

May 23, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4323 - Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-1-3-11 Responses to Division Data Requests – Set 1 – ELEC

Dear Ms. Massaro:

Enclosed is an original and ten (10) copies of National Grid's¹ responses to the Division's First Set of Data Requests in the above-captioned proceeding.

The responses to the First Set included with this filing are listed in the enclosed discovery log, which the Company will submit with each filing for tracking purposes.

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

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 4323 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

Certificate of Service

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

/S/

 Janea Dunne

May 23, 2012
 Date

**National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates
 Docket No. 4323 – Service List updated on 5/22/12**

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The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4323
Discovery Log

DATA SET	DATA REQUEST	DATE ISSUED	DATE FILED	WITNESS	ATTACHMENT	CONFIDENTIAL ATTACHMENT
DIVISION SET 1						
Division Set 1	Division 1-1-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-2-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-3-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-4-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-5-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-6-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-6-ELEC	
Division Set 1	Division 1-7-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-8-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-9-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-9-ELEC	
Division Set 1	Division 1-10-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-11-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-11-ELEC	
Division Set 1	Division 1-12-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-13-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-13-ELEC	
Division Set 1	Division 1-14-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-15-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-16-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-17-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-18-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-19-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-20-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-21-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-21-ELEC	
Division Set 1	Division 1-22-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-23-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-23-ELEC	
Division Set 1	Division 1-24-ELEC	5/9/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 1	Division 1-25-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-26-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-27-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-27-ELEC	
Division Set 1	Division 1-28-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-29-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme	Att. DIV 1-29-ELEC	
Division Set 1	Division 1-30-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
Division Set 1	Division 1-31-ELEC	5/9/2012	5/23/2012	Michael D. Laflamme		
DIVISION SET 2						
Division Set 2	Division 2-1-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-2-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-3-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-4-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-5-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-6-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-7-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4323
Discovery Log

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Division Set 2	Division 2-9-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-10-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-11-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-12-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-13-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-14-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-15-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-16-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-17-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-18-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-19-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-20-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-21-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-22-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-23-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-24-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		
Division Set 2	Division 2-25-GAS	5/14/2012	<i>Pending</i>	Michael D. Laflamme		

Division 1-6-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Pages 17-20, please provide the management and bargaining headcount by month for each month from December 2008 until the most recent month available.

Response:

Please see Attachment DIV 1-6-ELEC for management and bargaining employee headcount by month from December 2008 to present. Please note that the management headcount reflects all active employees, including those employees in non-enduring positions, and employees who will be taking positions with the buyer of National Grid's New Hampshire electric and gas distribution businesses.

The Narragansett Electric Company
d/b/a National Grid
Headcount by month
December 2008 - Current

<u>Line #</u>	(a) <u>Month</u>	(b) <u>Management</u>	(c) <u>Local 310</u>
1	Dec-08	105	330
2	Jan-09	104	329
3	Feb-09	104	332
4	Mar-09	104	340
5	Apr-09	86	334
6	May-09	70	359
7	Jun-09	71	358
8	Jul-09	72	357
9	Aug-09	70	360
10	Sep-09	69	359
11	Oct-09	69	347
12	Nov-09	69	344
13	Dec-09	67	349
14	Jan-10	61	350
15	Feb-10	59	349
16	Mar-10	59	362
17	Apr-10	60	374
18	May-10	60	376
19	Jun-10	59	376
20	Jul-10	57	376
21	Aug-10	39	372
22	Sep-10	38	372
23	Oct-10	40	357
24	Nov-10	40	348
25	Dec-10	39	345
26	Jan-11	38	344
27	Feb-11	38	345
28	Mar-11	38	346
29	Apr-11	35	363
30	May-11	35	369
31	Jun-11	34	367
32	Jul-11	28	366
33	Aug-11	27	368
34	Sep-11	27	368
35	Oct-11	26	349
36	Nov-11	33	355
37	Dec-11	33	355
38	Jan-12	33	356
39	Feb-12	32	360
40	Mar-12	33	359
41	Apr-12	33	366

KeySpan Corporate Services, LLC
d/b/a National Grid
Headcount by month
December 2008 - Current

Line #	(a) Month	(b) Management	(c) Local 3	(d) Local 12012-04	(e) Local 1049	(f) Local 101	(g) Local 318	(h) Local 1381	(i) Local 13057	(j) Local 12003
1	Dec-08	1,735	7	16	163	505	3	681	2	237
2	Jan-09	1,731	7	16	163	513	3	681	2	231
3	Feb-09	1,736	7	15	163	504	3	693	2	232
4	Mar-09	1,722	7	15	163	516	3	715	2	230
5	Apr-09	1,693	6	15	156	502	3	720	2	228
6	May-09	1,707	6	15	154	486	3	716	2	231
7	Jun-09	1,731	6	15	156	482	3	716	2	226
8	Jul-09	1,728	6	15	156	479	3	722	2	239
9	Aug-09	1,715	6	15	155	474	3	722	2	231
10	Sep-09	1,724	6	15	154	471	3	717	2	224
11	Oct-09	1,727	6	15	160	471	3	716	2	203
12	Nov-09	1,730	6	15	158	473	3	708	2	205
13	Dec-09	1,729	7	15	167	470	3	709	2	204
14	Jan-10	1,726	7	15	169	463	3	702	2	203
15	Feb-10	1,734	7	15	167	455	3	694	2	210
16	Mar-10	1,737	7	15	169	452	3	695	2	209
17	Apr-10	1,736	5	15	169	444	3	701	2	206
18	May-10	1,751	6	15	169	439	3	692	2	204
19	Jun-10	1,802	6	15	169	436	3	694	2	201
20	Jul-10	1,789	5	15	171	434	3	679	2	201
21	Aug-10	1,763	6	15	170	427	3	666	2	199
22	Sep-10	1,747	6	15	169	425	3	657	2	198
23	Oct-10	1,727	6	16	168	420	3	655	2	197
24	Nov-10	1,734	6	16	168	417	3	657	2	206
25	Dec-10	1,726	6	16	168	415	3	664	2	205
26	Jan-11	1,715	6	16	166	409	3	667	2	204
27	Feb-11	1,703	6	16	347	383	3	492	2	201
28	Mar-11	1,680	6	16	341	381	3	491	2	198
29	Apr-11	1,653	6	16	329	367	3	495	2	196
30	May-11	1,635	7	16	334	354	3	488	2	195
31	Jun-11	1,617	7	16	346	351	3	471	2	194
32	Jul-11	1,560	7	16	345	347	3	468	2	193
33	Aug-11	1,455	7	16	337	344	3	465	2	190
34	Sep-11	1,412	7	15	343	340	3	463	2	191
35	Oct-11	1,392	7	15	352	338	3	461	2	190
36	Nov-11	1,383	7	15	350	346	3	460	2	203
37	Dec-11	1,397	7	15	344	348	3	475	2	203
38	Jan-12	1,403	7	15	343	348	3	479	2	212
39	Feb-12	1,398	7	16	333	341	3	475	2	210
40	Mar-12	1,403	7	16	339	338	3	480	2	209
41	Apr-12	1,408	7	16	335	341	3	476	2	204

KeySpan Utility Services, LLC
d/b/a National Grid
Headcount by month
December 2008 - Current

<u>Line #</u>	<u>(a) Month</u>	<u>(b) Management</u>	<u>(c) Local 1049</u>	<u>(d) Local 101</u>	<u>(e) Local 1381</u>
1	Dec-08	108	5	23	2
2	Jan-09	104	5	23	2
3	Feb-09	104	5	23	2
4	Mar-09	105	5	23	2
5	Apr-09	120	11	36	2
6	May-09	116	11	36	2
7	Jun-09	116	11	36	2
8	Jul-09	115	11	36	2
9	Aug-09	114	11	36	2
10	Sep-09	113	11	36	2
11	Oct-09	114	11	36	4
12	Nov-09	113	11	36	4
13	Dec-09	114	11	36	4
14	Jan-10	114	10	36	3
15	Feb-10	113	10	36	3
16	Mar-10	113	10	36	3
17	Apr-10	112	10	37	3
18	May-10	117	10	37	3
19	Jun-10	115	10	37	3
20	Jul-10	113	10	36	3
21	Aug-10	113	10	34	3
22	Sep-10	111	10	33	3
23	Oct-10	111	10	33	3
24	Nov-10	110	10	33	3
25	Dec-10	110	10	33	3
26	Jan-11	108	5	32	3
27	Feb-11	107	5	32	3
28	Mar-11	107	5	32	3
29	Apr-11	105	5	26	3
30	May-11	102	5	23	3
31	Jun-11	100	5	23	3
32	Jul-11	95	5	23	3
33	Aug-11	74	5	23	3
34	Sep-11	73	5	23	3
35	Oct-11	71	5	23	3
36	Nov-11	73	5	23	3
37	Dec-11	66	5	23	2
38	Jan-12	63	5	23	2
39	Feb-12	59	5	23	2
40	Mar-12	62	5	23	3
41	Apr-12	62	5	23	3

National Grid USA Service Company
d/b/a National Grid
Headcount by month
December 2008 - Current

<u>Line #</u>	<u>(a) Month</u>	<u>(b) Management</u>	<u>(c) Local 310, 329, 330</u>	<u>(d) Local 486, 326</u>	<u>(e) Local 12431-01</u>	<u>(f) Local 369</u>
1	Dec-08	1,924	51	195	0	182
2	Jan-09	2,011	51	210	0	187
3	Feb-09	2,015	52	211	0	186
4	Mar-09	2,005	52	212	0	186
5	Apr-09	2,134	74	221	0	187
6	May-09	2,163	77	221	0	212
7	Jun-09	2,230	76	221	0	211
8	Jul-09	2,258	75	219	0	216
9	Aug-09	2,277	76	213	0	206
10	Sep-09	2,284	76	214	12	204
11	Oct-09	2,298	78	231	12	203
12	Nov-09	2,313	75	228	12	222
13	Dec-09	2,319	75	227	10	224
14	Jan-10	2,343	75	226	12	242
15	Feb-10	2,362	74	224	12	240
16	Mar-10	2,370	69	223	11	238
17	Apr-10	2,378	68	225	11	238
18	May-10	2,411	64	213	13	247
19	Jun-10	2,456	64	212	12	251
20	Jul-10	2,447	62	211	12	245
21	Aug-10	2,505	62	212	12	245
22	Sep-10	2,471	62	212	12	245
23	Oct-10	2,467	62	210	12	234
24	Nov-10	2,469	62	209	12	239
25	Dec-10	2,465	62	209	12	234
26	Jan-11	2,461	60	208	12	222
27	Feb-11	2,453	60	208	12	226
28	Mar-11	2,446	59	209	12	220
29	Apr-11	2,397	59	209	12	216
30	May-11	2,371	59	208	24	211
31	Jun-11	2,346	60	210	24	211
32	Jul-11	2,196	60	210	33	211
33	Aug-11	2,124	60	210	33	206
34	Sep-11	2,082	60	210	32	204
35	Oct-11	2,068	60	209	32	198
36	Nov-11	2,020	53	205	32	195
37	Dec-11	2,040	53	205	32	195
38	Jan-12	2,014	53	204	32	194
39	Feb-12	2,018	60	204	32	204
40	Mar-12	2,027	59	204	32	197
41	Apr-12	2,031	59	201	33	203

Division 1-7-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 21, please explain why actual test year variable pay exceeded the target variable pay for the corporate services employees.

Response:

In responding to this question, the Company assumes that the question is referring to the difference in KeySpan Corporate Services variable pay amounts reflected on Lines 12 and 19. These variable amounts relate to different years. The amount of test year variable pay, net DSM amounts, that was expensed during the calendar year 2011 Test Year, or \$1,267,033, is shown on MDL-3-ELEC, Page 21 at Line 19, Column (b), and includes variable pay amounts that have been excluded from the twelve months ended January 31, 2013 Rate Year variable pay target reflected on Line 12, or \$376,141. The Rate Year target variable pay excludes variable pay for Band A employees and excludes the financial component of variable pay for Band B and C employees. Finally, rate year management wages are lower than test year management wages, which also has a decreasing impact on Test Year actual versus Rate Year target variable pay.

Division 1-9-ELEC

Request:

Please provide the actual variable pay as a percentage of target variable pay for each category of employees on Schedule MDL-3-ELEC, Page 21 for the years 2009 and 2010.

Response:

Please see Attachment DIV 1-9-ELEC for detail.

Non-Union Non-Financial Actual Variable Pay
As a Percentage of Target

<u>Line #</u>	(a)	(b)	(c)	(d)	(e)
	Company No.	Direct (049)	KeySpan Corp Services (CSV)	KeySpan Utility Services (USV)	National Grid Service Co (099)
1	Fiscal Year 2009	146.6%	149.8%	142.7%	150.9%
2	Fiscal Year 2010	151.2%	153.1%	145.5%	155.4%

Division 1-11-ELEC

Request:

Please provide the actual variable pay as a percentage of target variable pay for each category of employees on Schedule MDL-3-ELEC, Page 22 for the years 2009 and 2010.

Response:

Please see Attachment DIV 1-11-ELEC for detail.

Union Non-Financial Actual Variable Pay
As a Percentage of Target

<u>Line #</u>	(a)	(b)	(c)	(d)	(e)
	Company No.	Direct	KeySpan Corp Services	KeySpan Utility Services	National Grid Service Co
	(049)	(049)	(CSV)	(USV)	(099)
1	Fiscal Year 2009	98.1%	149.3%	149.4%	98.1%
2	Fiscal Year 2010	103.8%	162.2%	161.3%	103.8%

Division 1-12-ELEC

Request:

Referring to Workpaper MDL-3, Page 9, please provide the number of vacancies on lines 8, 12, and 23 that have been filled in each month of 2012 to date.

Response:

The number of vacancies on lines 8, 12, and 23 filled to date in each month of 2012 are:

Line 8 (049 – The Narragansett Electric Company)

<u>Month</u>	<u>Filled Vacancies</u>
January	0
February	0
March	0
April	1
<u>May*</u>	<u>1</u>
Total	2

Line 12 (099 – National Grid USA Service Company, Inc.)

<u>Month</u>	<u>Filled Vacancies</u>
January	13
February	10
March	9
April	3
<u>May*</u>	<u>1</u>
Total	36

Line 23 (CSV – National Grid Corporate Services LLC)

<u>Month</u>	<u>Filled Vacancies</u>
January	7
February	5
March	5
April	6
<u>May*</u>	<u>0</u>
Total	23

*May 2012 vacancies filled are through May 14, 2012. The total is 61 for all companies.

Division 1-13-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 23, please provide the actual healthcare costs for each employee category by month in 2012 to date and for the corresponding months in 2011.

Response:

Please refer to Attachment DIV 1-13-ELEC. This attachment provides the healthcare costs recorded as O&M expense on the Company's general ledger for all employee categories. The Company does not record healthcare costs by individual categories of employees.

The Narragansett Electric Company d/b/a National Grid
Healthcare Expenses

Healthcare expenses for the 4 months ended April 30, 2011

Company	Jan 2011	Feb 2011	Mar 2011	Apr 2011	Grand Total
Narragansett Electric Company	\$ 540,574	\$ (264,298)	\$ 945,431	\$ 298,206	\$ 1,519,913
KeySpan Service Co.	28,933	57,810	59,218	24,861	170,822
Keyspan Utility	797	2,613	5,223	1,004	9,637
National Grid USA Service Co.	187,136	179,547	432,408	164,221	963,311
Other	6,921	4,489	4,078	6,255	21,742
Grand Total	\$ 764,360	\$ (19,839)	\$ 1,446,358	\$ 494,546	\$ 2,685,426

Healthcare expenses for the 4 months ended April 30, 2012

Company	Jan 2012	Feb 2012	Mar 2012	Apr 2012	Grand Total
Narragansett Electric Company	\$ 811,350	\$ (229,973)	\$ 427,042	\$ 265,007	\$ 1,273,427
KeySpan Service Co.	46,542	47,640	22,972	16,472	133,625
Keyspan Utility		(68)	(142)		(210)
National Grid USA Service Co.	362,471	160,452	264,724	175,552	963,199
Other	4,026	4,421	3,634	2,623	14,704
Grand Total	\$ 1,224,389	\$ (17,528)	\$ 718,230	\$ 459,654	\$ 2,384,746

Division 1-14-ELEC

Request:

Referring to Laflamme testimony, page 41, please provide a summary of the costs and savings attributable to the IS transformation initiatives. The response should show the total costs and annual savings, the costs and savings allocable to Narragansett – Electric, and the extent to which anticipated annual savings are reflected in the rate year cost of service, with specific reference to how and where such savings are reflected.

Response:

A total of \$3.9 million in costs-to-achieve for savings initiatives has been removed from the test year, as shown at Schedule MDL-3-ELEC, Page 8, Column (g). Of this amount, \$2.0 million is attributable to IS Transformation. Reoccurring transformation-related operating costs are included in rate year Computer Software expense shown in Workpaper MDL-7, Pages 8-10, Lines 123-190, totaling \$0.6 million.

Total Annual Savings

Please refer to Workpaper MDL-15, which supports the Productivity & Efficiency Savings generated by the U.S. Restructuring Program. Annual IS savings of \$9.5 million are a component of the total \$171 million in U.S. Restructuring Savings. These savings are comprised of \$7.1 million in non-labor savings (Page 7) and \$2.4 million in labor savings (Page 18). IS-related U.S. Restructuring savings initiatives include the following, per page 5:

- **IS1 - IS OPEX project demand management - \$2.5 million**
Initiative IS1 relates to the rationalization of the Company's OPEX project portfolio. This was achieved by evaluating opportunities to cancel or defer projects. The Company participates in an annual investment planning process where the business relationship management team works with the wider National Grid USA business and the Information Services Solution and Service Delivery functions to evaluate opportunities for investment. During the year, a formalized sanction process is held where individual projects that may have been identified in the investment plan are yet again evaluated. During the year, the business relationship management team continues to work with the wider business looking for potential areas of deferring or cancelling projects. Projects are typically capital projects that have an operating expense component. It is this operating expense component where National Grid USA expects to achieve \$2.5 million in annual savings.
- **IS2- IS Solution Delivery – new vendor arrangements - \$1.0 million**
Application development and application support functions were transferred to external vendors IBM and Wipro, as discussed in the Direct Testimony of Michael D.

Division 1-14-ELEC, page 2

Laflamme, Page 41. The comments in IS3 below provide further description of the efficiencies gained with the transfer of responsibilities from in-house National Grid to IBM and Wipro.

▪ **IS3 - Application support – further efficiencies - \$3.6 million**

This initiative represents efficiencies following the transfer of application support and development to IBM and Wipro, beyond the \$1.0 million identified in IS2 above. The \$1.0 million was an estimate; however, the Solution Delivery costs were reduced by \$4.6 million in total. These efficiencies are generally driven by the transfer of services at a reduced cost, lower cost contracts with IBM and Wipro, and clauses in the contract that allow for efficiencies (*i.e.*, contract cost decreases over time). Please note that Workpaper MDL-15 refers to initiative IS3 as “IS service delivery - new vendor arrangements.” This initiative description in the Workpaper is mislabeled and should read “Application support - further efficiencies” as shown above.

▪ **IS Solution Delivery – further stretch options - \$2.4 million**

This \$2.4 million represents labor savings resulting from the reorganization of the IS Solution Delivery Process & Systems team. The Process & Systems function was previously split among three functions: the Transaction Delivery Center (“TDC”) Technology team, the Operations Work Support team, and the Customer Technology Group. It was transferred into IS during 2011. Process & Systems performs functions such as production application support, business consultancy, assisting in designing business solutions and working as a conduit between business users and IS. An evaluation of the services provided was subsequently completed to determine activities that could be terminated or absorbed into other functions. The result was a reduction in staff of the Process & Systems organization from 44 to 29 FTEs.

Of the total \$9.5 million in U.S. Restructuring savings for the IS department, a total of \$0.9 million in labor and \$3.4 million in non-labor savings were achieved in the test year. Incremental savings of \$1.5 million and \$3.7 million for labor and non-labor expenses, respectively, would be achieved in the rate year.

Savings Allocable to the Company

Annual IS-related U.S. Restructuring savings allocable to the Company are calculated to total \$0.5 million as follows:

IS OPEX project demand management - \$0.1 million
IS solution delivery - \$0.1 million
Application support - further efficiencies - \$0.2 million
IS solution delivery - further stretch options - \$0.1 million

Division 1-14-ELEC, page 3

This allocation was derived by taking the total IS-related U.S. Restructuring savings of \$9.5 million times an allocation percentage of 5.6 percent, which is the Company's share of bill pool 90382 "G&A – Grid & KS – All (excluding Parent)", as shown at Schedule MDL-2, Page 37, Line 36.

Of the annual \$0.5 million in IS-related U.S. Restructuring savings, approximately \$0.2 million of savings were achieved in the test year and are therefore embedded in the test year cost of service. An incremental total of \$0.3 million in IS-related U.S. Restructuring savings is included in the rate year cost of service. Incremental non-labor savings of \$0.2 million are a component of the total \$2.6 million Productivity & Efficiency Savings adjustment shown at Schedule MDL-3-ELEC, Page 7, Line 31. Incremental labor savings of \$0.1 million are embedded in rate year labor expense of \$38.6 million, shown at Schedule MDL-3-ELEC, Page 7, Line 3. Rate year labor expense was calculated based on the December 31, 2011 employee complement and all employee separations were completed prior to December 31, 2011; therefore, annual labor savings have been reflected in the rate year labor expense.

In preparing this response, the Company noted that the total rate year Productivity & Efficiency adjustment should total \$2,627,184, as shown at Workpaper MDL-15 at Page 1. Currently, \$2,590,836 is reflected in the rate year cost of service, which results in \$36,347 in additional savings.

Division 1-15-ELEC

Request:

Referring to Laflamme testimony, page 45, please provide a summary of the savings attributable to the U.S. Foundation Program. The response should show the total annual savings, the savings allocable to Narragansett – Electric, and the extent to which anticipated annual savings are reflected in the rate year cost of service, with specific reference to how and where such savings are reflected.

Response:

A summary of the savings attributable to the U.S. Foundation Program (“USFP”) is set forth in Workpaper MDL-15, which supports the Productivity & Efficiency savings adjustment.

Total Annual Savings

The total annual savings of \$4.9 million from the U.S. Foundation Program (“USFP”) reflected in U.S. Restructuring Savings are made up of the following initiatives (descriptions are provided beginning on page 4 of the Workpaper).

- **FIN5 - Finance - Contractors (in day jobs) - \$3.3 million**
FIN5 relates to agency staff who are filling established roles within Finance that will no longer be required when USFP is implemented. Until SAP is implemented, there is a requirement to maintain staffing levels that support the current systems. Full-time staff members that have been brought onto USFP have been replaced with agency staff. These roles will no longer be needed following the implementation of SAP.
- **FIN6 - Finance - Contractors (in project roles) - \$1.3 million**
FIN6 relates to agency staff who are filling established roles within Finance working on project work that will no longer be required when USFP is implemented. Similar to FIN5, full-time staff members who have been working on special projects and have been brought onto USFP have been replaced with agency staff. These roles will no longer be needed following the implementation of SAP.
- **PROC6 - Procurement – Procurement Card (“P-Card”) consolidation – \$0.3 million**
PROC6 relates to a Transaction Delivery Center (“TDC”) initiative, which will result in procurement savings when USFP is implemented. These savings relate to the roll-out of the program that comes with consolidating the P-Cards with a single bank and getting a higher rebate.

Division 1-15-ELEC, page 2

Of the total \$4.9 million in USFP savings embedded in U.S. Restructuring, none have been achieved in the test year; therefore, \$4.9 million should be achieved in the rate year.

While there are no labor savings directly attributable to USFP, U.S. Restructuring initiatives were developed assuming a single back-office platform.

Savings Allocable to the Company

Annual USFP-related U.S. Restructuring savings allocable to the Company are calculated to total \$0.3 million as follows:

Finance - Contractors (in day jobs) - \$0.19 million
Finance - Contractors (in project roles) - \$0.07 million
Procurement - P-Card - \$0.02 million

This allocation was derived by taking the total USFP-related U.S. Restructuring savings of \$4.9 million times an allocation percentage of 5.6 percent, which is the Company's share of bill pool 90382 "G&A – Grid & KS – All (excluding Parent)", as shown at Schedule MDL-2, Page 37, Line 36.

The total \$0.3 million of USFP-related U.S. Restructuring savings is included in the rate year cost of service, as a component of the total \$2.6 million Productivity & Efficiency Savings adjustment shown at Schedule MDL-3-ELEC, Page 7, Line 31.

Division 1-16-ELEC

Request:

Referring to Workpaper MDL-7, Page 3, please provide any cost/benefit analysis prepared by or for the Company regarding the Outage Management System on Line 116 and the NE EMS Replacement on Line 122.

Response:

A cost/benefit analysis was not applicable to the Outage Management System ("OMS") and NE Energy Management System ("EMS") replacement projects because each of these projects is classified as an asset replacement project. These replacement projects were made necessary because of the risk involved with the operating capabilities of the systems and the lack of vendor support for the installed versions of the applications. The primary driver of asset replacement projects are operational requirements rather than the achievement of savings, and therefore, such projects are approved on the basis of the operational improvements that will result from the replacement rather than on the identification of reduced operating costs. These two systems are critical to the reliable operation of the transmission and distribution networks and the Company seeks to replace critical systems that are characterized by declining functionality and obsolescence in relation to vendor support.

A formal procurement event was conducted and Asea Brown Boveri (ABB) was awarded the contract to deliver an integrated EMS/OMS system.

Division 1-17-ELEC

Request:

Referring to Workpaper MDL-7, Page 8, please provide the basis for the 13.06% allocation factor for Outage Management System on Line 116.

Response:

The purpose of this project is to replace the two regional Distribution Outage Management Systems ("OMS") in Upstate New York and New England.

The factor of 13.06 percent represents the amount allocated to Narragansett Electric Distribution per bill pool 00231. Please refer to the chart below. This bill pool charges the set of upstate New York and New England electric distribution companies that will utilize the OMS system. The Company's allocation percentage is based on its costs relative to all of the affiliate electric distribution companies in the bill pool and is calculated using a three-point allocation methodology based on gross margin, net plant and O&M expenses.

Bill Pool 00231 – Electric Distribution Companies – NE & NY	
Granite State Electric	1.32%
Massachusetts Electric	37.11%
Nantucket Electric	0.53%
Narragansett Electric –Distribution	13.06%
Niagara Mohawk Power Corporation-Electric	47.98%

Division 1-18-ELEC

Request:

Referring to Workpaper MDL-7, Page 8, why is 21.43% of the NE EMS Replacement on Line 122 allocated to Narragansett Electric, as the system is indicated as being for transmission?

Response:

The labeling on Line 122 reflects the Information Services area (Transmission) that is managing the project. The investment itself will benefit both the Electric Distribution and Transmission businesses. The Energy Management System ("EMS") replacement project is a single project that monitors, operates and controls the electric assets of the T&D system as well as exchange data and information with the NE Independent System Operator (ISO).

The factor of 21.43 percent represents the amount allocated to Narragansett Electric Distribution per bill pool 00237. Please refer to the chart below. This bill pool charges the set of New England transmission and electric distribution companies that will utilize the NE EMS system. The Company's allocation percentage is based on its costs relative to all the affiliate Transmission and Electric Distribution companies in the bill pool and is calculated using a three-point allocation methodology based on gross margin, net plant and O&M expenses.

Bill Pool 00237 – Electric Transmission & Distribution NE	
Granite State Electric	2.17%
Massachusetts Electric	60.90%
Nantucket Electric	0.87%
Narragansett Electric DIST	21.43%
New England Power Company	14.63%

Division 1-19-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 29, please explain the reasons for the increase in the Reservoir Woods Leasehold Improvements.

Response:

The Reservoir Woods Leasehold Improvements increase is due to the recapitalization of the Service Company. The carrying charges increased from 6.00 percent to 9.911 percent.

Division 1-21-ELEC

Request:

Referring to Workpaper MDL-12, please provide documentation supporting the operating expenditures on Line 7.

Response:

Please see Attachment DIV-1-21-ELEC.

**The Narragansett Electric Company
d/b/a National Grid**

The Narragansett Electric Company d/b/a National Grid

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**OPEX Associated With CAPEX
3 Year Historical %'s
Support for Workpaper MDL-12
OPEX by Project Number**

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	<u>Project No.</u>	<u>(a) FY09</u>	<u>(b) FY10</u>	<u>(c) FY11</u>	<u>(d) Total</u>
1	C01095		1,960		1,960
2	C01143		(3,185)		(3,185)
3	C01152			1,604	1,604
4	C01153		13,115	(13,100)	15
5	C01159			59	59
6	C01175	874		3,162	4,036
7	C01179	(327)			(327)
8	C01183	(4,286)		4,266	(20)
9	C01225			(156)	(156)
10	C01266		1,169		1,169
11	C01272		2,644		2,644
12	C01274	(869)			(869)
13	C01285			398	398
14	C01286		630		630
15	C01321		624		624
16	C01488		(351)		(351)
17	C01506	1,268			1,268
18	C01523	96,175	-		96,175
19	C01524	(3)			(3)
20	C01526	19,866			19,866
21	C01527	54			54
22	C01531	(13,309)			(13,309)
23	C01532	16,902		11,065	27,967
24	C02254	83,892	5,468		89,360
25	C02258	12			12
26	C02535		(1,415)		(1,415)
27	C02539	9,769	1,942		11,711
28	C03028	135	5,068		5,204
29	C03029		404		404
30	C03031	(236)			(236)
31	C03033		(13,259)		(13,259)
32	C03693		1,148	7,613	8,761
33	C05047	208	511		720
34	C05344	798			798
35	C05414	697			697

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	<u>Project No.</u>	<u>(a)</u> <u>FY09</u>	<u>(b)</u> <u>FY10</u>	<u>(c)</u> <u>FY11</u>	<u>(d)</u> <u>Total</u>
36	C05461	1,618,127	1,082,997	565,528	3,266,651
37	C05463	991	1,769	1,626	4,386
38	C05464	1,108	84		1,192
39	C05484		311	2,773	3,084
40	C05485	25,380	31,956	6,713	64,048
41	C05504	12,606	13,949	724	27,279
42	C05505	17,944	48,366	20,092	86,402
43	C05524	42,430	198,700	158,383	399,513
44	C05854	3,608	8,913		12,521
45	C05858	692	(968)		(276)
46	C06140	1,968	4,544	41,526	48,039
47	C06316		801,367	151,797	953,164
48	C06641	2,837			2,837
49	C06644	146,631	224,914	12,472	384,017
50	C06717	149			149
51	C07258	827	531	443	1,800
52	C07380		29		29
53	C08201	731	40		771
54	C08367	322			322
55	C08415	2,325			2,325
56	C08512	86			86
57	C08627	27,201	742	84	28,027
58	C08775		162		162
59	C08919		11,295		11,295
60	C09015	7	3,591		3,598
61	C09034	(212)			(212)
62	C09214	(528)		5	(523)
63	C09590		301		301
64	C09885	6,999			6,999
65	C09886	1,919		527	2,446
66	C10764	268	(235)		33
67	C10765	100,664	15,283	-	115,947
68	C11338	219			219
69	C11578	20,978	2,740	11,844	35,561
70	C12079			56	56

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OPEX by Project Number

	<u>Project No.</u>	<u>(a)</u> <u>FY09</u>	<u>(b)</u> <u>FY10</u>	<u>(c)</u> <u>FY11</u>	<u>(d)</u> <u>Total</u>
71	C12119	561			561
72	C12178	4,747	341		5,088
73	C12340	761			761
74	C12341		24,398		24,398
75	C12358	(236)			(236)
76	C12398	(401)			(401)
77	C12438	4,522	1,679	6,363	12,564
78	C12440	12,150	(3,682)		8,468
79	C12862	195		4,495	4,690
80	C13723		(9)		(9)
81	C13967	7,901	680	(3,565)	5,015
82	C14326	56,987	52,486	67,781	177,254
83	C14630	(2,021)	-		(2,021)
84	C14649			557	557
85	C14687	432	23,632	3,465	27,529
86	C14825		4,681		4,681
87	C14872		2,992		2,992
88	C15155	231			231
89	C15159		44,164	2,037	46,201
90	C15200			417	417
91	C15220	11,212			11,212
92	C15263	26			26
93	C15402		(1,415)		(1,415)
94	C15409	28,368	164,472	87,788	280,629
95	C15528		3,230	(28)	3,202
96	C15570			17,386	17,386
97	C16112	81			81
98	C16122	197	97,539	679	98,416
99	C16468	215			215
100	C18151	34,340			34,340
101	C18593	58,921	73,423	40,070	172,413
102	C20275	16,572	8,013		24,585
103	C20491	2,345	23,774		26,119
104	C20512	49			49
105	C20514	12,603			12,603

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<u>Project No.</u>	<u>(a)</u> <u>FY09</u>	<u>(b)</u> <u>FY10</u>	<u>(c)</u> <u>FY11</u>	<u>(d)</u> <u>Total</u>	
106	C20671		73	73	
107	C21131	492		492	
108	C21151	(3,000)		(3,000)	
109	C21414	24,084	17,706	6,559	48,349
110	C22031	(1,068)	130	3,193	2,255
111	C22433	359,496	563,450	202,343	1,125,290
112	C22712	7,238			7,238
113	C23011		31,695	1,165	32,860
114	C23152	5,726			5,726
115	C23372	812	79,439		80,251
116	C23774	155			155
117	C23791		1,704	94	1,798
118	C23792	11,189			11,189
119	C23793		983	5,572	6,556
120	C23853	1,344	61,614	2,572	65,530
121	C23854	1,140	289		1,429
122	C24170	10,565	1,281		11,845
123	C24173		1,296		1,296
124	C24174	2,493	31,707	7,203	41,402
125	C24175		14,270	698	14,968
126	C24176		3,146		3,146
127	C24179	225	16,237		16,462
128	C24180			74	74
129	C24221		12,689		12,689
130	C24279		16,942		16,942
131	C24619	3,251			3,251
132	C24627	20,876			20,876
133	C24999	14,280	126		14,406
134	C25019	557	10,305		10,862
135	C25322	3,653			3,653
136	C25325		34	10,003	10,037
137	C25809		2,246		2,246
138	C25815		541	880	1,422
139	C25979	203,439	766	1,750	205,955
140	C26146	1,762			1,762

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141	C26180			4,644	4,644
142	C26497		5,681	333	6,014
143	C26756	959	3,132		4,092
144	C26757			5,169	5,169
145	C27123			1,482	1,482
146	C27245			6,725	6,725
147	C27543	2,623	7,108		9,731
148	C27588	15,118	6,965		22,083
149	C27642	97	1,640		1,737
150	C27911		2,803	7,435	10,237
151	C28144	7,215			7,215
152	C28302	1,547	(795)		751
153	C28364		332	-	332
154	C28529	973,018	1,250,452	425,198	2,648,668
155	C28534	3,151			3,151
156	C28615		55	25,171	25,225
157	C28764	1	0	58	59
158	C28882	11,948	408		12,355
159	C28944			1,092	1,092
160	C29043		51	11,132	11,183
161	C29406	2,321			2,321
162	C29407	205	1,315		1,519
163	C29408	3,582			3,582
164	C29409		527		527
165	C29411	205	2,264		2,468
166	C29412	136	907		1,043
167	C29413		3,411		3,411
168	C29414	457			457
169	C29416	65			65
170	C29417		865		865
171	C29418		(3,677)		(3,677)
172	C29473	20,119			20,119
173	C29494			4,538	4,538
174	C29474		11,361	89	11,450
175	C29569	1,284	4,170		5,454

**The Narragansett Electric Company
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The Narragansett Electric Company d/b/a National Grid

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3 Year Historical %'s
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<u>Project No.</u>	<u>(a) FY09</u>	<u>(b) FY10</u>	<u>(c) FY11</u>	<u>(d) Total</u>
176	C29784		8,568	8,568
177	C29789	64,271		64,271
178	C30127	852		852
179	C30387	170		170
180	C30804	11		11
181	C30827	7,002	12,891	19,893
182	C31089	3,934		3,934
183	C31126	92		92
184	C31181	2,518	182	2,700
185	C31238		323	323
186	C31639		39	39
187	C31810	18,838	2,510	21,349
188	C31835		910	910
189	C31836	1,010	396	1,406
190	C31917		41	41
191	C31930	39,514	(20,844)	18,670
192	C32002	17,673		17,673
193	C32019	5,827	4,849	10,676
194	C32278	12,981	4,832	17,813
195	C32285	415	45	459
196	C32353		538	538
197	C32553	590		590
198	C32580	7,957		7,957
199	C32692	2,967		2,967
200	C32830	7,529	2,818	10,347
201	C32990		468	468
202	C32992		876	876
203	C33532	260	3,754	4,014
204	C33534	267	2,777	3,044
205	C33592	4,006	149	4,155
206	C33622		1,835	1,835
207	C33762	1,170	1,624	2,794
208	C33902		399	399
209	C33904	699	44	743
210	C34404	118		118

The Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4323
Attachment DIV 1-21-ELEC
Page 7 of 7

The Narragansett Electric Company d/b/a National Grid
OPEX Associated With CAPEX
3 Year Historical %'s
Support for Workpaper MDL-12
OPEX by Project Number

<u>Project No.</u>	<u>(a)</u> <u>FY09</u>	<u>(b)</u> <u>FY10</u>	<u>(c)</u> <u>FY11</u>	<u>(d)</u> <u>Total</u>
211	C34544	116	5,757	5,872
212	C34624	(29,328)	173,666	144,338
213	C35020	4,122		4,122
214	C35427		9,034	9,034
215	C35682		1,395	1,395
216	C36086		384	384
217	C36645		286,344	286,344
218	C37065		10,460	10,460
219	C37110		(40,241)	(40,241)
220	CAP049	53,893	163,908	258,323
221	CD0002		7,382	7,382
222	CD0011		4,605	4,605
223	CD0018		28,869	28,869
224	CD0041		313	313
225	CD0076		283	283
226	CD0131		1,515	1,515
227	CD0216		(30,886)	(30,886)
228	CD0240		2,096	2,096
229	CN4920	(4,053)	-	(4,053)
230	COS002	127,998	163,158	39,201
231	COS004	24,695	32,018	165,076
232	COS006	6,000	6,326	12,326
233	COS009		401	401
234	COS010	425,385	545,481	202,516
235	COS011	248,482	498,949	327,281
236	COS012	28,700	55,881	79,608
237	COS013	154,128	242,023	199,885
238	COS014	553,906	949,899	783,862
239	COS015	105,312	254,105	254,084
240	COS016	24,606	42,372	11,428
241	COS017	316,357	210,670	105,038
242	COS020	91,053		91,053
243	COS022	213,723	214,625	(67,907)
244				
245	Grand Total	<u>6,586,554</u>	<u>8,705,933</u>	<u>4,801,921</u>
				<u>20,094,407</u>

Division 1-22-ELEC

Request:

Referring to Workpaper MDL-12, please provide a narrative explanation of how the operating expenditures on Line 7 were identified as being associated with capital expenditures.

Response:

All capital charges are posted to capital projects. Capital projects are identified as project numbers beginning with the letter C. If there are any OPEX charges associated with the capital work for a specific project, those charges are also posted to the C project number but charged to an O&M FERC account. For example, the FERC CFR specifically states that when a pole is replaced (a capital activity), the cost of reattaching lines is an expense activity. To identify OPEX associated with capital projects the Company extracted the charges made to O&M FERC accounts that relate to these projects.

Division 1-23-ELEC

Request:

Referring to Workpaper MDL-12, please provide the expense account or accounts to which the operating expenditures on Line 7 were charged.

Response:

Please see Attachment DIV 1-23-ELEC for the O&M expenditures supporting Workpaper MDL-12 by FERC account. The attachment includes a small amount of expenses that were incorrectly charged to transmission FERC accounts, however the underlying charges are distribution expenses associated with distribution capital projects and are appropriately included in the derivation of the three year average of O&M costs on distribution capital work. The incorrect charging of the transmission FERC accounts is the result of charging an activity in the Company's accounting system that derives a transmission expense rather than an activity that should have derived a distribution FERC account. This occurred for only 1 percent or less of the charges in the years used to calculate the three year average.

The Narragansett Electric Company d/b/a National Grid
OPEX Associated With CAPEX
3 Year Historical %'s
Support for Workpaper MDL-12
OPEX by FERC Account

Regulatory Account	Regulatory Account Description	FY09	FY10	FY11	Total
1	549000 Other Power Generation-MiscExp	(78)			(78)
2	560000 Trans Oper-Supervision & Eng	2,281	235		2,516
3	561500 Reliab, Plan & Standards Dev	20,978	444	881	22,304
4	562000 Trans Oper-Substations	24,350	5,089	9,752	39,191
5	564000 Trans Oper-Underground Lines		2,235		2,235
6	566000 Trans Oper-Misc Expenses	26	3,404	3,614	7,043
7	568000 Trans Maint-Supervision & Eng	345		215	561
8	570000 Trans Maint-Substations	21,049	6,835	10,336	38,220
9	570010 Trans Maint-Substation-Trouble	14	74,990	1,946	76,950
10	571000 Trans Maint-Overhead Lines	2,317	(27)	1,495	3,786
11	571010 Trans Maint-Switch-Unplanned	52	(70)		(17)
12	571020 Trans Maint-Right of Way			50	50
13	572000 Trans Maint-Underground Lines	238			238
14	573000 Trans Maint-Misc Expenses	18,759			18,759
15	580000 Dist Oper-Supervision & Eng	142,971	412,100	195,383	750,454
16	581000 Dist Oper-Load Dispatching	62		355	417
17	582000 Dist Oper-Substations	690,525	2,923,352	841,215	4,455,093
18	583000 Dist Oper-Overhead Lines	361,825	103,711	38,279	503,816
19	584000 Dist Oper-Underground Lines	131,255	72,454	90,171	293,879
20	585000 Dist Oper-Outdoor Lighting	379	1,075	430	1,884
21	586000 Dist Oper-Electric Meters	23,721	31,925	70,130	125,776
22	587000 Dist Oper-CustomerInstallation	10,278	23,309	39,130	72,717
23	588000 Dist Oper-Misc Expenses	308,478	433,700	265,341	1,007,519
24	589000 Dist Oper-Rents			100	100
25	592000 Dist Maint-Substations	127,194	109,172	58,976	295,342
26	591000 Dist Maint-Structures		1,121		1,121
27	592010 Dist Maint-Substations-Trouble	36,263	98,078	87,217	221,559
28	593000 Dist Maint-Overhead Lines	3,749,298	3,311,041	2,216,237	9,276,576
29	593010 Dist Maint-OH Lines-Trouble	108	669	790	1,567
30	593020 Dist Maint-OH Lines-Veg Mgmt	24,022	21,736	132,393	178,151
31	594000 Dist Maint-Underground Lines	293,842	408,977	344,917	1,047,737
32	595000 Dist Maint-Line Transformers	196,976	229,372	85,895	512,243
33	596000 Dist Maint-Outdoor Lighting	279,463	248,422	143,431	671,316
34	597000 Dist Maint-Electric Meters	416	824	9,100	10,341
35	598000 Dist Maint-Misc Distr Plant			-	-
36	902000 Cust Acct-Meter Reading Exp	1,477	296	10,270	12,043
37	903000 Cust Records & Collection	1,516	875	45,663	48,054
38	908000 Cust Assistance Expenses			2,793	2,793
39	920000 A&G-Salaries	11,937	8,640	12,026	32,603
40	921000 A&G-Office Supplies	12,198	5,110	(35,552)	(18,244)
41	923000 A&G-Outside Services Employed	1,036	1,190	-	2,226
42	925000 Injuries & Damages Insurance	4,261	3,143	3,118	10,522
43	926000 Employee Pensions & Benefits	85,004	128,631	128,557	342,192
44	928000 Regulatory Comm Expenses		3,293		3,293
45	930200 A&G-Misc Expenses	557	30,582	(12,735)	18,403
46	935000 A&G Maint-General Plant-Elec	1,159			1,159
47					
48	Grand Total	6,586,554	8,705,933	4,801,921	20,094,407

Division 1-25-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 45, how many of the additional employees have been hired to date? The response should provide the months in which the additional employees have been hired.

Response:

The Company has not yet hired any of these additional employees. The Company, however, expects to hire these additional employees prior to the in-service date of the SAP operating platform being implemented as part of the U.S. Foundation Program, which is anticipated to be October 2012.

Division 1-26-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 54, Lines 17 and 18, please provide the remaining unamortized balances of Merger CTA costs and Docket 4065 rate case costs as of December 31, 2011.

Response:

The remaining unamortized balances of Merger CTA costs and Docket 4065 rate-case costs as of December 31, 2011 are shown in the table below:

Description	FERC Account	Balance at December 31, 2011
Merger Costs to Achieve	182.3	\$ (856,202)
Docket 4065 Rate Case Expense	182.3	\$1,088,169

Division 1-27-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 59, please provide documentation supporting the property tax expenses on lines 27-31.

Response:

Please refer to Attachment DIV 1-27-ELEC to support the property tax expense for calendar years 2008 through 2011, as shown on Schedule MDL-3-ELEC, Page 59 at lines 27-31.

The Narragansett Electric Company (Co. 49)
Property Tax Journals for the Calendar Years 2008 through 2011

Sum of Posted Jrnl \$							Cal Yr				
Line No.	Business Unit	Bus Unit Descr	Segmen	Regulatory Ac	Regulatory Acct Descr	Jrnl Id	Jrnl Line Descr	2008	2009	2010	2011
1	00049	Narragansett Electric Company	DIST	408140	Tx Oth Inc Tx-Mun Op Prop	01291	Property tax constant (operati	\$ 17,093,750	\$ 18,611,525	\$ 4,733,480	
2						49291	Providence settlmt amort	883,333	883,333	883,333	883,333
3						49617	Rcl 48/49 acct.236300	(17,661)			
4						01291DS	Property tax constant (operati			15,214,373	23,658,083
5			DIST Total					\$ 17,959,422	\$ 19,494,858	\$ 20,831,185	\$ 24,541,416
6			TRAN	408140	Tx Oth Inc Tx-Mun Op Prop	01291	Property tax constant (operati	4,009,224	4,365,590	1,110,322	
7						49617	Rcl 48/49 acct.236300	(4,143)			
8						01291DS	Property tax constant (operati			3,568,720	5,549,384
9			TRAN Total					\$ 4,005,081	\$ 4,365,590	\$ 4,679,043	\$ 5,549,384
10	Grand Total							\$ 21,964,503	\$ 23,860,448	\$ 25,510,228	\$ 30,090,801
11											
12	Total property tax expense							\$ 21,964,503	\$ 23,860,448	\$ 25,510,228	\$ 30,090,801
13	Less : IFA related property tax expense							(4,005,081)	(4,365,590)	(4,679,043)	(5,549,384)
14	Less: Amortization of Providence tax settlement							(883,333)	(883,333)	(883,333)	(883,333)
15	Total Distribution property tax net of settlement amortization							\$ 17,076,089	\$ 18,611,525	\$ 19,947,852	\$ 23,658,083
16											
17	Per Schedule MDL-3-ELEC, Page 59 Lines 27 - 31							17,076,089	18,625,667	19,962,667	23,658,084
18	variance							\$ 0	\$ (14,142)	\$ (14,815)	\$ (1)

Line Notes:

- 1-10 Per Company books
- 12 Equals Line 10
- 13 Equals Line 9; CY 2011 agrees to Workpaper MDL-1, Page 2 Line 50
- 14 Equals Line 2
- 15 Sum of Lines 12 through 14
- 18 Line 15 - Line 17

Division 1-28-ELEC

Request:

Referring to Schedule MDL-3-ELEC, Page 60, please provide the remaining deferred income tax deficiency to be amortized as of December 31, 2011.

Response:

Narragansett Electric has amortized \$1,300,000 during the period March 1, 2010 through December 31, 2011. The remaining unamortized balance is \$7,966,000, computed as follows:

Total Unfunded Deferred FIT Reserves @ 12/31/2009	\$9,266,000
Amortization from March 1, 2010 through December 31, 2011	<u>-\$1,300,000</u>
Unamortized balance at 12/31/2011	<u><u>\$7,966,000</u></u>

Division 1-29-ELEC

Request:

Referring to Laflamme testimony, page 112, please provide documentation and calculations supporting the estimated Storm Fund deficit of \$11.5 million.

Response:

The Company estimated a storm fund deficit of \$11.5 million based on the following:

In the Company's annual storm fund filing in Docket No. 2509, submitted with the Commission on May 1, 2012, the Company indicated a deficit Storm-Fund balance of \$4.6 million at December 31, 2011. In Attachment 3 of that submission, incremental costs related to Tropical Storm Irene incurred by the Company through December 31, 2011 totaled approximately \$26.5 million. However, incremental costs associated with Tropical Storm Irene are expected to total approximately \$32.5 million in the final result, or approximately \$6.0 million more than incurred through December 31, 2011. In addition, final costs of the October 2011 Snow storm were not fully received at the time the Company submitted the 2011 Storm-Fund filing. Consequently, the estimated Storm Fund deficit of \$11.5 million is equal to the December 31, 2011 Storm-Fund deficit of \$4.6 million, plus additional costs for Tropical Storm Irene of \$6.0 million, plus estimated costs of \$500,000 for the October 2011 Snowstorm event, plus annual interest at the 2011 rate of 3.22% ($(4.6 + 6.0 + 0.5) * 1.0322 = 11.469$).

Lastly, it is important to note that any differences in the ultimate actual charges allowed for inclusion in the Company's Storm Fund pursuant to final costing submissions to the Commission versus estimated costs assumed in arriving at this estimate would simply remain in the Storm Fund pursuant to the Company's proposal in this proceeding. For example, if actual allowable costs total less than estimates used to arrive at the \$11.5 million projected deficit, all excess Fund contributions would remain in the Storm Fund to help mitigate future storm restoration costs. Conversely, if actual costs exceed estimates, the difference would be recovered through the normal operation of the Company's Storm Fund mechanism.

For ease of reference, copies of Attachments 2 and 3 from the Company's April 30, 2012 annual Storm Fund report submission have been attached herein as Attachment DIV 1-29-ELEC.

The Narragansett Electric Company
d/b/a National Grid
Annual Report of Storm Fund Activity
For the Year Ended December 31, 2011

Line No.	Month	Beginning Balance (a)	Monthly Contribution (b)	Monthly Interest (c)	Storm Charges 2/ (d)	Adjustments (e)	Ending Balance (f)
1	January-11	\$ 21,577,502	1/ \$ -	\$ 58,619	\$ (16,252)	\$ -	\$ 21,619,869
2	February-11	21,619,869	-	58,734	(28,146)	-	21,650,457
3	March-11	21,650,457	-	58,095	(86,874)	-	21,621,679
4	April-11	21,621,679	-	58,018	(2,172)	-	21,677,524
5	May-11	21,677,524	-	58,168	(76,662)	-	21,659,030
6	June-11	21,659,030	-	58,118	-	-	21,717,149
7	July-11	21,717,149	-	58,274	(105)	-	21,775,318
8	August-11	21,775,318	-	58,430	251,009	-	22,084,757
9	September-11	22,084,757	-	59,261	(9,512,133)	-	12,631,885
10	October-11	12,631,885	-	33,896	(5,914,686)	-	6,751,095
11	November-11	6,751,095	-	18,115	(9,780,597)	-	(3,011,387)
12	December-11	(3,011,387)	-	(8,081)	(2,131,026)	539,084	3/ (4,611,409)
13	Year Ended 12/31/11	\$ 21,577,502	\$ -	\$ 569,649	\$ (27,297,645)	\$ 539,084	\$ (4,611,409)

1/ Reflects inclusion of Hurricane Earl and the recalculation of interest based on a calendar year rate in accordance with R.I.P.U.C. Docket no. 2509

2/ See Attachment 3

3/ Represents 50% of 2011 attachment fee revenue in excess of \$850,000

The Narragansett Electric Company
d/b/a National Grid
Storm Fund Charges
For the Year Ended December 31, 2011

Line No.	Month	Mar-2010 Storm Event (a)	Sep-2010 Storm Event (b)	Aug-2011 Storm Event (c)	Oct-2011 Storm Event (d)	Total (e)
1	January-11	\$ -	\$ (16,252)	\$ -	\$ -	\$ (16,252)
2	February	(44,993)	16,847			(28,146)
3	March	(84,800)	(2,074)			(86,874)
4	April	(2,172)				(2,172)
5	May	(76,662)				(76,662)
6	June					-
7	July	(105)				(105)
8	August			251,009		251,009
9	September			(9,512,133)		(9,512,133)
10	October			(5,914,686)		(5,914,686)
11	November			(9,406,034)	(374,563)	(9,780,597)
12	December			(1,944,576)	(186,450)	(2,131,026)
13	Year Ended 12/31/11	\$ (208,733)	\$ (1,479)	\$(26,526,420)	\$ (561,013)	\$ (27,297,645)

Column Notes:

- (a) Represents preliminary costs associated with the March 2010 flood
- (b) Represents preliminary costs associated with Hurricane Earl
- (c) Represents preliminary costs associated with Tropical Storm Irene
- (d) Represents preliminary costs associated with the October 2011 snow storm

Division 1-30-ELEC

Request:

Referring to Laflamme testimony, page 113, please explain how the Company determined that \$2.4 million per year for three years were appropriate factors for the SCRF.

Response:

As shown on Workpaper MDL-23, the \$2.4 million amount in question was derived by solving for an amount that, together with the proposed application of the 2003 VERO amortization recoveries to the storm fund deficit starting in January 2014, would essentially eliminate the storm fund deficit currently projected to be \$11.5 million. As shown on that workpaper, the proposed \$2.4 million temporary three-year recovery via the SCRF would result in an estimated fund deficiency of \$15,716 at January 31, 2016 as shown on Line 29 in Column (e). The Company intends to establish a separate "storm fund deficit account" to which the Storm Fund Reserve account balance would be transferred upon approval by the Commission.

The intent of the proposed SCRF is to specifically address the Company's current storm fund deficit and is not intended to restore a much needed Storm Fund Reserve for the benefit of customers. At the end of the temporary SCRF recovery period, any balance in the storm fund deficit account, positive or negative, would be transferred to the operating Storm Fund Reserve account. At that time, or beginning in February 2016, the Company proposes to credit the Storm Fund Reserve account with the \$2.5 million annual recovery of the expiring 2003 VERO amortization previously discussed.

Division 1-31-ELEC

Request:

Referring to Workpaper MDL-23, why is the \$1,041,000 base rate storm damage accrual omitted from the analysis?

Response:

As indicated in the Company's response to Division 1-30-ELEC, the proposed SCRF is intended to specifically address the Company's current storm fund deficit and is not intended to restore a much needed Storm Fund Reserve for the benefit of customers. The restoration of the Company's former recovery of Storm Fund Reserve contributions of \$1,041,000 is intended to begin to restore a reserve balance to be used to mitigate customer impacts of future major storm restoration costs.