%
	100.00%		8.71%	2.70%	11.41%

4/ Property Tax Rate Calculation based on 2009 actual net plant in service and property tax expense applicable to distribution

Plant in Service	571,320,698	
Completed Construction Not Classified	41,766,356	
Total Plant in Service	613,087,054	
Less: Intangible Plant	28,679,000	
Distribution-Plant in Service	584,408,054	584,408,054
Accumulated Depreciation	295,189,100	
Accumulated Depreciation -Intangible Plant	(17,323,010)	
Accumulated Depreciation Distribution-Plant in Service		277,866,091
Distribution-Related Net Plant in Service	306,541,964	306,541,963
Distribution-Related Rate Year Property Tax Expense		9,413,974
Distribution-Related Property Tax Rate		3.07%

FY2012 GAS INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN

SUPPLEMENTAL TESTIMONY

OF

JOHN F. NESTOR, III

DOCKET NO. 4219

FEBRUARY 15, 2011

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John F. Nestor, III. My business address is 40 Sylvan Road, Waltham, Massachusetts 02451-1120.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes. I previously filed Direct Testimony in this proceeding on December 20, 2010 on rate design, Infrastructure, Safety and Reliability ("ISR") factors and customer bill impacts.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. As noted in the Supplemental Testimony of Mr. William Richer, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("Act") provides for the extension of bonus depreciation. The Act provides for 100% bonus depreciation for investments placed in service after September 8, 2010 through December 31, 2011 and 50% depreciation for investment placed in service after December 31, 2011 through December 31, 2012. Based upon this, the Company has updated its revenue requirement to reflect the likelihood that a percentage of the FY 2012 Gas ISR investment will qualify for this bonus depreciation. The updated revenue requirement is $1,817,890.

II. RATE DESIGN

Q. PLEASE DESCRIBE HOW THE COMPANY UPDATED ITS RATE DESIGN FOR THE ISR MECHANISM AND RATES.

The updated revenue requirement of $1,817,890 that was developed by Mr. Richer was allocated utilizing the same methodology outlined in my Direct Testimony. (Direct Testimony at 3) That is, the revenue requirement was allocated to each rate class based upon the rate base percentage allocations and forecasted throughput to develop separate rate class ISR factors on a per therm basis. Each rate class ISR factor was then adjusted to reflect the 2.46 percent uncollectible factor approved in Docket No. 3943.

III. ISR RATE FACTORS

Q. WHAT ARE THE UPDATED ISR RATE FACTORS BEING PROPOSED BY THE COMPANY?

A. The updated ISR rate factors being proposed by the Company in support of its Gas ISR filing are set forth in the table below and in Attachment NG-JFN-3S [1].

[1] This Attachment also updates Exhibit SLF-1, Section 5, of the ISR Plan filed on December 20, 2010.

Rate Class	ISR Factor per therm
Res-NH	$0.0135
Res-H	$0.0069
Small	$0.0080
Medium	$0.0052
Large LL	$0.0047
Large HL	$0.0035
XL-LL	$0.0019
XL-HL	$0.0013

The same factors noted above for Residential Heating and Residential Non-Heating customers would also apply to each of the Low-Income customer rate classes respectively.

Q. HOW IS THE COMPANY PROPOSING TO RECONCILE THESE FACTORS?

A. As noted in my Direct Testimony, consistent with the provisions of the recently enacted R.I.G.L. §39-1-27.7.1, the Company is proposing that the ISR factors become effective April 1 of each year and that they be reconciled in the Company's annual DAC filing, with rates effective each November 1. (Direct Testimony at 5).

IV. BILL IMPACTS

Q. PLEASE DESCRIBE THE IMPACT OF THESE UPDATED ISR RATES ON CUSTOMER BILLS?

A. For the average residential heating customer using 922 therms, the updated ISR rate will reduce the annual rate increase of $7.47 proposed in the Company's December 20, 2010 filing to $6.36, which would equate to a 0.3 percent annual bill increase. The annual ISR rate impacts and the incremental rate increase for the period April 1, 2011 to October 31, 2011 for all rate classes are shown on Attachments NG-JFN-4S[2] and NG-JFN-5S[3].

Q. WHAT ARE THE COMPANY'S PROPOSED DAC RATES FOR EFFECT APRIL 1, 2011?

A. Attachment NG-JFN-6[4] provides the Company's proposed DAC rates by rate class for effect April 1, 2011. Each DAC rate is comprised of the November 1, 2010 DAC rate of $0.0098 per therm and the appropriate ISR per therm rate for each rate class.

---

2 This Attachment also updates Exhibit SLF-1, Section 6, Attachment 1, of the ISR Plan filed on December 20, 2010.

3 This Attachment also updates Exhibit SLF-1, Section 6, Attachment 2 of the ISR Plan filed on December 20, 2010.

4 This Attachment, Attachment 3, is an addition to Section 6 of the ISR Plan filed on December 20, 2010

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

Revenue Requirement	Rate Class	Rate Base Allocator %	Allocation to Rate Class	Throughput dth	ISR Factor dth	ISR Factor therm	Uncollectible	ISR Factor therm
$1,817,890								
	Res-NH	5.07%	$92,176	700,600	$0.1316	0.0132	2.46%	$0.0135
	Res-H	62.89%	$1,143,352	16,981,733	$0.0673	0.0067	2.46%	$0.0069
	Small	8.20%	$149,067	1,915,811	$0.0778	0.0078	2.46%	$0.0080
	Medium	12.50%	$227,155	4,419,867	$0.0514	0.0051	2.46%	$0.0052
	Large LL	5.88%	$106,883	2,335,052	$0.0458	0.0046	2.46%	$0.0047
	Large HL	1.87%	$34,038	1,003,411	$0.0339	0.0034	2.46%	$0.0035
	XL-LL	0.84%	$15,295	821,663	$0.0186	0.0019	2.46%	$0.0019
	XL-HL	2.75%	$49,923	3,931,250	$0.0127	0.0013	2.46%	$0.0013

Bill Impact Analysis with Various Levels of Consumption:

Current Distribution, GCR, DAC, Rates with Proposed ISR Rates from April 1, 2011 through October 2011

Residential Heating:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	600	$937	$1,026	($88)	-8.6%	$0	($102.58)	$12.87	$1.37	$0.00
	664	$1,021	$1,119	($98)	-8.7%	$0	($113.53)	$14.24	$1.51	$0.00
	730	$1,108	$1,216	($107)	-8.8%	$0	($124.80)	$15.66	$1.66	$0.00
	794	$1,190	$1,307	($117)	-8.9%	$0	($135.79)	$16.97	$1.81	$0.00
	857	$1,270	$1,396	($126)	-9.0%	$0	($146.54)	$18.34	$1.94	$0.00
Average Customer	**922**	**$1,350**	**$1,486**	**($136)**	**-9.1%**	**$0**	**($157.68)**	**$19.75**	**$2.10**	**$0.00**
	987	$1,431	$1,576	($145)	-9.2%	$0	($168.78)	$21.12	$2.23	$0.00
	1,051	$1,510	$1,665	($155)	-9.3%	$0	($179.70)	$22.50	$2.38	$0.00
	1,114	$1,586	$1,750	($164)	-9.4%	$0	($190.50)	$23.84	$2.54	$0.00
	1,180	$1,665	$1,839	($174)	-9.5%	$0	($201.77)	$25.24	$2.67	$0.00
	1,247	$1,746	$1,929	($184)	-9.5%	$0	($213.22)	$26.65	$2.83	$0.00

Residential Heating Low Income

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	600	$900	$988	($88)	-8.9%	$0	($102.58)	$12.87	$1.37	$0.00
	664	$981	$1,079	($98)	-9.1%	$0	($113.53)	$14.24	$1.51	$0.00
	730	$1,066	$1,173	($107)	-9.2%	$0	($124.80)	$15.66	$1.66	$0.00
	794	$1,146	$1,263	($117)	-9.3%	$0	($135.79)	$16.97	$1.81	$0.00
	857	$1,223	$1,349	($126)	-9.4%	$0	($146.54)	$18.34	$1.94	$0.00
Average Customer	**922**	**$1,302**	**$1,437**	**($136)**	**-9.4%**	**$0**	**($157.68)**	**$19.75**	**$2.10**	**$0.00**
	987	$1,380	$1,526	($145)	-9.5%	$0	($168.78)	$21.12	$2.23	$0.00
	1,051	$1,458	$1,612	($155)	-9.6%	$0	($179.70)	$22.50	$2.38	$0.00
	1,114	$1,532	$1,696	($164)	-9.7%	$0	($190.50)	$23.84	$2.54	$0.00
	1,180	$1,609	$1,783	($174)	-9.8%	$0	($201.77)	$25.24	$2.67	$0.00
	1,247	$1,688	$1,871	($184)	-9.8%	$0	($213.22)	$26.65	$2.83	$0.00

Bill Impact Analysis with Various Levels of Consumption:

Current Distribution, GCR, DAC, Rates with Proposed ISR Rates from April 1, 2011 through October 2011

Residential Non-Heating:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC: Base DAC	DAC: ISR	EnergyEff
	123	$282	$297	($15)	-5.2%	$0	($18.93)	$2.65	$0.84	$0.00
	137	$300	$317	($17)	-5.4%	$0	($21.05)	$2.94	$0.92	$0.00
	147	$313	$332	($18)	-5.6%	$0	($22.59)	$3.16	$0.99	$0.00
	161	$332	$352	($20)	-5.7%	$0	($24.74)	$3.49	$1.11	$0.00
	176	$351	$373	($22)	-5.9%	$0	($27.01)	$3.81	$1.19	$0.00
Average Customer	**189**	**$369**	**$392**	**($24)**	**-6.0%**	**$0**	**($29.02)**	**$4.09**	**$1.29**	**$0.00**
	202	$386	$411	($25)	-6.1%	$0	($31.01)	$4.36	$1.39	$0.00
	217	$405	$433	($27)	-6.3%	$0	($33.29)	$4.69	$1.48	$0.00
	231	$424	$453	($29)	-6.4%	$0	($35.47)	$4.98	$1.57	$0.00
	241	$437	$467	($30)	-6.5%	$0	($36.99)	$5.18	$1.63	$0.00
	256	$457	$489	($32)	-6.6%	$0	($39.29)	$5.50	$1.75	$0.00

Residential Non-Heating Low Income

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC: Base DAC	DAC: ISR	EnergyEff
	123	$265	$280	($15)	-5.5%	$0	($18.93)	$2.65	$0.84	$0.00
	137	$283	$300	($17)	-5.7%	$0	($21.05)	$2.94	$0.92	$0.00
	147	$295	$314	($18)	-5.9%	$0	($22.59)	$3.16	$0.99	$0.00
	161	$313	$333	($20)	-6.0%	$0	($24.74)	$3.49	$1.11	$0.00
	176	$332	$354	($22)	-6.2%	$0	($27.01)	$3.81	$1.19	$0.00
Average Customer	**189**	**$349**	**$373**	**($24)**	**-6.3%**	**$0**	**($29.02)**	**$4.09**	**$1.29**	**$0.00**
	202	$366	$391	($25)	-6.5%	$0	($31.01)	$4.36	$1.39	$0.00
	217	$385	$412	($27)	-6.6%	$0	($33.29)	$4.69	$1.48	$0.00
	231	$402	$431	($29)	-6.7%	$0	($35.47)	$4.98	$1.57	$0.00
	241	$415	$445	($30)	-6.8%	$0	($36.99)	$5.18	$1.63	$0.00
	256	$434	$466	($32)	-6.9%	$0	($39.29)	$5.50	$1.75	$0.00

Bill Impact Analysis with Various Levels of Consumption:

Current Distribution, GCR, DAC, Rates with Proposed ISR Rates from April 1, 2011 through October 2011

C & I Small:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	824	$1,374	$1,495	($121)	-8.1%	$0	($140.88)	$17.66	$2.00	$0.00
	916	$1,490	$1,625	($135)	-8.3%	$0	($156.65)	$19.60	$2.23	$0.00
	1,003	$1,598	$1,746	($148)	-8.5%	$0	($171.52)	$21.48	$2.43	$0.00
	1,092	$1,706	$1,867	($161)	-8.6%	$0	($186.73)	$23.36	$2.66	$0.00
	1,179	$1,808	$1,981	($174)	-8.8%	$0	($201.59)	$25.21	$2.85	$0.00
Average Customer	**1,269**	**$1,913**	**$2,100**	**($187)**	**-8.9%**	**$0**	**($217.02)**	**$27.16**	**$3.08**	**$0.00**
	1,359	$2,018	$2,218	($200)	-9.0%	$0	($232.38)	$29.05	$3.31	$0.00
	1,447	$2,120	$2,333	($213)	-9.1%	$0	($247.40)	$30.96	$3.51	$0.00
	1,535	$2,222	$2,447	($226)	-9.2%	$0	($262.47)	$32.82	$3.71	$0.00
	1,622	$2,322	$2,561	($239)	-9.3%	$0	($277.34)	$34.71	$3.93	$0.00
	1,715	$2,429	$2,682	($252)	-9.4%	$0	($293.25)	$36.70	$4.16	$0.00

C & I Medium:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	7,117	$9,110	$10,162	($1,052)	-10.3%	$0	($1,216.98)	$152.29	$13.02	$0.00
	7,884	$10,014	$11,179	($1,165)	-10.4%	$0	($1,348.16)	$168.72	$14.41	$0.00
	8,649	$10,916	$12,194	($1,278)	-10.5%	$0	($1,478.99)	$185.09	$15.81	$0.00
	9,416	$11,820	$13,211	($1,391)	-10.5%	$0	($1,610.14)	$201.54	$17.21	$0.00
	10,185	$12,726	$14,232	($1,505)	-10.6%	$0	($1,741.63)	$217.94	$18.62	$0.00
Average Customer	**10,950**	**$13,628**	**$15,246**	**($1,618)**	**-10.6%**	**$0**	**($1,872.45)**	**$234.35**	**$20.02**	**$0.00**
	11,715	$14,530	$16,261	($1,731)	-10.6%	$0	($2,003.26)	$250.70	$21.43	$0.00
	12,484	$15,437	$17,281	($1,845)	-10.7%	$0	($2,134.76)	$267.17	$22.83	$0.00
	13,251	$16,340	$18,299	($1,958)	-10.7%	$0	($2,265.92)	$283.58	$24.23	$0.00
	14,016	$17,243	$19,314	($2,071)	-10.7%	$0	($2,396.75)	$299.94	$25.64	$0.00
	14,783	$18,147	$20,331	($2,185)	-10.7%	$0	($2,527.91)	$316.36	$27.03	$0.00

Bill Impact Analysis with Various Levels of Consumption:

Current Distribution, GCR, DAC, Rates with Proposed ISR Rates from April 1, 2011 through October 2011

C & I LLF Large:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	ISR	EnergyEff
	37,532	$46,148	$51,711	($5,563)	-10.8%	$0	($6,417.94)	$803.18	$51.61	$0.00
	41,573	$50,961	$57,123	($6,162)	-10.8%	$0	($7,109.00)	$889.63	$57.14	$0.00
	45,616	$55,777	$62,539	($6,761)	-10.8%	$0	($7,800.32)	$976.20	$62.71	$0.00
	49,660	$60,594	$67,955	($7,361)	-10.8%	$0	($8,491.86)	$1,062.73	$68.28	$0.00
	53,699	$65,406	$73,365	($7,960)	-10.8%	$0	($9,182.53)	$1,149.16	$73.82	$0.00
Average Customer	**57,742**	**$70,222**	**$78,780**	**($8,559)**	**-10.9%**	**$0**	**($9,873.87)**	**$1,235.68**	**$79.39**	**$0.00**
	61,785	$75,037	$84,196	($9,158)	-10.9%	$0	($10,565.24)	$1,322.23	$84.96	$0.00
	65,824	$79,849	$89,606	($9,757)	-10.9%	$0	($11,255.88)	$1,408.62	$90.49	$0.00
	69,868	$84,666	$95,022	($10,356)	-10.9%	$0	($11,947.42)	$1,495.17	$96.05	$0.00
	73,911	$89,482	$100,437	($10,955)	-10.9%	$0	($12,638.74)	$1,581.68	$101.62	$0.00
	77,952	$94,296	$105,850	($11,554)	-10.9%	$0	($13,329.82)	$1,668.16	$107.18	$0.00

C & I HLF Large:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	ISR	EnergyEff
	37,970	$42,064	$47,014	($4,950)	-10.5%	$0	($5,828.39)	$812.54	$65.68	$0.00
	42,061	$46,441	$51,924	($5,484)	-10.6%	$0	($6,456.37)	$900.09	$72.77	$0.00
	46,151	$50,817	$56,834	($6,017)	-10.6%	$0	($7,084.15)	$987.65	$79.84	$0.00
	50,240	$55,191	$61,741	($6,550)	-10.6%	$0	($7,711.85)	$1,075.13	$86.91	$0.00
	54,329	$59,566	$66,649	($7,083)	-10.6%	$0	($8,339.50)	$1,162.62	$93.99	$0.00
Average Customer	**58,418**	**$63,941**	**$71,557**	**($7,616)**	**-10.6%**	**$0**	**($8,967.16)**	**$1,250.16**	**$101.07**	**$0.00**
	62,508	$68,317	$76,466	($8,149)	-10.7%	$0	($9,594.97)	$1,337.70	$108.13	$0.00
	66,596	$72,691	$81,373	($8,682)	-10.7%	$0	($10,222.51)	$1,425.15	$115.21	$0.00
	70,686	$77,066	$86,282	($9,215)	-10.7%	$0	($10,850.31)	$1,512.68	$122.27	$0.00
	74,775	$81,441	$91,190	($9,748)	-10.7%	$0	($11,477.97)	$1,600.18	$129.35	$0.00
	78,867	$85,819	$96,101	($10,282)	-10.7%	$0	($12,106.08)	$1,687.75	$136.42	$0.00

Bill Impact Analysis with Various Levels of Consumption:

Current Distribution, GCR, DAC, Rates with Proposed ISR Rates from April 1, 2011 through October 2011

C & I LLF Extra-Large:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	189,450	$202,597	$230,824	($28,227)	-12.2%	$0	($32,395.97)	$4,054.25	$114.46	$0.00
	209,855	$224,030	$255,298	($31,268)	-12.2%	$0	($35,885.19)	$4,490.88	$126.79	$0.00
	230,255	$245,458	$279,765	($34,307)	-12.3%	$0	($39,373.63)	$4,927.46	$139.12	$0.00
	250,655	$266,887	$304,233	($37,347)	-12.3%	$0	($42,862.00)	$5,364.02	$151.45	$0.00
	271,059	$288,319	$328,705	($40,387)	-12.3%	$0	($46,351.11)	$5,800.69	$163.79	$0.00
Average Customer	**291,462**	**$309,750**	**$353,177**	**($43,427)**	**-12.3%**	**$0**	**($49,839.99)**	**$6,237.28**	**$176.10**	**$0.00**
	311,865	$331,181	$377,648	($46,467)	-12.3%	$0	($53,328.92)	$6,673.90	$188.43	$0.00
	332,269	$352,613	$402,120	($49,507)	-12.3%	$0	($56,817.99)	$7,110.53	$200.77	$0.00
	352,669	$374,042	$426,588	($52,546)	-12.3%	$0	($60,306.41)	$7,547.10	$213.09	$0.00
	373,069	$395,469	$451,055	($55,586)	-12.3%	$0	($63,794.76)	$7,983.69	$225.42	$0.00
	393,474	$416,903	$475,529	($58,626)	-12.3%	$0	($67,284.06)	$8,420.32	$237.74	$0.00

C & I HLF Extra-Large:

	Nov - Oct Consumption (Therms)	Proposed Rates	Current Rates	Difference	% Chg	Difference due to: Base Rates	GCR	DAC Base DAC	DAC ISR	EnergyEff
	184,661	$193,396	$217,665	($24,269)	-11.1%	$0	($28,345.45)	$3,951.74	$124.54	$0.00
	204,549	$213,837	$240,720	($26,883)	-11.2%	$0	($31,398.27)	$4,377.36	$137.95	$0.00
	224,435	$234,276	$263,772	($29,496)	-11.2%	$0	($34,450.77)	$4,802.93	$151.36	$0.00
	244,321	$254,715	$286,825	($32,110)	-11.2%	$0	($37,503.28)	$5,228.47	$164.77	$0.00
	264,206	$275,153	$309,876	($34,723)	-11.2%	$0	($40,555.60)	$5,654.02	$178.19	$0.00
Average Customer	**284,094**	**$295,594**	**$332,931**	**($37,337)**	**-11.2%**	**$0**	**($43,608.43)**	**$6,079.61**	**$191.60**	**$0.00**
	303,982	$316,035	$355,986	($39,951)	-11.2%	$0	($46,661.22)	$6,505.23	$205.03	$0.00
	323,867	$336,473	$379,037	($42,564)	-11.2%	$0	($49,713.58)	$6,930.75	$218.44	$0.00
	343,753	$356,912	$402,090	($45,178)	-11.2%	$0	($52,766.09)	$7,356.33	$231.85	$0.00
	363,639	$377,351	$425,142	($47,791)	-11.2%	$0	($55,818.58)	$7,781.88	$245.27	$0.00
	383,527	$397,792	$448,197	($50,405)	-11.2%	$0	($58,871.40)	$8,207.49	$258.68	$0.00

Rhode Island ISR Plan
Bill Impact by Rate Class
(Average Usage)

Rate Class	Rate Impact April 1, 2011 to Oct 31, 2011	Annual Rate Impact
Res-NH	$1.29	$2.55
Res-NH-LI	$1.29	$2.55
Res-H	$2.10	$6.36
Res-H-LI	$2.10	$6.36
Small	$3.08	$10.15
Medium	$20.02	$56.94
Large LL	$79.39	$271.39
Large HL	$101.07	$204.46
XL-LL	$176.10	$553.78
XL-HL	$191.60	$369.32

Rhode Island ISR Plan
New DAC Rates
April 1, 2011

Rate Class	November 1, 2010 DAC Rate (therm)	ISR DAC Rates (therm)	April 1, 2011 DAC Rates
Res-NH	$0.0098	$0.0135	$0.0233
Res-NH-LI	$0.0098	$0.0135	$0.0233
Res-H	$0.0098	$0.0069	$0.0167
Res-H-LI	$0.0098	$0.0069	$0.0167
Small	$0.0098	$0.0080	$0.0178
Medium	$0.0098	$0.0052	$0.0150
Large LL	$0.0098	$0.0047	$0.0145
Large HL	$0.0098	$0.0035	$0.0133
XL-LL	$0.0098	$0.0019	$0.0117
XL-HL	$0.0098	$0.0013	$0.0111

Division 2-1

Request:

Referring to the response to Division 1-1, why does the Company assume that 75 percent of plant additions, rather than 100 percent of plant additions, qualify for bonus depreciation? In other words, why does the Company assume that 25 percent of plant additions will not qualify for bonus depreciation?

Response:

The 75 percent qualification percentage is one of several estimates used in developing the fiscal year 2012 ("FY 2012") ISR Plan revenue requirement. Tax depreciation for the FY 2012 investments will be dependent on a number of factors related to capital repair eligibility for an immediate 100 percent tax deduction, and bonus depreciation eligibility as specified under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("2010 Act"). For purposes of calculating the ISR Plan revenue requirement, the Company has assumed that 48 percent of FY 2012 investments will qualify for the 100 percent capital repair deduction leaving the residual 52 percent to potentially be eligible for bonus depreciation. Bonus depreciation eligibility for FY 2012 investments, however, is also dependent on a number of factors. Capital projects commenced from January 1, 2008 and prior to September 8, 2010 and placed in service prior to December 31, 2012 are generally eligible for 50 percent bonus depreciation. Capital projects commencing September 8, 2010 or later and placed in service by December 31, 2011 are eligible for 100 percent bonus depreciation. Finally capital projects commenced as of September 8, 2010 and placed in service by December 31, 2012 are generally eligible for 50 percent bonus depreciation. As evidenced by the number of assumptions that must be considered in estimating FY 2012 tax depreciation, any estimate is far from an exact science.

While it is possible that the 75 percent qualification percentage may be low in terms of total eligibility, it is also very likely that the Company's estimate that 100 percent of plant investments occurring during the period April 1, 2011 to December 31, 2011 period will qualify for 100 percent bonus depreciation is overstated. Furthermore, the Company is awaiting additional guidance from the IRS concerning the application of bonus depreciation resulting from the 2010 Act, which may ultimately affect the bonus depreciation calculation.

Division 2-1 (continued)

For these reasons, the Company believes that its assumptions used to calculate tax depreciation on FY 2012 investments are as reasonable as any, and currently anticipates that the impact of any variances from the Company's assumptions will result in an insignificant difference in the revenue requirement estimate calculated in this proceeding. Finally, it is also important to note that the Company's FY 2012 ISR Plan revenue requirement calculation, including the calculation of bonus depreciation, is an estimate and will be trued up to actual amounts following the close of each fiscal year.

Prepared by or under the supervision of: William R. Richer