

Division 2-1 (Electric)  
Statutory/Regulatory

Request:

The report discusses the Shun Pike Substation in Johnston, RI as part of the statutory requirements. Please identify the total dollars in the budget and why this project belongs in the statutory category. Does this project total include CIAC dollars from the customer?

Response:

The Shun Pike project includes two phases. Phase 1 is a statutory project driven by a customer request for service totaling \$4.2M. Phase 2 is a system capacity and reliability project driven by area load relief totaling \$3.7M. The customer request associated with the first phase of the project consists of large industrial equipment requiring significant infrastructure. The CIAC dollars will be determined once the estimates are finalized based on existing terms and conditions and will be credited to the project.

Capital Cost breakdown:

Items	Budget Class	Spending Rationale Report Category	Cap\$ (FY12/13)	Cap\$ (FY13/14)	Cap\$ (FY14/15)	Cap\$ (FY15/16)	Cap\$ (FY16/17)	TotCap\$ FY13-FY17
17063 Shun Pike Sub 23kV	New Business - Comm	Statutory /Regulatory	1,600,000	2,400,000	0	0	0	4,000,000
17064 Shun Pike Sub - 23kV Line Portion	New Business - Comm	Statutory /Regulatory	100,000	100,000	0	0	0	200,000
04411 Shun Pike Sub - DLine 12.47kV	Load Relief	System Capacity & Perform	0	0	442,000	450,000	462,000	1,354,000
04433 Shun Pike Sub - DSub 12.47kV	Load Relief	System Capacity & Perform	0	0	172,000	1,096,000	1,125,000	2,393,000

Division 2-2 (Electric)  
Statutory/Regulatory

Request:

The Public Requirements seems to include DOT projects. Are these already specifically identified projects and has the DOT reimbursement been accounted for in the budget. If it has what is the DOT reimbursement amount?

Response:

The Public Requirements category includes projects undertaken by National Grid at the request of either the DOT or a municipality that require the Company to undertake work necessary for a DOT or municipal project to be completed. These projects typically include requests to relocate, remove or install National Grid facilities.

Items contained in the Public Requirements category are typically budgeted at full cost since reimbursement is not usually received within the fiscal year for those specific items. In fact, due to the size and complexity of the work, reimbursement may not be received for several years following the fiscal year containing the budget amount for a project. Any credits received for the item are included in the overall Public Requirements category balanced by the "Reserve 049\_013 LINE" item (description of that is detailed below). Credits received for work performed in this ISR plan will be flowed through the ISR factor or upon reconciliation as the payments are received and recorded in "Reserve 049-013 LINE" account.

All of the line items in Public Requirements category are specifically identified projects except for two:

- 1) **COS013 – Ocean St-Dist-Public Require Blanket:** This project is for work orders in the related Public Requirements category which are less than \$100k each. The Blanket is budgeted based on historic trends adjusted for any expected increases/decreases in the given fiscal year. The trends are NET of reimbursements received within the project over time and thus the budget figure is considered net with no breakout of "cost" versus "reimbursement" identified. The breakout was not considered necessary as historic reimbursement in this project is somewhat consistent at \$257k in 2008, \$202k in 2009, \$231k in 2010 and \$356k in 2011.

Division 2-2 (Electric) continued  
Statutory/Regulatory

- 2) **RESERVE 049\_013 LINE- Reserve for Public Requirements Unidentified Specifics & Schedule Changes** : This line item is set up to account for the recurring trend of new Public Requirement/DOT work being asked of the Company post-budget process as well as timeline changes to such work that is often asked of the Company on short notice during a fiscal year. Therefore, the Company looks at net fiscal year trends of specific project totals within the Public Requirements category and uses the historic information and future expectations to create this balancing reserve. Since the high level trends are NET of reimbursements received over time, the reserve figure is meant to be a NET balancing budget figure for the category with no breakout of “cost” versus “reimbursement” identified.

Prepared by or under the supervision of: Jennifer L.Grimsley

Division 2-3 (Electric)  
Statutory/Regulatory

Request:

This category includes \$705,000 for 3<sup>rd</sup> party attachments. How has the contribution in aid of construction funds typically recovered from the 3<sup>rd</sup> party been accounted for in this category? Also, how much of this cost is new attachments associated with broad band companies that should be reimbursing the company for 100% of the make ready costs?

Response:

The 3<sup>rd</sup> Party Attachments Budget Classification can have 2 types of projects:

- 1) Blanket Project (COS022) - budgeted based on historic trends – this budget is meant to be a “net” budget and forecasted receipts of any large contributions would be included in the figure. Using updated trends, the budget for this category was reduced by 13% from FY2012 to FY2013.
- 2) Specific Projects - this budget is meant to be a “net” budget and any forecasted receipt of contributions would be included in the figure. There is one specific project in the 3rd party category in FY2013 versus none in FY2012 which causes an overall increase in the 3rd Party Attachments budget year versus year.

There are three main reasons why the 3<sup>rd</sup> Party Attachments budget classification is not a 100% reimbursed “net zero” category:

- 1) The customer for whom the work is being performed is billed up-front based on an estimated cost of the work. Any over/under of actual costs versus this estimate ends up as costs/credits in the project.
- 2) Timing of receipt of the payment – a payment may be received in one fiscal year while the work is performed in part or wholly in another fiscal year.
- 3) Projects include unreimbursed costs for bringing assets to current Company work standards.

The FY2013 versus FY2012 budget change for the category is shown below:

Project #	Project Description	FY12 Budget	FY13 Budget	Change - Inc/(Dec)	%Change
COS022	Ocean St-Dist-3rd Party Attch Blinkt	641,000	555,000	(86,000)	-13%
CD0328	Lighttower RI Fiber Make Ready Project	0	150,000	150,000	xx
TOTAL 3rd Party Attachments		641,000	705,000	64,000	10%

Prepared by or under the supervision of: Jennifer L. Grimsley

Division 2-4 (Electric)  
Statutory/Regulatory

Request:

The report states that the budget to establish new customer services is below the three-year average due to declining economic trends. However, the budget identifies \$1.85M for the purchase of meters. Are the meters included in this category for purposes other than providing service to new distribution customers such as a meter replacement or AMI program? If so, provide a breakdown of these costs?

Response:

The Meters Budget Classification contains \$1.1M for the purchase of meters related to new residential and commercial customers as well as routine meter change-outs for upgrades, replacements, and/or testing purposes of existing meters. The budgeted figure is about 20% less than the 3-yr average purchases from FY09-FY11 and is in line with current FY12 forecast of \$1.05M. The decrease from prior years is due in large part to a new purchasing agreement placed into effect during late FY2011 as well as slumping economic conditions.

The Meter category also contains \$700k for installation labor for such meters. Please see Attachment DIV 2-4 (Electric) Statutory/Regulatory which shows how the Company uses historic moving annual totals and future growth and inflationary expectations to set the budget for this project.

Any large special programs for the mass change-out/replacement of meters would be budgeted separately either within the blanket project (which would cause an increase in the budget/actuals therein) or in its own separate specific projects if desired for tracking purposes.

COMPANY 49  
BLANKET PROJECT # COS004  
BUDGET CLASSIFICATION Meter Installations - Dist

Past 3 Fiscal Years of Spending:

	Capital	Cap-Related Expense	Cap Related Expense%	Cost of Removal	Cost of Removal %	Total \$\$
FY08/09	623,573	24,695	4%	163,285	26%	811,553
FY09/10	740,870	32,018	4%	243,235	33%	1,016,123
FY10/11	724,047	165,076	23%	312,725	43%	1,201,848
3-yr Total	2,088,490	221,788	11%	719,245	34%	3,029,524

Capital Moving Annual Totals

03/31/2009	06/30/2009	09/30/2009	12/31/2009	03/31/2010	06/30/2010	09/30/2010	12/31/2010	03/31/2011	FY12 Budget	06/30/2011
623,573	630,616	628,766	687,536	740,870	810,791	810,032	748,842	724,047	731,000	616,863

Capital Moving Annual Total Trend (FY09 - FY11)

Flat with Moderate St.Deviation

RANGE FY09-FY11  
HI 813,571 <--highest MAT from March 2009-March 2011  
LO 618,660 <--lowest MAT from March 2009-March 2011  
AVG 703,714 <--average MAT from March 2009-March 2011  
MEDIAN 702,762 <--median MAT from March 2009-March 2011  
STD DEVIATION 62,250 <-- average variance of MAT's vs average (the higher the figure, the less predictable the trend )

Inflating Factors (FY10 Base Year)

	FY13	FY14	FY15	FY16	FY17	Historic % of Spend for category
Materials	7%	6%	8%	5%	5%	5%
Labor	3%	3%	3%	3%	3%	50%
Other	2%	2%	2%	2%	2%	45%
Weighted Avg	2.8%	2.7%	2.8%	2.7%	2.7%	100%

Annual Growth/Retraction Factor - Economic or Other

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	0%	1%	2%	2%	1%

Economic/Other Factors considered for future changes in blanket levels

Slight economic growth potential forecasted for FY14+  
We will fund blanket slightly below recent average and more towards current MAT's as no large economic growth predicted in short term...

Manual Blanket Project Adjustment

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	\$ -	\$ -	\$ -	\$ -	\$ -

Current Year Forecast vs Proposed Budget Levels

	FY12 Forecast	FY13	FY14	FY15	FY16	FY17
Capital	650,000	668,000	693,000	726,000	760,000	788,000
Cap-Related Expense %	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Cost of Removal %	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%

Division 2-5 (Electric)  
Statutory/Regulatory

Request:

Please provide a summary of how each of the following budget categories was estimated. Please provide the estimated amount of each equipment type to be purchased, historical purchasing numbers, and estimated equipment costs.

- a. Outdoor Lighting
- b. Transformers & Related Equipment

Response:

a) The Outdoor Lighting Budget for FY13-17 currently includes only the blanket project for work orders under \$100k each. As the majority of outdoor lighting work is this type of low dollar, high volume work, the Company bases its budget for the blanket project on recently experienced moving annual total (MAT) spending adjusted for any known reasons for increasing/decreasing those recent trends. See Attachment DIV 2-5-1 for how the budget was set at its current level.

b) The Transformers and Related Equipment category includes only one project for the purchases of line transformers (not-substation) and capacitors which are pre-capitalized per FERC Accounting guidelines. All such costs are budgeted based on:

- 1) prior year quantities/dollars
- 2) any known price changes including anticipated commodity fluctuation
- 3) any expected changes in quantities for the upcoming fiscal year(s)

Please see Attachment DIV 2-5-2 for budget calculations.

Installation costs for such equipment is charged under the category which is the reason for the installation (Load Relief, New Business, etc.).

Prepared by or under the supervision of: Jennifer L. Grimsley

COMPANY 49  
BLANKET PROJECT # COS012  
BUDGET CLASSIFICATION Outdoor Lighting - Capital

Past 3 Fiscal Years of Spending:

	Capital	Cap-Related Expense	Cap Related Expense%	Cost of Removal	Cost of Removal %	Total \$\$
FY08/09	735,473	28,700	4%	82,650	11%	846,823
FY09/10	624,293	55,881	9%	55,935	9%	736,108
FY10/11	401,745	79,608	20%	184,659	46%	666,013
3-yr Total	1,761,510	164,189	9%	323,244	18%	2,248,944

Capital Moving Annual Totals

03/31/2009	06/30/2009	09/30/2009	12/31/2009	03/31/2010	06/30/2010	09/30/2010	12/31/2010	03/31/2011	FY12 Budget	06/30/2011
735,473	793,527	753,526	782,162	624,293	474,272	411,582	335,603	401,745	718,000	448,417

Capital Moving Annual Total Trend (FY09 - FY11)

Slight Decrease with Moderate St.Deviation

RANGE FY09-FY11	HI	816,268	<--highest MAT from March 2009-March 2011
	LO	335,603	<--lowest MAT from March 2009-March 2011
	AVG	600,141	<--average MAT from March 2009-March 2011
	MEDIAN	613,954	<--median MAT from March 2009-March 2011
	STD DEVIATION	134,056	<--average variance of MAT's vs average (the higher the figure, the less predictable the trend)

Inflating Factors (FY10 Base Year)

	FY13	FY14	FY15	FY16	FY17	Historic % of Spend for category
Materials	7%	6%	8%	5%	5%	30%
Labor	3%	3%	3%	3%	3%	25%
Other	2%	2%	2%	2%	2%	45%
Weighted Avg	3.8%	3.5%	4.1%	3.2%	3.2%	100%

Annual Growth/Retraction Factor - Economic or Other

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	0%	0%	0%	0%	0%

Economic/Other Factors considered for future changes in blanket levels

Due to MAT Trend decrease towards the \$400-\$500k in the last year plus, we will budget slightly below median/average levels for FY13  
Currently No planned OL programs which would increase this figure..

Manual Blanket Project Adjustment

	FY13	FY14	FY15	FY16	FY17
Increase/(Decrease)	\$ -	\$ -	\$ -	\$ -	\$ -

Current Year Forecast vs Proposed Budget Levels

	FY12 Forecast	FY13	FY14	FY15	FY16	FY17
Capital	550,000	571,000	591,000	615,000	634,000	654,000
Cap-Related Expense %	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Cost of Removal %	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%



## Analysis for Setting the Transformer Purchase Blanket Budget FY13-17

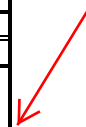
Assumption: Similar Quantity & Mix of Transformers each year

	BUSINESS UNIT	FY10 Actual *	FY11 Actual *	FY12 Fcast*	FY13 PROPOSED BUDGET
<b>TOTAL</b>	Narragansett Electric	4,122,900	3,277,000	3,253,000	3,655,000
<b>PURCHASE COST</b>	Narragansett Electric	2,883,500	2,024,000	1,700,000	1,910,000
<b>STORES HANDLING (Source: Powerplant)</b>	Narragansett Electric	622,100	737,000	913,000	1,026,000
<b>CAP OH (Exp Type A50)</b>	Narragansett Electric	637,300	569,500	706,000	793,000
<b>ALL OTHER</b>	Narragansett Electric	(20,000)	(53,500)	(66,000)	(74,000)

Calculated from  
next page



Estimated adders  
to purchase price



## TRANSFORMER PURCHASE BLANKET - 5yr Plan

		FY10 Actual *	FY11 Actual *	FY12 Fcast*	FY13 Forecast
<b>TOTAL PURCHASE COST</b>	Narragansett Electric	2,800,000	2,010,000	1,700,000	1,910,000
<b>Quantity</b>	Narragansett Electric	1,796	1,143	1,215	1,300
<b>PER UNIT COST</b>	Narragansett Electric	1,559	1,759	1,399	1,469
<b>PER UNIT COST % INCREASE/(DECREASE)</b>	Narragansett Electric	n/a	12.8%	-20.4%	5.0%

For front page...



5% increase for FY13 per Commodity Tool index