

June 6, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4686 - Request for Approval of Storm Contingency Fund Replenishment
Rebuttal Testimony**

Dear Ms. Massaro:

Enclosed are ten (10) copies of National Grid's¹ rebuttal testimony in the above-referenced docket. This filing consists of the rebuttal testimonies of William R. Richer and Patricia S. Easterly.

Thank you for your attention to this filing. If you have any questions concerning this transmittal, please contact me at 781-907-2153.

Very truly yours,



Celia B. O'Brien

Enclosures

cc: Docket 4686 Service List
Leo Wold, Esq.
Steve Scialabba, RI Division
John Bell, RI Division

¹ The Narragansett Electric Company d/b/a National Grid (National Grid).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

June 6, 2017
Date

**Docket No. 4686 – National Grid’s Storm Contingency Fund Replenishment
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JOINT REBUTTAL TESTIMONY

WILLIAM R. RICHER

AND

PATRICIA C. EASTERLY

Table of Contents

I.	Introduction and Qualifications.....	1
II.	Purpose of Rebuttal Testimony.....	4
III.	Rebuttal to Division Recommendation.....	7
IV.	Ramifications of Disallowing Incremental Costs Incurred	29
V.	Storm Fund Replenishment Factor	34
VI.	Conclusion.....	35

1 **I. Introduction and Qualifications**

2 **Q. Please state your full name and business address.**

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

6 **Q. By whom are you employed and in what position?**

7 A. I am the Director of Revenue Requirements, Rhode Island, for National Grid USA
8 Service Company, Inc. (NGUSA Service Company or Service Company). In this role, I
9 provide services to the gas and electric businesses of The Narragansett Electric Company
10 d/b/a National Grid (the Company).

12 **Q. Please describe your education and professional experience.**

13 A. In 1985, I earned a Bachelor of Science degree in Accounting from Northeastern
14 University. During my academic term, I interned at the public accounting firm, Pannell
15 Kerr Forster in Boston, Massachusetts, as a staff auditor and continued with this firm
16 after graduation. In February 1986, I joined Price Waterhouse in Providence, Rhode
17 Island, where I worked as a staff auditor and senior auditor. During this time, I became a
18 Certified Public Accountant in the State of Rhode Island. In June 1990, I joined National
19 Grid USA (then known as New England Electric System) in the Service Company (then
20 known as New England Power Service Company) as a supervisor of Plant Accounting.
21 Since that time, I have held various positions within the Service Company, including

1 Manager of Financial Reporting, Principal Rate Department Analyst, Manager of General
2 Accounting, Director of Accounting Services, and Assistant Controller.

3
4 **Q. Have you previously testified before the Rhode Island Public Utilities Commission**
5 **(PUC)?**

6 A. Yes. I have testified before the PUC on numerous occasions.

7
8 **Q. Have you previously submitted testimony in this docket?**

9 A. No, I have not. The Company did not submit pre-filed direct testimony with its
10 December 29, 2016 petition to the PUC requesting approval to collect funds to replenish
11 the Storm Contingency Fund (Storm Fund).

12
13 **Q. Please state your full name and business address.**

14 A. My name is Patricia C. Easterly. My business address is 40 Sylvan Road, Waltham,
15 Massachusetts 02451.

16
17 **Q. By whom are you employed and in what position?**

18 A. Effective June 1, 2017, I am Director of Implementation for Financial Performance for
19 National Grid USA. I am employed by the Service Company. Immediately prior to that

1 date, I was Director, Rhode Island, New Energy Solutions Planning, Budget and
2 Performance, where I provided services to the gas and electric businesses of the
3 Company.

4
5 **Q. Please describe your education and professional experience.**

6 A. In 1983, I earned a Bachelor of Arts degree in Finance from Simmons College. In
7 October 1983, I joined Peat, Marwick, Mitchell in St. Louis, Missouri as staff auditor,
8 progressing to senior auditor. During that time, I became a Certified Public Accountant
9 in the State of Missouri. In November 1987, I joined Edison Brothers Stores in St. Louis
10 as Assistant to the Controller. In June 1988, I joined New England Power Service
11 Company (predecessor to the Service Company) as a financial analyst in Accounting.
12 Since that time, I have held various positions within the Service Company including
13 Manager of Accounting, Director of Internal Audit, Transmission Finance Director, and
14 Distribution Finance Director.

15
16 **Q. Have you previously testified before the PUC or before any other state public utility**
17 **commissions?**

18 A. No, I have not.

19 **Q. Have you previously submitted testimony in this docket?**

20 A. No, I have not.

II. Purpose of Rebuttal Testimony

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of this joint rebuttal testimony is to address certain recommendations put forth in this proceeding by the Division through the pre-filed direct testimony of Mr. David J. Effron. In particular, this rebuttal testimony addresses the Division's recommendation to disallow incremental operation and maintenance (O&M) expenses that the Company necessarily incurred in responding to a number of storm events in the 2010-2016 timeframe. These costs are properly included in the Company's computation of deferred storm costs eligible for recovery through the Storm Fund, and should not be disallowed on a retroactive basis.

Q. Are there any schedules provided in support of your rebuttal testimony?

A. Yes, we are sponsoring the following supporting schedules:

Schedule No.	Description
Schedule NG-1	Mutual Assistance Agreement
Schedule NG-2	National Grid USA Service Company, Inc. Service Agreement
Schedule NG-3	The Narragansett Electric Company Report on Hurricane Gloria, December 31, 1986
Schedule NG-4	The Narragansett Electric Company Report on Hurricane Bob, January 21, 1991
Schedule NG-5	Pre-filed Testimony of Mr. John Bell in Docket No. 2509
Schedule NG-6	Evidentiary Hearing Transcript in Docket No. 2509
Schedule NG-7	Presentation of Final Accounting for November 3-4, 2007 Storm

1 **Q. Would you please explain the naming conventions that you will be using in this**
2 **testimony to identify the various entities involved in this proceeding?**

3 A. Yes. This proceeding relates to The Narragansett Electric Company's request for
4 additional funds to replenish its Storm Fund. The Storm Fund was originally established
5 in 1982 and was affirmed by the PUC in its Report and Order No. 15360, issued in
6 Docket No. 2509 (Order) (August 19, 1997), approving stipulations submitted by The
7 Narragansett Electric Company and the Division, as well as the Division and other local
8 electric utilities. The PUC's Order in Docket No. 2509 was intended to provide a
9 mechanism for the recovery of storm preparation, response, and restoration costs caused
10 by the occurrence of major storm events, mitigating the need for rate surcharges or filings
11 for periodic rate relief.

12
13 When the PUC issued its Order in Docket No. 2509, the Company conducted electric
14 generation, transmission, and distribution operations and did not own or operate gas
15 distribution service in Rhode Island. Since that time, the Company divested its
16 generation and now conducts gas distribution operations as a result of its acquisition of
17 Southern Union Company's Rhode Island gas distribution assets in 2006. The electric
18 and gas distribution operations are owned by the same legal entity, namely The
19 Narragansett Electric Company. However, there are separate base distribution rates for
20 the electric and gas operations because both the type of service and the customers served
21 by the Company are different. The Storm Fund is funded through electric base

1 distribution rates and applies exclusively to the Company's electric distribution
2 operations. Therefore, in this joint testimony, where reference is made to the stand-alone
3 electric or gas distribution operations of The Narragansett Electric Company, we will use
4 the terms Narragansett Electric or Narragansett Gas, respectively, as appropriate.
5

6 **Q. The Division's testimony references the Company's affiliates. Please describe these**
7 **affiliates and the services they provide to respond to, and restore power to**
8 **customers during, a major storm event.**

9 A. The Division's testimony recommends disallowance of amounts charged to, and paid by,
10 Narragansett Electric for work performed during major storm events by Narragansett
11 Electric affiliates. These affiliates include National Grid's operating electric and gas
12 utilities operating in Massachusetts and New York, as well National Grid's service
13 companies, primarily the Service Company and the former KeySpan Corporate Services
14 LLC, which was merged into the Service Company in 2012.
15

16 Storm response and restoration work is performed by National Grid operating affiliates
17 pursuant to a Mutual Assistance Agreement (submitted herewith as Schedule NG-1). The
18 majority of storm assistance provided by National Grid operating affiliates is performed
19 by electric line crews of Massachusetts Electric Company or Niagara Mohawk Power
20 Corporation, which operates in upstate New York. The Service Company is a centralized
21 service company under the jurisdiction of the Federal Energy Regulatory Commission

1 (FERC), providing primarily administrative and general services to all National Grid
2 subsidiaries in the US. Services and associated costs are shared across multiple
3 companies reducing the cost of the service that any one company would need to bear on
4 its own.

5
6 In the event that a Service Company employee provides services to Narragansett Electric
7 and its customers, including storm restoration assistance, the Service Company charges
8 the cost of those services to Narragansett Electric and is reimbursed by Narragansett
9 Electric in accordance with the National Grid USA Service Company, Inc. Service
10 Agreement (submitted herewith as Schedule NG-2). Narragansett Gas employees also
11 provide assistance during major storm events in support roles similar to the assistance
12 provided by Service Company personnel.

13
14 **III. Rebuttal to Division Recommendation**

15 **Q. Would you please review Mr. Effron's recommendation in relation to the recovery**
16 **of incremental storm costs?**

17 A. Yes. Mr. Effron is suggesting that the PUC should disallow a total of \$10.6 million in
18 incremental expense necessarily incurred by the Company to respond to 11 major storm
19 events in the period March 2010 through March 2013, and 7 additional major storm
20 events that occurred in the period November 2013 through April 2016 [Effron Testimony
21 at 8; Schedule DJE-1]. Specifically, Mr. Effron claims that all "base pay and payroll

1 overheads” included in the Company’s deferred storm costs in relation to these 18 events
2 should be excluded from recovery [Effron Testimony at 4-5]. None of the costs deferred
3 to the Storm Fund for recovery are “base pay and payroll overheads” associated with
4 Narragansett Electric’s operations, or Narragansett Electric’s response to any of the 18
5 storms eligible for Storm Fund recovery in the period 2010 through 2016. Rather, the
6 “base pay and payroll overheads” relate exclusively to incremental work performed by
7 outside companies that are affiliated with Narragansett Electric, providing critical
8 assistance from time-to-time to Narragansett Electric to respond to and restore electric
9 service to its customers in major storm events.

10
11 **Q. What is the basis of Mr. Effron’s recommendation?**

12 A. In support of this recommendation, Mr. Effron relies exclusively on two sentences
13 extracted from the PUC’s Order in Docket No. 2509, quoting a recommendation made by
14 Division Witness John Bell in Docket No. 2509, which is as follows:

15 Charges to the storm fund may only be made for incremental, non-capital
16 storm related costs such as overtime pay and charges for outside
17 contractors. Capital costs, regular time pay and overheads should not be
18 charged to storm contingency funds because they are recovered through
19 other means.¹

¹ See, Docket No. 2509, Report and Order No. 15360, at 9-10 (August 19, 1997).

1 Beyond this statement, there is no other basis provided by Mr. Effron in support of his
2 claim that all “base pay and payroll overheads” associated with storm assistance provided
3 by outside companies that are affiliated with Narragansett Electric must be excluded from
4 recovery as a deferred storm cost. Moreover, Mr. Effron does not argue that the similar
5 costs for other mutual aid utility crews should be excluded from recovery, although those
6 outside companies are also rate regulated with distribution rates set through regulatory
7 proceedings.

8
9 **Q. Is Mr. Effron correct in his interpretation of the provision extracted from the PUC’s**
10 **Order in Docket No. 2509?**

11 A. No, he is not. The statement relied on by Mr. Effron is a literal interpretation taken out of
12 context and ignoring ratemaking practice *in place and preceding* the PUC’s decision in
13 Docket 2509. As we will explain in more detail below, the statement from the Order in
14 Docket No. 2509 that “regular time pay and overheads should not be charged to storm
15 contingency funds because they are recovered through other means” refers to regular time
16 pay and overheads *pertaining to Narragansett Electric employees* working for the
17 Company’s electric distribution operations. Regular time pay and associated overheads
18 relating to Narragansett Electric employees *are not charged to the Storm Fund* because
19 those costs are recovered through Narragansett Electric’s base distribution rates (i.e.,

1 “other means”).² None of the costs charged to Narragansett Electric by its affiliates
2 whether located in New York, Massachusetts, or in Rhode Island as part of the gas
3 operations are recovered through Narragansett Electric distribution rates. In addition,
4 none of costs incurred for outside company crews would have been incurred by
5 Narragansett Electric but for the need to restore power to customers expeditiously
6 following major storm events. Therefore, all costs charged by affiliates to Narragansett
7 Electric caused by the need to use outside crews to restore power to Narragansett Electric
8 customers are *incremental* to Narragansett Electric and should be recovered through the
9 Storm Fund.

10
11 In addition, the provision cited by Mr. Effron explicitly classifies “charges for outside
12 contractors” as “incremental” costs. Narragansett Electric uses and relies on crews
13 provided by outside contractors to restore power to customers expeditiously and cost-
14 effectively. Mr. Effron does not dispute that the costs associated with “outside
15 contractors” or unaffiliated utility crews are incremental to Narragansett. The fact that
16 some of these outside companies are affiliated with the Company is irrelevant. The
17 service that is provided by crews that are made available to Narragansett Electric by
18 outside companies is similar to the services that are provided by companies affiliated

² As mentioned by Mr. Effron, pension and PBOP-related overhead costs associated with Narragansett Electric employees are excluded from the Storm Fund as these costs are recovered through Narragansett Electric’s Pension Adjustment Mechanism (PAM) for any storms that occurred after the February 1, 2013 inception of the PAM. The PAM was approved by the PUC in the Company’s last base rate case, Docket No. 4323. New base rates in that proceeding became effective February 1, 2013.

1 with Narragansett Electric such that a distinction in cost treatment is not appropriate.
2 Narragansett Electric incurs a cost for using these resources provided by outside
3 companies and makes payment to the outside companies to cover that cost. The costs are
4 incremental to Narragansett Electric's normal operating costs, and there is no "other
5 means" by which Narragansett Electric is recovering these costs.

6
7 As a result, these costs are properly included for storm cost recovery from Narragansett
8 Electric customers. Disallowing these costs for recovery would constitute a substantial,
9 improper penalty for Narragansett Electric, retroactively replacing a ratemaking
10 methodology that has been in place for over 30 years.

11
12 **Q. What are the principal considerations that Mr. Effron is overlooking in making his**
13 **recommendation?**

14 A. There are three important considerations that Mr. Effron is overlooking in making this
15 overly simplified recommendation.

16
17 First, Mr. Effron has overlooked longstanding ratemaking practice in place since at least
18 1985 (Hurricane Gloria) and 1991 (Hurricane Bob), both of which preceded the
19 proceeding conducted in Docket No. 2509 (1997). Schedule NG-3 and Schedule NG-4
20 provide the Company's filings submitted to the PUC in relation to these two major
21 events, respectively. This documentation demonstrates that the Company's affiliates at

1 the time were designated as “Outside Crews” or “Outside Companies” with the base pay
2 and payroll overheads charged by these entities included as “Charges from Outside
3 Companies” and deferred for Storm Fund recovery as incremental costs to Narragansett
4 Electric [see, e.g., Schedule NG-3, Exhibits II and III; Schedule NG-4, Appendices 6 and
5 7]. The Company has followed this ratemaking practice since at least 1985, and this is
6 the practice that was affirmed in Docket No. 2509.

7
8 Second, Mr. Effron overlooks written and oral testimony submitted in Docket 2509,
9 which indicate that Mr. Bell’s recommendation regarding charges to the Storm Fund
10 pertained to expenses incurred by “the utilities,” which he listed in his testimony as
11 Narragansett Electric, Blackstone Valley Electric, and Newport Electric. Mr. Bell also
12 testified that he had reviewed the charges that the three companies charged to the Storm
13 Fund “over the past,” and had not identified any problems in how the utilities had
14 charged “incremental” costs to the Storm Fund. Mr. Bell’s pre-filed testimony and oral
15 testimony in Docket No. 2509 is provided herewith as Schedule NG-5 and Schedule NG-
16 6, respectively.

17
18 Third, Mr. Effron has overlooked the fact that some of the charges from outside
19 companies for storm assistance are from the Service Company. During the ratemaking
20 process, the Company’s method to derive the representative level of Service Company
21 labor and labor-related costs works to address the impact of storm assistance. The

1 Service Company is not rate regulated and has no distribution rates. Therefore, storm-
2 related costs have to be accounted for through the Storm Fund mechanism.

3 There are other considerations that should have factored into Mr. Effron's
4 recommendation that we will discuss below. However, these three oversights are
5 significant and indicate the underlying flaw in Mr. Effron's overly simplified
6 recommendation.

7 **A. Ratemaking Practice Prior to Docket No. 2509**

8 **Q. As an initial point, would you please describe the labor and overhead costs that**
9 **Narragansett Electric charges to the Storm Fund and which costs it excludes from**
10 **the Storm Fund?**

11 A. Yes. The base distribution rates of Narragansett Electric are designed to recover the
12 normally recurring base labor costs and associated overheads for employees of
13 Narragansett Electric. Therefore, consistent with the Division Witness Bell's
14 recommendation from Docket No. 2509, the Company's computation of deferred storm
15 costs excludes all base pay and associated payroll overheads related to Narragansett
16 Electric's own employees.

17 Base distribution rates recover the cost of overtime pay associated with overtime work
18 actually performed in the test year on normal distribution operations. No overtime
19 associated with response to major storm events is included in the revenue requirement
20 upon which base distribution rates are set. Therefore, the Company's computation of

1 deferred storm costs includes overtime pay for Narragansett Electric employees for the
2 actual time spent working on preparation, response, and restoration of service associated
3 with qualifying, major storm events.

4
5 Lastly, Narragansett Electric incurs payroll taxes and the cost of matching contributions
6 to the employee 401(K) plan for all incremental overtime pay arising from overtime work
7 performed in a major storm event. However, to date, Narragansett Electric has not
8 sought recovery of these costs through the Storm Fund.

9
10 **Q. What is the historical ratemaking practice for the treatment of base pay and payroll**
11 **overhead costs charged to the Company by outside companies affiliated with**
12 **Narragansett Electric?**

13 A. As we noted above, the longstanding ratemaking practice in place since at least 1985
14 (Hurricane Gloria) and 1991 (Hurricane Bob) is that work performed by affiliated
15 companies is classified as work performed by “Outside Companies” or “Outside Crews”
16 and the costs associated with that work is treated as incremental to Narragansett Electric.
17 For example, the Company has provided a copy of “The Narragansett Electric Company
18 Report on Hurricane Gloria,” dated December 31, 1986 as Schedule NG-3 (Hurricane
19 Gloria Report). As stated in the Hurricane Gloria Report, the storm marked the first time
20 that Narragansett Electric used the fund to pay for storm costs [Hurricane Gloria Report
21 at 1].

1 There are clear and unambiguous references to the work performed by affiliated company
2 crews and the costs associated with that work. The following references confirm that the
3 costs charged by affiliated companies are costs associated with “Outside Companies,”
4 which are designated as incremental to the costs recovered by Narragansett Electric
5 through its base distribution rates:

6 (1) **All “outside company” charges are “incremental” expense**
7 **recoverable through the Storm Fund.**

- 8 ▪ Schedule NG-3, page 3-5,³ defines “Total Restoration Cost” as
9 comprising “normal” and “incremental” costs. “Incremental” payroll
10 costs are those attributable to hours in excess of **employees’** regular
11 working hours (emphasis added).
- 12 ▪ Schedule NG-3, at page 5, draws a specific distinction between the
13 Company’s normal costs and the costs of outside crews, including
14 affiliates, by beginning the second sentence with “ On the other
15 hand,” then continuing with “all outside company charges, including
16 meals and lodging, are incremental costs. The outside company
17 charges would not have been incurred but for the storm.”
- 18 ▪ Schedule NG-3, Schedule II, differentiates “Payroll Charges excluding
19 payroll overheads *for Narragansett’s Employees*” from “Charges
20 from Outside Companies.” (emphasis added). Charges from Outside
21 Companies total \$3,693,377.
- 22 ▪ Schedule NG-3, Schedule II, Footnote 1, defines “Incremental Costs”
23 as the “costs which Narragansett experienced as a direct result of the
24 storm which were over and above *Narragansett’s* normal costs of
25 doing business.” (emphasis added).

26 (2) **Affiliated companies are designated as “Outside Companies” and**
27 **costs are charged to Incremental storm expense.**

- 28 ▪ Schedule NG-3, Exhibit III, provides the cost breakdown for charges

³ The page numbers of the original document appear to skip or omit page 4.

1 from “Outside Companies.” Granite State Electric Co., Massachusetts
2 Electric Co., New England Power Co., and New England Power
3 Service Co. are all listed as “Outside Companies.”

- 4 ▪ Schedule NG-3, Exhibit III sums to the total of \$3,693,377, which is
5 the amount identified on Exhibit II as incremental “Charges from
6 Outside Companies.”

7 **Q. Is work performed by affiliated companies treated the same in relation to the**
8 **Company’s response to Hurricane Bob?**

9 A. Yes. The Company has provided a copy of “The Narragansett Electric Company Report
10 on Hurricane Bob,” dated January 21, 1991 as Schedule NG-4 (Hurricane Bob Report).
11 As is the case with the Hurricane Gloria Report, there are clear and unambiguous
12 references to the work performed by affiliated company crews and the costs associated
13 with that work. The following references confirm that the costs charged by affiliated
14 companies are costs associated with “Outside Crews,” which are designated as
15 incremental to the costs recovered by Narragansett Electric through its base distribution
16 rates:

17 (1) **“Outside Crews” include crews provided by affiliated and unaffiliated**
18 **companies.**

- 19 ▪ Schedule NG-4, at pages 7-9, describes the types of crews responding
20 to perform service restoration and specifically references the fact that
21 crews arrived from New England Power Service Company. On page
22 10, the report discusses the use of “Outside Crews” and references
23 Appendix 6 of the Report. Appendix 6 explicitly identifies “Outside

Crews,” equating outside “Independent Contractors” with outside
“Utility” crews, which include affiliated and unaffiliated utilities.⁴

- “Total Outside Crews” are differentiated from “Narragansett Electric Company Crews” at the bottom of the page.

(2) Costs charged to the Storm Fund include “Charges from Outside Companies”

- Schedule NG-4, at page 11, describes the types of costs incurred and charged to the Storm Fund. The total cost identified for storm response is \$10,182,833.77. The only items backed out of this total are \$1,311,960.00 for Capital Accounts and \$1,094,266.32 for “Normal Business Costs.” Normal Business Costs are described on page 11 of the report as “costs that would have been incurred in the normal course of business whether Hurricane Bob occurred or not,” just as was explained in the Hurricane Gloria Report.
- Schedule NG-4, Appendix 7, designates a total of \$7,776,607.45 as “incremental.” This total includes “Charges from Outside Companies.” There is no deduction from the total cost for charges from affiliated companies.

(3) EEI Mutual Assistance Guidelines Identify Cost Charging Practice for Responding Companies

- Schedule NG-4, Appendix 5, at page 5 of 25, states that the Requesting Company shall reimburse the Responding Utility for all costs incurred, including employees’ wages and salaries and overhead costs.
- Schedule NG-3, Appendix 5, at page 22 of 25, lists the “Distribution Mutual Assistance Roster, Participating Companies.” The New England Electric System is listed as Participant #58.

⁴ The affiliated utility crews are not separately designated in any manner. The affiliated companies included New England Power Service Company, Granite State Electric Company, and Massachusetts Electric Company.

1 **B. Proceedings in Docket No. 2509**

2 **Q. What was the purpose of the PUC’s proceeding in Docket No. 2509?**

3 A. On December 18, 1996, the PUC initiated a comprehensive review of storm contingency
4 funds for the five electric utilities in Rhode Island, which included Narragansett Electric,
5 Blackstone Valley Electric Company, Newport Electric Corporation, Block Island Power
6 Company, and the Pascoag Fire District [Order, at 1]. The PUC opened the docket “to
7 examine the utilities’ funding, expenditures, and accounting for storm restoration costs,
8 as well as reviewing the guidelines and policies applicable to [storm contingency funds]”
9 [Id.]. Hurricane Gloria and Hurricane Bob were expressly referenced in the decision as
10 the type of storms that properly qualify for Storm Fund treatment [Id. at 2-3].

11
12 Following a hearing conducted on February 28, 1997, the PUC approved the Joint
13 Proposal and Settlement in Lieu of Comments Submitted by The Narragansett Electric
14 Company and the Division (the Joint Stipulation), subject to the “limitation of charges”
15 proposed by Division Witness Bell, as quoted in the text of the Order [Id. at 10]. The
16 Joint Stipulation is dated March 28, 1997, and the PUC’s Order is dated August 19, 1997.

17
18 **Q. Did the Joint Stipulation address the types of costs that would be allowed for**
19 **recovery through the Storm Fund?**

20 A. No. The Joint Stipulation resolves a number of issues under discussion in the proceeding,
21 but does not address directly or indirectly the types of costs that would be allowed for

1 recovery through the Storm Fund. The type of costs eligible for recovery through the
2 Storm Fund was addressed in the testimony of Division Witness Bell, dated February 25,
3 1997, but was not carried over to the Joint Stipulation. Therefore, in its final decision
4 approving the Joint Stipulation, the PUC referenced and incorporated Division Witness
5 Bell's recommendation.

6
7 **Q. What did Division Witness Bell's testimony state regarding the use of storm funds**
8 **prior to the start of the proceeding in Docket No. 2509?**

9 A. Schedule NG-5 provides a copy of the pre-filed testimony of Mr. John Bell, on behalf of
10 the Division in Docket No. 2509. In this testimony, Mr. Bell states that the purpose of
11 his testimony is to present the Division's position concerning the operations of the
12 ratepayer funded storm contingency funds maintained by Narragansett Electric,
13 Blackstone Valley Electric, and Newport Electric [J. Bell Testimony at 2, lines 15-18].
14 He states that, in developing his testimony, he "reviewed reports the utilities filed *in the*
15 *past related to their use of the storm funds* and also the utilities responses to Division
16 data requests propounded upon the utilities in the past" [*Id.* at lines 21-23] (emphasis
17 added). He further states that he "found that the three utilities operated their funds in a
18 reasonable manner" [J. Bell Testimony at 3, line 1].

1 **Q. How does Mr. Bell explain his position in relation to “Allowable Fund Charges”?**

2 A. On the issue of Allowable Fund Charges, Mr. Bell testified that:

3
4 [T]he only expenses that **the utilities** be allowed to charge against their storm
5 contingency funds are the incremental non-capital storm related costs such as
6 overtime pay and charges for outside contractors. Capital costs, regular time
7 pay and overheads should not be charged to the storm contingency funds
8 because they are recovered through other means. Non-incremental expenses
9 are recovered as part of **the utilities’ base rates** while capital costs are
10 recovered through the depreciation allowance over the life of the related asset.

11 [J. Bell Testimony at 7, lines 22-28] (emphasis added).

12 He further states that:

13 In addition, I recommend that **only those incremental expenses** that exceed
14 the threshold I discussed in my response to the previous question be charged
15 to the storm fund. In my opinion, those expenses below the threshold
16 represent costs associated with New England’s typical weather and thus
17 should be covered **by the utility’s base rates**.

18 [J. Bell Testimony at 8, lines 1-5] (emphasis added).

19 **Q. Did Division Witness Bell further discuss his perspective on the manner in**
20 **which incremental expenses should be those expenses that are not included in**
21 **“the utility’s base rates” at the hearing?**

22 A. Yes. At the evidentiary hearing in Docket No. 2509, Mr. Bell testified as follows:

23 As far as the allowable fund charges, I’m recommending the companies only
24 **be allowed to charge the incremental** noncapital storm-related costs to the
25 storm funds. Those would be such things as overtime wages; outside
26 contractors, such as tree trimming crews **or outside utility help** that the
27 company could get. Excluded would be such things as normal wages, non-
28 overtime type of wages. Looking at the charges that the three companies
29 charged to the Storm Funds **over the past, I haven’t seen any problems with**
30 **– in those areas**. That’s basically what they charged.

1 [Docket No. 2509, Transcript at 53, lines 7-21] (emphasis added).

2
3 **Q. Was there any testimony offered by Division Witness Bell in Docket No. 2509**
4 **advocating that charges from affiliated companies are not incremental costs, or that**
5 **affiliated companies should not be designated as “Outside Companies”?**

6 A. No. To the contrary, Division Witness Bell stated in both written pre-filed testimony and
7 oral testimony at hearing that he had reviewed charges that the three utilities had charged
8 to the Storm Funds in the past and did not see any problems in those areas. He also
9 explicitly testified that “outside utility help” would qualify as incremental cost. Lastly,
10 the language contained in the PUC’s Order is taken directly from the pre-filed testimony
11 of Division Witness Bell, which expressly referenced that fact that the determination of
12 what is incremental or non-incremental is defined in relation to “the utilities’ base rates,”
13 which in this case is Narragansett Electric, not some other affiliated or unaffiliated
14 company.

15 **Q. Have there been any further decisions from the PUC related to storm cost recovery**
16 **since the 1997 Order, changing the ratemaking practice that Division Witness Bell**
17 **advocated for on the basis of past practice?**

18 A. There were two major storm events between 1997 and the March 2010 flood, which is the
19 first storm in the group of 18 storms that occurred from March 2010 to April 2016.
20 These events occurred on April 15-16, 2007 and November 3-4, 2007. The final

1 accounting for the November 3-4, 2007 event is provided herewith as Schedule NG-7 and
2 was filed with the PUC on August 14, 2008. The next events that occurred were the 18
3 events that occurred from March 2010 to April 2016. The Company filed its final
4 accounting for four major storm events that occurred in 2010 and 2011 with the PUC on
5 September 6, 2013. The Company filed its final accounting for seven major storm events
6 that occurred in 2012 through March 2013 with the PUC on June 30, 2016.⁵
7

8 **Q. Did Narragansett Electric carry through with the treatment of incremental storm**
9 **costs consistent with the recommendation of Division Witness Bell since the PUC's**
10 **Order in Docket No. 2509 in 1997?**

11 A. Yes. Although the format of the Company's presentation of information has changed
12 over the years in correlation with the increasing complexity of storm response and major
13 event reporting (specifically beginning with the 2010 qualifying storm events), the
14 Company has not changed the categorization of incremental and non-incremental costs.
15 The categorization is exactly the same as it was in relation to Hurricane Gloria in 1985
16 and Hurricane Bob in 1991, and the same as reviewed by Division Witness Bell.
17 For example, Schedule NG-7 presents Narragansett Electric's final accounting of the
18 November 3-4, 2007 storm:
19

⁵ The Company has not yet filed its final accounting for the remaining seven storm events.

1 (1) **All “outside company” charges are “incremental” expense**
2 **recoverable through the Storm Fund.**

- 3 ▪ Schedule NG-7, at page 1, differentiates “Payroll charges excluding
4 payroll overheads *for Narragansett’s employees*” from “Charges from
5 outside companies.” (emphasis added). Charges from outside
6 companies total \$651,839.11.
- 7 ▪ Schedule NG-7 at page 1, Footnote 1, defines “Incremental Costs” as
8 the “costs which Narragansett incurred as a direct result of the storm
9 which were over and above Narragansett’s normal cost of doing
10 business.”

11 (2) **Affiliated companies are designated as “Outside Companies” and**
12 **costs are charged to Incremental storm expense.**

- 13 ▪ Schedule NG-7, at page 2, provides the cost breakdown for charges
14 from “Outside Companies.” National Grid USA Service Co. is listed
15 under “Outside Companies.”
- 16 ▪ Schedule NG-7, at page 2 sums to the total of \$651,839, which is the
17 amount identified on Schedule NG-7, at page 1 as incremental
18 “Charges from outside companies.”
19 “Charges from outside companies.”

20 Costs associated with affiliate companies were included in a category called “Charges
21 from outside companies,” identical to the treatment in the Hurricane Gloria Report and
22 the Hurricane Bob Report. Charges for Service Company employees who provided
23 storm restoration services to Narragansett Electric for this storm event were listed as a
24 separate line item under “Outside Companies.” The amounts represented by affiliate
25 companies in these filings prior to 2010 included overhead allocations, similar to any
26 other outside company/contractor.
27

1 **C. Charging for Storm Work**

2 **Q. Please explain how National Grid employees charge their time and expenses when**
3 **they perform storm-related work for the benefit of Narragansett Electric.**

4 A. If an employee of an affiliate company performs storm-related work for the benefit of
5 Narragansett Electric, the employee charges their time and expenses to the applicable
6 work orders established for that weather event in the General Ledger of The Narragansett
7 Electric Company. Labor-related overheads pertaining to benefits, insurance, and payroll
8 taxes are applied to the employee's base and overtime payroll based upon burden rates
9 established using the costs of the originating company and are also charged to the
10 applicable weather event work orders.⁶ This practice is carried out in accordance with
11 consistent cost-causative allocation methods and complies with the NGUSA Cost
12 Allocation Policy, which was in effect during the Company's test year in its last base rate
13 case (Docket No. 4323).⁷

14
15 The Cost Allocation Policy (which was subsequently superseded but not substantially
16 modified by National Grid USA's Cost Accounting Manual, now in effect) requires the
17 allocation of costs to be consistently applied and carried out using a cost-causative

⁶ The inclusion of incremental overtime pay in the development of the overhead rates commenced with SAP implementation. Prior to that, overhead rates were developed and applied only to base labor and the base portion of overtime pay. For example, overtime might be paid at 1.5 times normal pay. Overheads have always been applied to the base portion of overtime, however with the implementation of SAP, the Company commenced applying overheads to the additional 0.5 portion of overtime pay per this example.

⁷ See the Company's response to Division 11-7 in Docket No. 4323.

1 method, including storm restoration services. The first requirement for determining cost
2 allocation is ascertaining whether the service can be directly attributable to a specific
3 company or companies. The Mutual Assistance Agreement between the affiliates
4 governs the mutual aid process and stipulates that all such support shall be charged at
5 actual cost. These costs include “wages and salaries of employees and related expenses
6 such as insurance, taxes, pensions and other employee welfare expenses, and general
7 administrative costs.”

8
9 In addition, affiliated company assistance for storm restoration services are governed by
10 the Mutual Assistance Agreement and the National Grid USA Service Company, Inc.
11 Service Agreement (the Service Company Agreement), copies of which are provided as
12 Schedule NG-1 and NG-2, respectively. The Mutual Assistance Agreement further
13 specifies that “[c]harges for services will be determined from the time sheets of
14 employees and will be computed on the basis of each employee’s hourly rate plus a
15 percentage factor to cover related expenses and general administrative expenses”
16 [Schedule NG-1, Exhibit B at 1]. Similarly, the Service Company Agreement states that
17 all services rendered under the agreement are rendered at actual cost. In addition:

18 Direct charges will be made for services where appropriate. Costs that cannot be
19 directly charged will be allocated to Client Companies by means of equitable
20 allocation formulae or clearing accounts. To the extent possible, such allocations
21 shall be based on cost-causation relationships.

22 [Service Company Agreement at 2].

1 **D. Test Year Treatment of Service Company Charges**

2 **Q. Are charges from the Service Company to Narragansett Electric for assistance**
3 **provided in major storm events included in base distribution rates?**

4 **A.** No. As noted above, Mr. Effron has excluded all base pay and payroll overhead charges
5 relating to Service Company crews for work performed to assist Narragansett Electric in
6 major storm events. However, in a base-rate proceeding, Narragansett Electric computes
7 the normally recurring level of labor and labor-related costs (without storm response
8 factored in) for the overall Service Company, then allocates the cost attributable to
9 Narragansett Electric's operations based on the actual percentage share of total Service
10 Company costs in the test year. The actual percentage share of total Service Company
11 costs is a function of the work performed by Service Company labor across the system in
12 the test year. Current distribution rates for both Narragansett Electric and Narragansett
13 Gas were set in 2012 based on a 2011 test year. In 2011, six major storm events occurred
14 in Massachusetts causing Service Company personnel to perform a substantial amount of
15 work in National Grid's larger service area in Massachusetts. This would have had the
16 effect of lowering the allocation percentage for Narragansett Electric in the test year, so
17 that Service Company labor and labor-related overheads would have been less than
18 would otherwise exist in the absence of storm events. In other words, base pay and labor
19 overheads were charged to the storm fund of Massachusetts Electric and recovered
20 through that mechanism as an incremental cost to Massachusetts Electric. As a result,

1 Narragansett Electric and Narragansett Gas customers received the benefit of lower costs
2 from the Service Company in the test year of its rate case. Mr. Effron’s exclusion of all
3 costs identified as “base pay and payroll overheads” does not account for this
4 consideration.

5 **E. Other Considerations Relating to Affiliates Charges in Storm Events**

6 **Q. If affiliate companies are reimbursed for base pay and payroll overheads associated**
7 **with crews sent to assist Narragansett Electric, won’t those affiliate companies be**
8 **collecting the costs by two means?**

9 A. No, they will not. This perspective ignores the reality of the ratemaking process for both
10 the utility receiving assistance (Receiving Utility) and the utility responding to provide
11 assistance (Responding Utility). Narragansett Electric and its operating affiliates are in
12 the business of providing electric or gas distribution service to customers in their own
13 franchise service territories. Gas and electric utilities are not in business of providing
14 major storm restoration services for other utilities—whether affiliated or unaffiliated.
15 When the employees of an affiliated service company provide services to Narragansett
16 Electric for storm restoration work, those employees are required to charge their labor
17 time associated with these services to that affiliate, at cost, under affiliate pricing rules
18 promulgated by FERC⁸ and in accordance with the Company’s cost causative cost

⁸ See, 18 C.F.R. § 35.44(b)(3) (2016).

1 allocation methodology.⁹ When the employees of a utility operating company affiliate
2 provide services to Narragansett Electric for storm restoration work, those employees are
3 required to charge their labor time associated with these services to that affiliate, at cost,
4 under the terms of the Mutual Assistance Agreement (Schedule NG-1).

5
6 For the Receiving Utility, these costs are no different than costs charged by outside
7 independent contractors or other unaffiliated utility companies. The costs charged to
8 Narragansett Electric for crew labor represents fully-loaded costs, including both payroll
9 and associated overheads, whether charged by an affiliated company, an unaffiliated
10 utility company, or an independent contractor. Regardless of where the charge comes
11 from, these costs are incremental to Narragansett Electric's normal cost of operations
12 funded through its own base distribution rates. The costs would not have occurred but for
13 the need to respond to a major storm event and the costs are not recovered through the
14 base rates of the Receiving Utility. Therefore, these costs are unavoidable incremental
15 costs to the Receiving Utility associated with restoring power to customers during major
16 storm events. When the Receiving Utility pays these costs, it has no way to recover those
17 costs except through the Storm Fund mechanism as the costs are not included in the
18 Receiving Utility's distribution rates in a base-rate proceeding.

19 For the Responding Utility, base rates are set based on a normalized, test-year level of
20 base payroll and payroll overheads. After those rates are set, the underlying costs upon

⁹ See, 18 C.F.R. § 367.28 (2016).

1 which those rates are established may or may not be incurred at the levels estimated in
2 the ratemaking process. In particular, base salary and payroll overheads increase
3 consistently on a year-over-year basis, so that the actual, full amount of base salary and
4 payroll overheads is not generally recovered through base rates at any given point in time
5 following the rate case. As a result, when payment is made to the Responding Utility
6 from an affiliated or unaffiliated utility company, the payment is recorded as a reduction
7 to the labor-related O&M accounts in that fiscal period, which has the effect of reducing
8 the Responding Utility's actual expense in the year the payment is received, but does not
9 actually cause the Responding Utility to recover its actual labor and labor-related costs
10 twice. As a result, there is no basis to conclude that the Responding Utility is obtaining
11 an undue benefit. In the Company's experience, responding to mutual aid events is
12 disruptive for the Responding Utility, upsetting planned work schedules and potentially
13 causing unforeseen costs for both the Receiving Utility and the Responding Utility.

14
15 **IV. Ramifications of Disallowing Incremental Costs Incurred**

16 **Q. What are the ramifications of disallowing the incremental costs pursuant to the**
17 **Division's recommendation?**

18 **A.** The ramifications of disallowing the storm-related incremental costs incurred by the
19 Company are direct and hugely negative for several reasons. First and foremost, the
20 amount of \$10.6 million as computed by the Division is a very significant amount for the
21 Company and would constitute a wholly unwarranted penalty, applied retroactively to

1 storms occurring up to seven years ago, for which costs have been recorded in strict
2 adherence to the Company's understanding of the accepted ratemaking practice *since*
3 *1985*. The Company is allowed to recover these types of outside company costs in New
4 York and Massachusetts because it is recognized that these types of costs are incremental
5 to the Receiving Utility.¹⁰ The basis asserted by Mr. Effron for this significant,
6 retroactive penalty is not justified and, in fact, contravenes the actual ratemaking practice
7 applied for over 30 years in Rhode Island, as well as in other jurisdictions.

8
9 Second, if implemented, Mr. Effron's recommendation denies cost recovery for costs that
10 are not recovered through other means, and therefore effectively incentivizes the
11 Company to use *unaffiliated* utility crews and contractor crews to perform storm work so
12 that costs can be properly recovered from customers. Full reliance on third-party
13 contractors and mutual aid utility crews will inevitably increase the amount of time it
14 takes to restore essential power to Rhode Island customers, as well as increase storm
15 restoration expenses for customers. For example, the Hurricane Bob Report makes
16 specific reference to the benefits of using affiliated companies for storm restoration,
17 stating:

¹⁰ In New York, the total amount of Service Company cost charged through to the operating affiliate is subject to certain limitations, but the type of cost is allowed for recovery through the storm fund on the basis that the costs are incremental to the Receiving Utility.

1 The local forces were augmented by employees of the New England
2 Electric Companies to work in all capacities such as crew coordinators,
3 customer service, public relations, and other functions to permit NECO
4 employees to do more of the field work, which greatly improved the
5 efficiency of the outside crews in finding the location of service problems
6 when working in unfamiliar territory.

7 [Schedule NG-4, at 8-9].

8 Therefore, Mr. Effron's interpretation of the two sentences extracted from the PUC's
9 Order in Docket No. 2509 would negatively affect Narragansett Electric's customers in
10 two important respects. First, if Narragansett Electric is not allowed to recover the costs
11 it incurs to augment its own resources with resources provided by affiliated outside
12 companies, which are provided at cost, Narragansett Electric would need to hire more
13 third-party contractors to perform service restoration work at a potentially higher cost
14 (particularly in a widespread storm event), thereby increasing costs to customers for
15 service restoration work during storms.

16
17 Customers benefit from the availability of affiliated outside company resources because
18 the Company can generally obtain access to these crews on a more expeditious basis. In
19 addition, when the crews arrive on the system their familiarity with the Company's
20 systems and processes is invaluable. Affiliate resources are generally located in closer
21 proximity to Narragansett Electric's service territory than most third-party contractors or
22 unaffiliated utility crews. In the event of an outage due to a major storm event, affiliate

1 resources can generally be deployed more quickly and therefore assist Narragansett
2 Electric in restoring service to customers more quickly.

3
4 Narragansett Electric's ability to use affiliated resources and recover the associated costs
5 rather than having to use 100-percent third party contractors or mutual aid utility crews
6 when responding to storm events provides significant value to the Company and its
7 customers. The number and severity of storm events has dramatically increased since the
8 Order in Docket No. 2509 was issued, necessitating Narragansett Electric's need to
9 augment its own resources with both significantly more affiliate personnel and third party
10 contractors in order to respond to storm events in an expeditious manner as Narragansett
11 Electric's customers and regulators expect.

12
13 **Q. Are there any examples of where the Company's affiliate crews were able to**
14 **respond quickly to unforeseen severe weather events and provide a high level of**
15 **service for customers?**

16 A. Yes. On August 4, 2015, the Company experienced a "macroburst" event that was
17 unforeseen and required the immediate deployment of a significant crew complement.
18 The Company was able to utilize affiliate crews and other affiliate personnel to respond
19 quickly to this unexpectedly severe weather event that caused significant damage to the
20 Company's electric infrastructure and loss of power to many Narragansett Electric

1 customers. As stated in the Company's summary report of this event filed with the PUC
2 on November 5, 2015 (at page 1):

3 On August 5, 2015, many New Englanders woke up to the sounds of
4 intense thunder, torrential rain, and wind gusts as high as 80 mph as a
5 series of severe storms passed through the region that morning. Rhode
6 Island bore the brunt of Mother Nature's fury, quickly hitting a peak of
7 121,000 customers without power. The storms caused significant damage
8 to 20 transmission and sub-transmission lines and 70 feeders and created a
9 tangled mess of distribution lines brought down by lightning, uprooted
10 trees, and damaged poles. The intensity of the storm in Rhode Island
11 caught even weather forecasters by surprise.

12 The Company quickly secured crews through its alliance vendors and other outside
13 contractors to assist with the restoration efforts for all of New England. Since there was
14 no significant damage in Massachusetts, the Company was able to begin sending
15 National Grid crews immediately from Massachusetts to support the Rhode Island
16 restoration activities. The Company utilized employees from Rhode Island,
17 Massachusetts, and New York. Although approximately 31 percent of Narragansett
18 Electric's customers experienced outages, the Company was able to restore power to
19 approximately 70 percent of its customers within 24 hours, and 90 percent of its
20 customers within 48 hours. In fact, National Grid received an Emergency Recovery
21 Award for 2015 from Edison Electric Institute for National Grid's outstanding efforts
22 restoring power after the August macroburst, one of only eight utility companies across
23 the U.S. that received such an award that year.

1 **V. Storm Fund Replenishment Factor**

2 **Q. When the Company filed its Petition in this proceeding, was the Company expecting**
3 **the PUC to render a decision on the reasonableness and prudence of the costs**
4 **charged to the Storm Fund for major storm events since March 2010?**

5 A. No. As the Company expressly stated in its Petition, in requesting authorization to
6 implement an SFRF to replenish the Storm Fund, the Company is not requesting that the
7 PUC render any determination as to the reasonableness and prudence of costs incurred in
8 connection with qualifying storm events experienced since March 2010. If the PUC were
9 to authorize implementation of the SFRF and continuation of the annual \$3 million of
10 supplemental base distribution rate contributions beyond January 2019 to replenish the
11 Storm Fund as requested by the Company, the PUC retains its usual authority to review
12 the reasonableness of the costs incurred by the Company to prepare for, respond to, and
13 restore service to customers following the 18 qualifying storm events that occurred over
14 the 2010 - 2016 period. To the extent the actual SFRF contributions collected over the
15 replenishment period are more or less than the projected net deficit balance of the Storm
16 Fund at the start of the replenishment period (and the underlying costs comprising that
17 balance), any residual over- or under-collection will reside in the Storm Fund. Mr.
18 Effron raises only one issue with the Company's filing and the issue was already
19 determined by the PUC in Docket No. 2509 to allow the recovery of base pay and
20 overhead allocations so long as those amounts do not relate to employees of Narragansett
21 Electric.

1 Therefore, the Company respectfully requests that the PUC authorize the implementation
2 of the SFRF and extension of the annual \$3 million of supplemental base rate
3 contributions for four years commencing July 1, 2017, so as to reduce the carry costs
4 associated with the deficit balance and mitigate the bill impacts associated with the
5 recovery of excessive deferrals on customers in the future.

6
7 **VI. Conclusion**

8 **Q. Does this conclude your testimony?**

9 **A. Yes.**



Raquel J. Webster
Senior Counsel

March 17, 2017

BY HAND DELIVERY AND ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
RI Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Extension of Mutual Assistance Agreement to March 19, 2018

Dear Ms. Massaro:

Pursuant to R.I. Gen. Laws § 39-3-28, I have enclosed five (5) copies of an Extension of the Mutual Assistance Agreement (Agreement), which was previously entered into by The Narragansett Electric Company¹ on March 28, 2008. The extension of the Agreement is effective as of March 19, 2017.

In accordance with Paragraph 6 of the Agreement, the termination date of the Agreement has been extended to March 19, 2018. I certify that the enclosed documents are true and accurate copies of the executed extension.

Thank you for your attention to this filing. If you have any questions, please contact me at 781-907-2121.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Raquel Webster", with a stylized flourish at the end.

Raquel J. Webster

Enclosures

cc: Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid.



Effective as of March 19, 2017 ("Effective Date")

Re: Extension of Mutual Assistance Agreement

Reference is made to the Mutual Assistance Agreement dated as of March 28, 2008 executed by the undersigned parties (the "Agreement"). In accordance with Paragraph 6 of the Agreement, the undersigned hereby agree to extend the Agreement for an additional 365 days by extending the Termination Date of the Agreement to March 19, 2018 ("Extended Termination Date"). The Agreement shall continue in full force and effect through such Extended Termination Date. This instrument may be executed in multiple counterparts, each of which shall be considered an original.

IN WITNESS WHEREOF, each of the undersigned has caused this instrument to be signed in its name and behalf by its duly authorized representative as of the Effective Date.

MASSACHUSETTS ELECTRIC COMPANY

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

NANTUCKET ELECTRIC COMPANY

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

THE NARRAGANSETT ELECTRIC COMPANY

By: 

Name: Timothy F. Horan

Title: President

NEW ENGLAND POWER COMPANY

By: _____

Name: Rudolph L. Wynter, Jr.

Title: President

NEW ENGLAND ELECTRIC TRANSMISSION
CORPORATION

By: _____

Name: Rudolph L. Wynter, Jr.

Title: President

NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

By: _____

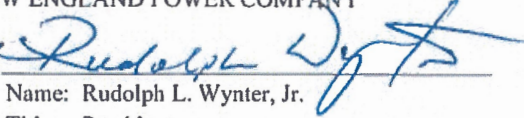
Name: Rudolph L. Wynter, Jr.

Title: President

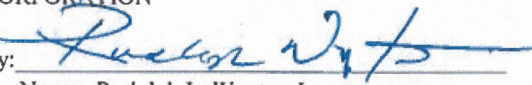
THE NARRAGANSETT ELECTRIC COMPANY

By: _____
Name: Timothy F. Horan
Title: President

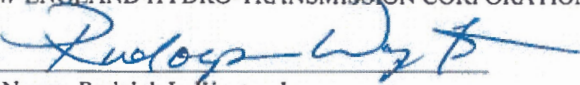
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By: 
Name: Rudolph L. Wynter, Jr.
Title: President

KEYSPAN GAS EAST CORPORATION

By: Ken Daly
Name: Kenneth D. Daly
Title: President

THE BROOKLYN UNION GAS COMPANY

By: Ken Daly
Name: Kenneth D. Daly
Title: President

NATIONAL GRID ELECTRIC SERVICES LLC

By: _____
Name: John Bruckner
Title: Senior Vice President

NATIONAL GRID GENERATION LLC

By: _____
Name: Rudolph L. Wynter, Jr.
Title: President

NATIONAL GRID ENGINEERING & SURVEY INC.

By: _____
Name: Sharon Partridge
Title: Vice President and Controller

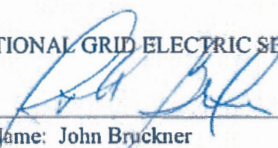
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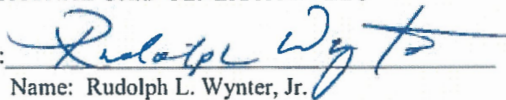
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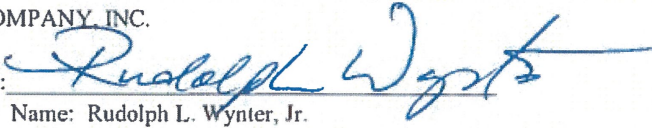
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COMPANY, INC.

By: 
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Title: President

NIAGARA MOHAWK POWER CORPORATION

By: _____
Name: Kenneth D. Daly
Title: President

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By: _____
Name: Marcy L. Reed
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COLONIAL GAS COMPANY

By: marcy L. Reed
Name: Marcy L. Reed
Title: President

MUTUAL ASSISTANCE AGREEMENT

Dated as of March 28, 2008

WHEREAS, the undersigned companies (individually, a Company, and together, the Companies) are each an operating utility, or perform services for an operating utility, and are an affiliated company within the National Grid USA system,

WHEREAS, each of the Companies from time to time have required and may continue to require assistance and services in connection with utility-related operations and to ensure that assets and equipment are maintained and perform in accordance with good utility practice,

WHEREAS, each of the Companies may find it from time to time economic and efficient to obtain from one another such needed services and assistance, and to provide the same to one another at cost,

NOW, THEREFORE, the Companies enter into this Mutual Assistance Agreement.

COVENANTS

1. Each Company will, to the extent possible, respond to requests from any other Company for specific or general assistance and services. Such requests may be modified or canceled by the requesting Company and may be refused by the responding Company.

2. Requests for assistance and services shall generally be for the types of services set forth in Exhibit A, attached hereto and incorporated by reference.

3. All assistance and services rendered under this Mutual Assistance Agreement will be at actual cost thereof. Direct charges will be made for assistance and services. Exhibit B sets forth how cost of service is determined and record keeping.

4. Bills for assistance and services will be rendered as soon as practicable after the close of each month. Bills shall be paid as promptly as practicable following receipt.

5. This Mutual Assistance Agreement is subject to modification or termination at any time to the extent that its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction thereover. This Agreement is furthermore subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and performance.

6. The parties mutually agree that the Mutual Assistance Agreement dated as of October 1, 2007 is hereby terminated.

The effective date of this Agreement shall be March 28, 2008. This Agreement shall be in effect through March 27, 2009 ("Termination Date"). Subject to the receipt of any required approvals of any state regulatory body having jurisdiction, the Termination Date may be extended by mutual written agreement of all parties hereto and this Agreement shall continue in full force and effect through such extended Termination Date agreed to by the parties.

7. Any number of counterparts of this Mutual Assistance Agreement may be executed, and each shall have the same force and effect as an original instrument, as if all parties to all counterparts had signed the same instrument. After the effective date hereof, any new or existing operating company or service company that is a direct or indirect subsidiary of National Grid USA may become a party to this Mutual Assistance Agreement by executing and delivering a signed and dated counterpart hereof.

[Signatures start on following page.]

MASSACHUSETTS ELECTRIC COMPANY

By: John G. Cochran
Name: John G. Cochran
Title: Treasurer

NANTUCKET ELECTRIC COMPANY

By: John G. Cochran
Name: John G. Cochran
Title: Treasurer

THE NARRAGANSETT ELECTRIC COMPANY

By: John G. Cochran
Name: John G. Cochran
Title: Treasurer

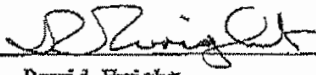
GRANITE STATE ELECTRIC COMPANY

By: Barbara Hassan
Name: Barbara Hassan
Title: Senior Vice President

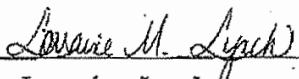
NEW ENGLAND POWER COMPANY

By: John G. Cochran
Name: John G. Cochran
Title: Vice President

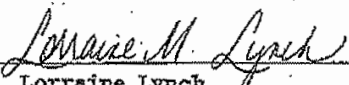
NEW ENGLAND ELECTRIC TRANSMISSION CORPORATION

By: 
Name: David Wright
Title: Vice President

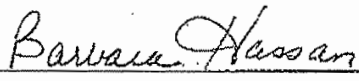
NEW ENGLAND HYDRO-TRANSMISSION CORPORATION

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

NEW ENGLAND HYDRO-TRANSMISSION ELECTRIC
COMPANY, INC.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

NIAGARA MOHAWK POWER CORPORATION

By: 
Name: Barbara Hassan
Title: Senior Vice President

BOSTON GAS COMPANY

By: Nickolas Stavropoulos
Name: Nickolas Stavropoulos
Title: President & Chief Operating Officer

ESSEX GAS COMPANY

By: Nickolas Stavropoulos
Name: Nickolas Stavropoulos
Title: President & Chief Operating Officer

COLONIAL GAS COMPANY

By: Nickolas Stavropoulos
Name: Nickolas Stavropoulos
Title: President & Chief Operating Officer

ENERGYNORTH NATURAL GAS, INC.

By: Nickolas Stavropoulos
Name: Nickolas Stavropoulos
Title: President & Chief Operating Officer

KEYSPAN GAS EAST CORPORATION

By: Nickolas Stavropoulos
Name: Nickolas Stavropoulos
Title: President

THE BROOKLYN UNION GAS COMPANY

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Assistant Treasurer

KEYSPAN ELECTRIC SERVICES, LLC

By: James G. Holodak
Name: James G. Holodak
Title: Vice President

KEYSPAN GENERATION LLC

By: Steven L. Zelkowitz
Name: Steven L. Zelkowitz
Title: President

KEYSPAN ENGINEERING & SURVEY, INC.

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Vice President & Treasurer

KEYSPAN UTILITY SERVICES LLC

By: Richard A. Rapp, Jr.
Name: Richard A. Rapp, Jr.
Title: Vice President

Exhibit A

Description of Assistance and Services Available

Construction and Maintenance

Manpower and equipment for construction, extension, improvement, maintenance or repair of utility properties.

Emergencies

Assistance in emergency maintenance and restoration of utility service and in mobilization of personnel and equipment.

Engineering

Engineering services; technical advice, design, installation, supervision, planning, research, testing, operation of communications, and operation and maintenance of specialized technical equipment.

Stores

Services re storing of materials, supplies and equipment.

Miscellaneous

Consulting and monitoring services; land and/or real facilities rentals related to utility operations; reimbursement of convenience expenses.

Exhibit B

Determination of Cost of Service

Cost of service will include all costs of doing business incurred by the providing Company.

Records will be maintained for each unit of the providing Company in order to accumulate all costs of doing business and to determine the cost of service. These costs will include wages and salaries of employees and related expenses such as insurance, taxes, pensions and other employee welfare expenses, and general administrative costs.

Charges for services rendered and related expenses and non-personnel expenses (e.g., use of automotive equipment, etc.) will be billed directly to the requesting Company.

Charges for services will be determined from the time sheets of employees and will be computed on the basis of each employee's hourly rate plus a percentage factor to cover related expenses and general administrative expenses. Records of such related expenses and general administrative expenses will be maintained and subjected to periodic review.

Out-of-pocket expenses which are incurred for the requesting Company will be billed at cost. Charges for non-personnel expenses, such as for use of automobiles, trucks and heavy equipment, will normally be computed on the basis of costs per hour or per mile.

NATIONAL GRID USA SERVICE COMPANY, INC.

SERVICE AGREEMENT

This Service Agreement ("Agreement") dated as of November 5, 2012 ("Effective Date") is entered into by and between National Grid USA Service Company, Inc. ("Service Company"), a Massachusetts corporation, and each of the affiliated companies that are or become a party hereto (each, individually a "Client Company" and collectively, the "Client Companies"). Service Company and the Client Companies may also be referred to herein, individually, as a "Party," and, collectively, as the "Parties".

WHEREAS, Service Company is a service company affiliate of National Grid USA ("National Grid") which is a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act"); and

WHEREAS, the Client Companies desire Service Company to provide services as contemplated by this Agreement, and Service Company is willing to provide such services, subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual representations, covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE 1 SERVICES

1.1 Services Offered. Exhibit I to this Agreement describes some of the services that Service Company may furnish to each Client Company. In addition to the services referred to in Exhibit I, Service Company may also provide each Client Company with additional or different services, as may be requested, from time to time, by such Client Company. Service Company may, from time to time, unilaterally amend part A of Exhibit I entitled "List of Certain Services Provided by Service Company" for the purpose of aligning the service descriptions contained therein with the Service Level Agreements referred to in Section 1.4 hereof. Service Company shall deliver a copy of each such amended Exhibit I to the Client Companies and shall file a copy thereof with each state regulatory agency having jurisdiction.

In supplying services hereunder to a Client Company, Service Company may arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons or third parties with necessary qualifications as are required for, or are pertinent to, the performance of such services.

1.2 Modification of Services. Each Client Company shall have the right from time to time to amend, alter or rescind any activity, project, program, work order or other request for

services in connection with this Agreement, provided that (i) the cost for the services covered by the activity, project, program, work order or other request for service shall be deemed to include any costs incurred by Service Company as a direct result of such amendment, alteration or rescission of the activity, project, program or work order, and (ii) no amendment, alteration or rescission of an activity, project, program or work order shall release a Client Company from liability for all costs already incurred by or contracted for by Service Company in connection with the activity, project, program or work order, regardless of whether the services associated with such costs have been completed.

1.3 Limitations.

(a) Anything in this Agreement to the contrary notwithstanding, (i) no Party shall be obligated to participate in any transaction contemplated by this Agreement if the cost to be charged to such Party in connection with such transaction differs from the amount of the charges such Party is permitted to incur under any statute applicable to such Party or under any rules, regulations or orders of the Federal Energy Regulatory Commission (“FERC”) or of any state public utility commission or its equivalent having jurisdiction over such Party, and (ii) if a Client Company is subject to the jurisdiction of the Massachusetts Department of Public Utilities (“MDPU”) or any successor to the MDPU, any amounts to be paid by such Client Company in connection with this Agreement or any transaction contemplated by this Agreement shall be subject to review and determination by the MDPU in any proceeding brought under Section 93 or 94 of Chapter 164 of the Massachusetts General Laws.

(b) This Agreement shall be subject to approval of any federal or state regulatory body whose approval is a legal prerequisite to its execution and delivery or performance. Cost allocations and the methods of allocation provided herein or contemplated hereby may also be subject to the jurisdiction of FERC under Section 1275 of the Energy Policy Act of 2005 and the rules promulgated thereunder and, if and to the extent its determination is sought, FERC determinations regarding the allocation of costs shall be dispositive.

(c) Nothing in this Agreement is intended to limit the jurisdiction that any state public utility commission or equivalent agency may have under applicable law to review the prudence of costs incurred and paid hereunder for the purpose of determining whether the applicable Client Company may recover such costs in rates.

1.4 Service Company shall cooperate in the implementation of, and shall participate in, such management programs and procedures as may be requested by any Client Company in connection with the services provided to such Client Company under this Agreement. These management programs and procedures may include, without limitation, budgeting applications and Service Level Agreements, as determined by the requesting Client Company.

ARTICLE 2 COMPENSATION AND BILLING

2.1 Compensation. All of the services rendered under this Agreement will be rendered at actual cost thereof. Direct charges will be made for services where appropriate. Costs that cannot be directly charged will be allocated to Client Companies by means of

equitable allocation formulae or clearing accounts. To the extent possible, such allocations shall be based on cost-causation relationships. All other allocations will be broad based. Each formula will have an appropriate basis.

From time to time, certain Client Companies may make filings (as part of a rate plan or otherwise) with regulatory agencies having jurisdiction on the application of allocation methodologies as specified in such filings (such filings, as may be amended from time to time, shall be referred to as "*Allocation Filings*"). The Service Company shall allocate costs in connection with this Agreement in compliance with all applicable Allocation Filings then in effect and in compliance with the Service Company's Cost Allocation Manual, as such Manual may be amended or modified from time to time. Subject to the foregoing, allocation methodologies may be modified or changed by Service Company without the necessity of an amendment of this Agreement provided that in each instance all services rendered hereunder will be at actual cost thereof, fairly and equitably allocated. The Client Companies will be advised from time to time of any material changes in such methodologies.

2.2 Billing. Bills will be rendered during the first week of each month covering amounts due for the month calculated on an estimated basis using the actual expenses incurred to the extent possible during the second previous month. This estimated amount will be adjusted on the bill to be rendered by the conclusion of the following month. If a bill is not paid by the 15th day after the bill is received (the "*Due Date*"), the Client Company shall pay interest on any amount outstanding after the Due Date at the current money pool rate.

ARTICLE 3 TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective as of the Effective Date.

3.2 Term and Termination.

(a) The term of this Agreement shall be 364 days. Upon the expiration of each 364 day term, this Agreement shall be automatically renewed for an additional term of 364 days; provided that such renewal term shall not apply to any Client Company that elects to terminate its participation in this Agreement by providing written notice to Service Company prior to the effective date of such renewal term.

(b) Any Client Company may terminate its participation in this Agreement upon sixty (60) days advance written notice to the Service Company. The Service Company may terminate this Agreement with respect to any Client Company upon sixty (60) days advance written notice to such Client Company or may terminate this Agreement in its entirety upon sixty (60) days advance written notice to all Client Companies. The foregoing notwithstanding, the obligations of the Parties under this Agreement with respect to invoicing and payment of amounts due shall continue in effect notwithstanding any such termination until all final accounting, adjustments and payments have been made in compliance herewith.

(c) This Agreement will also be subject to termination or modification, without prior notice and at any time, to the extent its performance may conflict with any federal or state law or any rule, regulation or order of a federal or state regulatory body having jurisdiction.

ARTICLE 4 MISCELLANEOUS

4.1 Modification. Except as set forth in Article 2 and Sections 1.3, 3.2 and 4.4, no amendment or other modification of this Agreement shall be effective unless made in writing and executed by all of the Parties to this Agreement.

4.2 Notices. Where written notice is required by this Agreement, such notice shall be deemed given when delivered personally, mailed by certified mail, postage prepaid and return receipt requested, or by facsimile or electronic mail, as follows:

To Service Company:

National Grid USA Service Company, Inc.
Attn: Vice President, Service Company & Regulatory Accounting
40 Sylvan Road
Waltham, Massachusetts 02451

To Client Company:

Notice to any Client Company shall be sent to the attention of the President (or equivalent chief executive) of such Client Company at the principal office of such President or chief executive with a copy to the Vice President and Controller, National Grid USA, 40 Sylvan Road, Waltham, Massachusetts 02451.

4.3 Accounts. All accounts and records of Service Company shall be kept in accordance with all applicable rules and regulations promulgated by FERC pursuant to the Act, including, without limitation, applicable record retention requirements and the Uniform System of Accounts for Service Companies in effect from and after the date hereof. Upon request, Service Company shall permit a Client Company reasonable access to the accounts and records of Service Company relating to the services performed for such Client Company hereunder.

4.4 Partial Execution; Additional Client Companies. This Agreement shall become effective between Service Company and each Client Company that delivers an executed counterpart of this Agreement as of the Effective Date (without regard to whether any or all other entities listed on the signature pages below have executed this Agreement by the Effective Date). After the Effective Date, any new or existing direct or indirect subsidiary of National Grid USA may become an additional Client Company under this Agreement by executing and delivering to Service Company a counterpart of this Agreement or an Accession (such Accession to be substantially in the form attached hereto as Exhibit II); and this Agreement shall be effective with respect to each such additional Client Company from and after the execution date of such counterpart or Accession.

4.5 Waiver. Except as otherwise provided in this Agreement, any failure of a Party to comply with any obligation, covenant, agreement, or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

4.6 No Third Party Beneficiaries. Nothing in this Agreement is intended to confer upon any other person except the Parties any rights or remedies hereunder or shall create any third party beneficiary rights in any person. No provision of this Agreement shall create any rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement except as expressly provided for thereunder.

4.7 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable principles of conflicts of law).

4.8 Counterparts. This Agreement and any Accession may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement or of any Accession and of signature pages by facsimile transmission (including telecopier and scanned "PDF" transmitted by email) shall constitute effective execution and delivery of this Agreement and any Accession as to the Parties and may be used in lieu of the original Agreement or Accession and signatures for all purposes. Signatures of the Parties transmitted by facsimile (including telecopier and scanned "PDF" transmitted by email) shall be deemed to be their original signatures for all purposes. In proving this Agreement or any Accession it shall not be necessary to produce or account for more than one such counterpart signed by the Party against whom enforcement is sought.

4.9 Entire Agreement. This Agreement, including the exhibits attached hereto, constitutes the entire agreement and understanding of the Parties with respect to the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to the transactions contemplated by this Agreement.

4.10 Severability. If any term or other provision of this Agreement is determined to be invalid, illegal or unenforceable, such term or provision shall be modified so as to give as much effect to the original intent thereof as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining terms and provisions of this Agreement.

4.11 Assignment. Service Company shall not assign this Agreement, or any of its rights or obligations hereunder, without the prior written consent of the Client Companies, such consent not to be unreasonably withheld. A Client Company shall not assign this Agreement, or any of its rights or obligations hereunder, without the prior written consent of Service Company.

This Agreement shall inure to the benefit and shall be binding upon the Parties and their permitted successors and assigns.


4.12 Termination of Existing Service Contracts.

The Parties acknowledge that Service Company is successor by merger to National Grid Corporate Services LLC (formerly, KeySpan Corporate Services LLC) and National Grid Utility Services LLC (formerly, KeySpan Utility Services LLC). Service Company and each Client Company agree that, effective as of the Effective Date, the Service Agreement dated as of October 1, 2007 between National Grid Corporate Services LLC and the Client Companies party thereto, the Service Agreement dated as of January 1, 2008 between National Grid Utility Services LLC and the Client Companies party thereto, and all Service Contracts dated as of April 1, 2012 between Service Company and any Client Company are hereby terminated as of the Effective Date, subject to settlement of amounts due under such agreements and contracts.

[Signatures are on following pages.]

IN WITNESS WHEREOF, Service Company and the undersigned Client
Companies have caused this Agreement to be executed by their respective duly authorized
representatives.

National Grid USA Service Company, Inc.

By: 

Name: Sharon Partridge

Title: Vice President

Niagara Mohawk Power Corporation

By: _____

Name: Kenneth D. Daly

Title: President

The Brooklyn Union Gas Company

By: _____

Name: Kenneth D. Daly

Title: President

KeySpan Gas East Corporation

By: _____

Name: Charles V. DeRosa

Title: Vice President

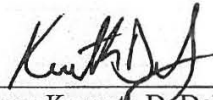
IN WITNESS WHEREOF, Service Company and the undersigned Client Companies have caused this Agreement to be executed by their respective duly authorized representatives.

National Grid USA Service Company, Inc.

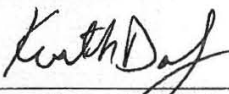
By: _____

Name: Sharon Partridge
Title: Vice President

Niagara Mohawk Power Corporation

By:  _____
Name: Kenneth D. Daly
Title: President

The Brooklyn Union Gas Company

By:  _____
Name: Kenneth D. Daly
Title: President

KeySpan Gas East Corporation

By: _____
Name: Charles V. DeRosa
Title: Vice President

IN WITNESS WHEREOF, Service Company and the undersigned Client Companies have caused this Agreement to be executed by their respective duly authorized representatives.

National Grid USA Service Company, Inc.

By: _____

Name: Sharon Partridge
Title: Vice President

Niagara Mohawk Power Corporation

By: _____

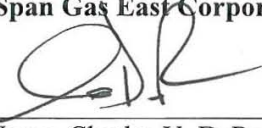
Name: Kenneth D. Daly
Title: President

The Brooklyn Union Gas Company

By: _____

Name: Kenneth D. Daly
Title: President

KeySpan Gas East Corporation

By:  _____

Name: Charles V. DeRosa
Title: Vice President

Massachusetts Electric Company

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

Nantucket Electric Company

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

The Narragansett Electric Company

By: _____
Name: Timothy F. Horan
Title: President

**New England Electric Transmission
Corporation**

By: Peter G. Flynn
Name: Peter G. Flynn
Title: President

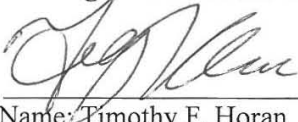
Massachusetts Electric Company

By: _____
Name: Marcy L. Reed
Title: President

Nantucket Electric Company

By: _____
Name: Marcy L. Reed
Title: President

The Narragansett Electric Company

By:  _____
Name: Timothy F. Horan
Title: President

**New England Electric Transmission
Corporation**

By: _____
Name: Peter G. Flynn
Title: President

New England Power Company

By: Peter A. Flynn
Name: Peter G. Flynn
Title: President

**New England Hydro-Transmission Electric
Company, Inc.**

By: Peter A. Flynn
Name: Peter G. Flynn
Title: President

**New England Hydro-Transmission
Corporation**

By: Peter A. Flynn
Name: Peter G. Flynn
Title: President

Boston Gas Company

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

Colonial Gas Company

By: Marcy L. Reed
Name: Marcy L. Reed
Title: President

National Grid Generation LLC

By: Peter G. Flynn
Name: Peter G. Flynn
Title: President

National Grid Engineering & Survey Inc.

By: _____
Name: Lorraine Lynch
Title: Vice President and Treasurer

National Grid Electric Services LLC

By: _____
Name: John Bruckner
Title: Senior Vice President

KeySpan Corporation

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Energy Trading Services LLC

By: _____
Name: Lorraine Lynch
Title: Treasurer

National Grid Generation LLC

By: _____
Name: Peter G. Flynn
Title: President

National Grid Engineering & Survey Inc.

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Vice President and Treasurer

National Grid Electric Services LLC

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KeySpan Corporation

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National Grid Energy Trading Services LLC

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Name: Lorraine Lynch
Title: Treasurer

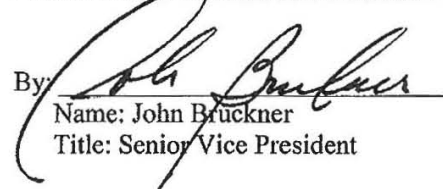
National Grid Generation LLC

By: _____
Name: Peter G. Flynn
Title: President

National Grid Engineering & Survey Inc.

By: _____
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Title: Vice President and Treasurer

National Grid Electric Services LLC

By:  _____
Name: John Bruckner
Title: Senior Vice President

KeySpan Corporation

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Energy Trading Services LLC

By: _____
Name: Lorraine Lynch
Title: Treasurer

**National Grid Exploration and Production,
LLC**

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Assistant Treasurer

KeySpan Energy Corporation

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Treasurer

National Grid NE Holdings 2 LLC

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Assistant Treasurer

NGNE LLC

By: Lorraine M. Lynch
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Glenwood Energy Center LLC

By: _____
Name: Peter G. Flynn
Title: President

**National Grid Exploration and Production,
LLC**

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

KeySpan Energy Corporation

By: _____
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Title: Assistant Treasurer

NGNE LLC

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Glenwood Energy Center LLC

By: Peter G. Flynn
Name: Peter G. Flynn
Title: President

**National Grid Port Jefferson Energy Center
LLC**

By: Peter G. Flynn
Name: Peter G. Flynn
Title: President

Niagara Mohawk Energy, Inc.

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

KeySpan MHK, Inc.

By: _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

National Grid Technologies, Inc.

By: _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

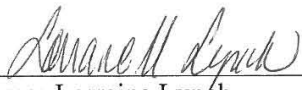
National Grid Services Inc.

By: _____
Name: Lorraine Lynch
Title: Treasurer


**National Grid Port Jefferson Energy Center
LLC**

By: _____
Name: Peter G. Flynn
Title: President

Niagara Mohawk Energy, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

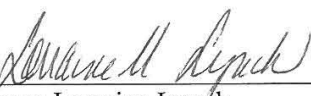
KeySpan MHK, Inc.

By: 
Name: Charles V. DeRosa
Title: Assistant Treasurer

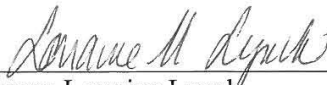
National Grid Technologies, Inc.

By: 
Name: Charles V. DeRosa
Title: Assistant Treasurer

National Grid Services Inc.

By: 
Name: Lorraine Lynch
Title: Treasurer


National Grid Development Holdings Corp.

By: 
Name: Lorraine Lynch
Title: Senior Vice President and Treasurer

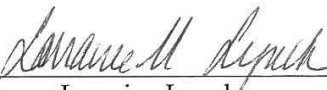
North East Transmission Co., Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid USA

By: 
Name: Lorraine Lynch
Title: Vice President and Assistant Treasurer

EUA Energy Investment Corporation

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

Metrowest Realty LLC

By: _____
Name: John G. Cochrane
Title: Treasurer

National Grid Development Holdings Corp.

By: _____
Name: Lorraine Lynch
Title: Senior Vice President and Treasurer

North East Transmission Co., Inc.

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

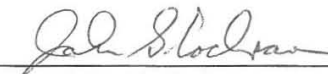
National Grid USA

By: _____
Name: Lorraine Lynch
Title: Vice President and Assistant Treasurer

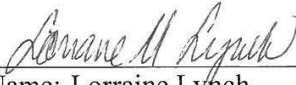
EUA Energy Investment Corporation

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

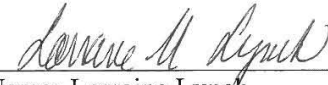
Metrowest Realty LLC

By:  _____
Name: John G. Cochrane
Title: Treasurer

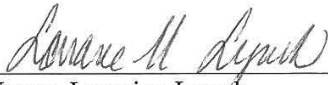
Metro Energy L.L.C.

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

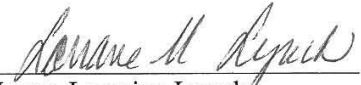
NEES Energy, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


New England Energy Incorporated

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


New England Hydro Finance Company, Inc.

By: 
Name: Lorraine Lynch
Title: President and Assistant Treasurer


NEWHC, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


NM Properties, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


NM Uranium, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

Wayfinder Group, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


GridAmerica Holdings Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

**National Grid Transmission Services
Corporation**

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


Newport America Corporation

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

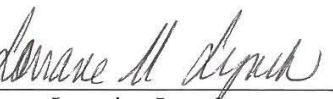
Niagara Mohawk Holdings, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


Patience Realty Corp.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


Prudence Corporation

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

British Transco Capital Inc.

By: 
Name: Lorraine Lynch
Title: Vice President

British Transco Finance Inc.

By: 
Name: Lorraine Lynch
Title: Vice President

Island Energy Services Company, Inc.

By: 
Name: Charles V. DeRosa
Title: Assistant Treasurer

Transgas Inc.

By: _____
Name: Michael J. Nilsen
Title: Treasurer

Eastern Rivermoor Company, Inc.

By: 
Name: Charles V. DeRosa
Title: Assistant Treasurer

Mystic Steamship Corporation

By: National Grid NE Holdings 2 LLC

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

British Transco Finance Inc.

By: _____
Name: Lorraine Lynch
Title: Vice President

Island Energy Services Company, Inc.

By: _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

Transgas Inc.

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Treasurer

Eastern Rivermoor Company, Inc.


By: _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

Mystic Steamship Corporation


By: National Grid NE Holdings 2 LLC

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer


Opinac North America, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

PCC Land Company, Inc.

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

Philadelphia Coke Co., Inc.


By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

Port of the Islands North LLC


By: Land Management and Development, Inc.,
its sole member

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

Eastern Associated Securities Corp.


By: 
Name: Charles V. DeRosa
Title: Treasurer

MyHomeGate, Inc.

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

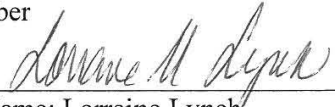
National Grid Telemetry Solutions, LLC

By: National Grid Technologies, Inc., its sole member

By: 
Name: Charles V. DeRosa
Title: Assistant Treasurer

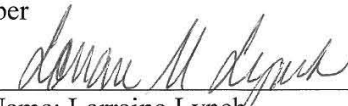
KSI Contracting, LLC

By: National Grid Services Inc., its sole member

By: 
Name: Lorraine Lynch
Title: Treasurer

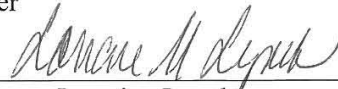
KSI Electrical, LLC

By: National Grid Services Inc., its sole member

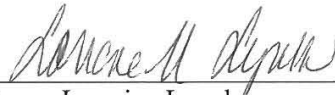
By: 
Name: Lorraine Lynch
Title: Treasurer

KSI Mechanical, LLC

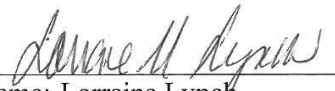
By: National Grid Services Inc., its sole member

By: 
Name: Lorraine Lynch
Title: Treasurer

National Grid Energy Management LLC

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

National Grid Energy Services LLC

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

National Grid Energy Supply LLC

By: _____
Name: James A. Cross
Title: Vice President

Broken Bridge Corp.

By: _____
Name: Michael J. Nilsen
Title: Treasurer

KSI Mechanical, LLC

By: National Grid Services Inc., its sole member

By: _____
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Title: Treasurer


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Title: Treasurer

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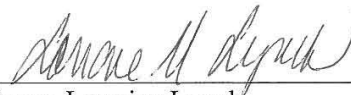
National Grid Energy Supply LLC

By: _____
Name: James A. Cross
Title: Vice President


Broken Bridge Corp.

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Treasurer


National Grid North East Ventures Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

KeySpan International Corporation

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid IGTS Corp.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

KeySpan Midstream, Inc.

By: _____
Name: Michael J. Nilsen
Title: Vice President and Treasurer

KeySpan C.I. LTD

By: _____
Name: Michael J. Nilsen
Title: Treasurer and Comptroller

National Grid North East Ventures Inc.

By: _____
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Title: Assistant Treasurer

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KeySpan C.I. LTD

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Treasurer and Comptroller

KeySpan C.I. II LTD

By: _____
Name: Michael J. Nilsen
Title: Treasurer and Comptroller


KeySpan CI Midstream Limited

By: _____
Name: Michael J. Nilsen
Title: Treasurer and Comptroller


KeySpan Energy Development Co.

By: _____
Name: Michael J. Nilsen
Title: Vice President, Treasurer and
Controller

KeySpan Energy Services Inc.

By:  _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

KeySpan Energy Services New Jersey, LLC

By:  _____
Name: Lorraine Lynch
Title: Vice President and Treasurer

KeySpan C.I. II LTD

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Treasurer and Comptroller

KeySpan CI Midstream Limited

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Name: Michael J. Nilsen
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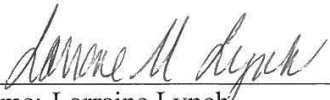
KeySpan Energy Services Inc.

By: _____
Name: Charles V. DeRosa
Title: Assistant Treasurer

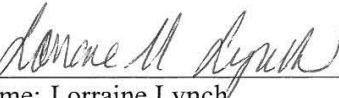
KeySpan Energy Services New Jersey, LLC

By: _____
Name: Lorraine Lynch
Title: Vice President and Treasurer

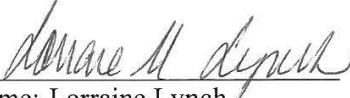
**KeySpan Plumbing & Heating Solutions,
LLC**

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

KeySpan Plumbing Solutions, Inc.

By: 
Name: Lorraine Lynch
Title: Vice President and Treasurer

Land Management and Development, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

Landwest, Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Millennium LLC

By: _____
Name: Michael J. Nilsen
Title: Vice President and Treasurer

**KeySpan Plumbing & Heating Solutions,
LLC**

By: _____
Name: Lorraine Lynch
Title: Vice President and Treasurer

KeySpan Plumbing Solutions, Inc.

By: _____
Name: Lorraine Lynch
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By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

Landwest, Inc.

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Millennium LLC

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Vice President and Treasurer

National Grid Islander East Pipeline LLC

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Vice President and Treasurer

National Grid LNG GP LLC

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid LNG LP LLC

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid LNG LP

By: Michael J. Nilsen
Name: Michael J. Nilsen
Title: Vice President and Treasurer

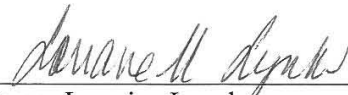
Upper Hudson Development Inc.

By: _____
Name: Lorraine Lynch
Title: Assistant Treasurer

National Grid Islander East Pipeline LLC

By: _____
Name: Michael J. Nilsen
Title: Vice President and Treasurer

National Grid LNG GP LLC

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

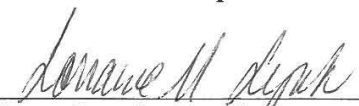
National Grid LNG LP LLC

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer


National Grid LNG LP

By: _____
Name: Michael J. Nilsen
Title: Vice President and Treasurer

Upper Hudson Development Inc.

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

**Valley Appliance and Merchandising
Company**

By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

65 Willis Lane Inc.

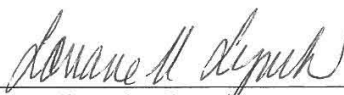
By: 
Name: Lorraine Lynch
Title: Assistant Treasurer

EXHIBIT I

A. List of Certain Services Provided by Service Company.

(Additional or different services may be provided, from time to time, as requested by any Client Company.)

Corporate Affairs

Provide internal and external communication and relationship services.

Executive and Administrative

Provide consultation and services in management and administration of all aspects of utility business.

Corporate Audit

Provide internal and safety, health and environment audit services.

Customer

Provide gas and electric procurement and supply services. Provide services related to sales and customer risk and analytics, including energy efficiency programs.

Finance

Provide budgeting, accounting services, reporting and rate support. Responsible for tax, treasury and insurance activities.

Information Services

Provide development and support services related to information technology. Manage IT networks and infrastructure, including cyber security.

Security

Provide physical security and security services.

Procurement

Responsible for the sourcing of products and administration of contracts with third party vendors.

Human Resources

Provide labor and employee relations services. Provide learning and development services. Manage recruiting, inclusion and diversity and learning and development programs. Manage employee compensation, benefits and pension programs.

Legal

Provide legal advice and assistance with respect to legal matters, including, without limitation, in the areas of real estate, commercial matters, corporate counsel, litigation, environment and employment. Provide legal support for federal, state and local regulatory activities. Manage corporate records and oversee ethics and business conduct programs and activities.

Network Strategy and Services

Provide services pertaining to the operation and maintenance of gas and electricity networks including engineering, investment planning, standards and policy compliance and reporting.

Operations

Provide operational activities and services. Operational activities include maintenance and construction; protection and telecommunication operations; customer meter services & dispatch operations; control center operations; and power plant and LNG operations. Service activities include Operations Support (Fleet, Aviation, and Inventory Management; Customer Order Fulfillment and related support processes; Meter Lab & Testing activities); Project Management and Complex Construction and Vegetation Management; Resource Planning; Emergency Planning and Response; and Operations Performance activities.

Safety, Health and Environment

Manage safety, health and environmental programs, performance and compliance.

Shared Services

Provide customer care services, transactional services and real estate services.

Regulatory and Pricing

Provide regulatory support services.

B. Cost of Service.

Cost of service will be determined in accordance with applicable Federal and state laws (including the Act and rules and regulations promulgated thereunder), and will include all costs of doing business incurred by Service Company, including a reasonable return on capital.

Service Company will maintain an accounting system for accumulating all costs on a project, activity or other appropriate basis. Records will be kept by each cost center of Service Company in order to accumulate all costs of doing business. Expenses of Service Company departments will include salaries and wages of employees, materials and supplies and all other expenses attributable to each such department. Labor cost will be loaded for fringe benefits and payroll taxes. To the extent practicable, Service Company will keep time records of hours worked by all Service Company employees, including all officers of such Company.

The methods of assignment or allocation of costs shall be reviewed annually or more frequently if appropriate. Subject to the terms of the Agreement, if the use of a basis of allocation would result in an inequity because of a change in operations or organization, then Service Company may adjust the basis to effect an equitable distribution.

EXHIBIT II

Form of
ACCESSION TO
NATIONAL GRID USA SERVICE COMPANY, INC.
SERVICE AGREEMENT

Effective as of [] (“*Accession Date*”)

Reference is made to that certain Service Agreement dated as of November 5, 2012 by and between National Grid USA Service Company, Inc. and the Client Companies party thereto (the “*Service Agreement*”). Any capitalized term used but not defined herein shall have the meaning specified for such term in the Service Agreement.

In accordance with Section 4.4 of the Service Agreement, the undersigned [company] [companies] ([the] [each, an] “*Additional Client Company*”) shall be deemed to be a Client Company under the Service Agreement as of the Accession Date. [The] [Each] Additional Client Company agrees to be bound by the terms of the Service Agreement from and after the Accession Date.

IN WITNESS WHEREOF, the undersigned [has] [have] caused this instrument to be executed by [its] [their] respective duly authorized representative[s] as of the Accession Date.

[COMPANY NAME]

By: _____
Name:
Title:

[COMPANY NAME]

By: _____
Name:
Title:



Narragansett Electric

Peter G. Flynn
Attorney

RECEIVED

The Narragansett Electric Company
280 Melrose Street
P.O. Box 1438
Providence, Rhode Island 02901-1438
Tel. (401) 941-1400

1986 DEC 31

PUBLIC UTILITIES COMMISSION

December 31, 1986

Edward F. Burke, Chairman
Public Utilities Commission
100 Orange Street
Providence, Rhode Island 02903

Dear Chairman Burke:

Narragansett is today filing a Report to the Commission on the Storm Emergency Fund. The Company submits this filing for the following two purposes: 1) to provide our regulators with information concerning the operation and current status of the Fund, including the impact of Hurricane Gloria; and 2) to invite a regulatory audit.

Hurricane Gloria marks the first time that the Fund has been used to pay for storm costs. Narragansett believes that its charges to the Fund and its accounting procedures conform with the letter and spirit of the Commission's order establishing the Fund. The integrity of this system for paying for storm costs requires that all parties have a common understanding as to how the Fund should be applied. Narragansett welcomes a regulatory audit as a means of assuring that the Company and its regulators have this common understanding.

Thank you for your attention to this matter.

Sincerely,

Peter G. Flynn

Attachments

c: Sheldon Whitehouse, Esquire
Hugo L. Ricci, Jr., Esquire

REPORT OF THE NARRAGANSETT
ELECTRIC COMPANY TO THE PUBLIC UTILITIES COMMISSION
ON THE STORM CONTINGENCY FUND

December 31, 1986

0339L

-1-

The Public Utilities Commission ("Commission") in 1982 approved the establishment of a Storm Contingency Fund ("Fund") for The Narragansett Electric Company ("Narragansett" or "Company"). The Fund constitutes a rational and equitable system for paying for the costs of restoring electric service following a major storm. Narragansett's base rates include a \$400,000 annual charge to fund this storm reserve. The Narragansett Electric Company, Docket 1591 (March 30, 1982), pp. 46-48.

Narragansett submits this report for two purposes. First, we provide our regulators with information concerning the operation and current status of the Fund, including the impact of Hurricane Gloria. Second, we invite a regulatory audit.

We believe that our charges to the Fund and our accounting procedures conform with the letter and spirit of the Commission's order establishing the Fund. Nonetheless, Hurricane Gloria marks the first time that Narragansett has used the Fund to pay for storm costs. A regulatory audit now would provide Narragansett with some assurance that our regulators concur with the propriety of our charges to the Fund and with our accounting procedures. Any disagreements should be raised and resolved now. The integrity of this system for paying for storm costs requires that all parties have a common understanding as to how the Fund should be applied.

As the Commission is aware, Narragansett's base rates have included a charge for the Storm Contingency Fund since April 1982. The Company collects \$33,333^{1/} per month (i.e., \$400,000

^{1/} Due to proration, only \$16,667 was collected in April 1982.

-2-

per year/12 = \$33,000) to fund the reserve. Interest accrues on the first working day of each month based on the Fund balance and the 30-Day Certificate of Deposit rate as published by The Fleet National Bank. The monthly accrued interest, Fund balances and interest rates are shown on Exhibit I. As the exhibit shows, the Fund balance at the end of November 1986 was negative \$2,931,793.

A positive balance in the Fund is recorded in Account 228, Accumulated Provision for Property Insurance. The accounting entries which Narragansett records monthly when the Fund has a positive balance are as follows:

- 1) debit Account 924 (Property Insurance - Storm Contingency) with the \$33,333 collected through base rates;
- 2) debit Account 431 (Interest Expense) for the amount of interest applicable; and
- 3) credit Account 228 with the current month's Accounts 924 and 431 amounts.

A negative balance in the Fund is recorded in Account 186, Miscellaneous Deferred Debits. The accounting entries which Narragansett records monthly when the Fund has a negative balance are as follows:

- 1) debit Account 924 (Property Insurance - Storm Contingency) with the \$33,333 collected through base rates;
- 2) credit Account 419 (Interest Income) with the amount of interest applicable; and

-3-

- 3) credit Account 186 with the net of the current month's Account 419 and Account 924 amounts.^{2/}

As the Commission is aware, Hurricane Gloria struck Narragansett's service territory on September 27, 1985, and the restoration effort lasted through October 5. Gloria caused the Company to incur approximately \$5.5 million of operation and maintenance costs.^{3/} Approximately \$4.8 million were incremental costs, those which were over and above Narragansett's normal costs of doing business. Only incremental costs were charged to the Storm Contingency Fund.

Exhibit II details the division of Hurricane Gloria's total restoration cost between normal and incremental costs. All payroll overhead and payroll expenses associated with normal working hours are classified as normal costs. Incremental payroll costs are those attributable to hours in excess of employees' regular working hours. Incremental expenses accounted for 79.5 percent of Narragansett's payroll costs during the restoration period. Material and supply costs and capital costs ^{4/} are allocated between normal and incremental based on the same ratio.

^{2/} The Fund also gives rise to a deferred tax equal to the federal tax rate multiplied times the Fund balance.

^{3/} Narragansett also incurred approximately \$900,000 of capital costs, producing a total cost for the storm of approximately \$6.4 million.

^{4/} Capital costs are not charged to the Storm Contingency Fund. Nonetheless, an allocation must be made between incremental capital costs and normal capital costs. As Exhibit II shows, incremental capital costs are subtracted from total incremental costs to determine incremental operation and maintenance costs.

-5-

All charges associated with the use of Narragansett's vehicles are charged to normal costs. On the other hand, all outside company charges, including meals and lodging, are incremental costs. The outside company charges would not have been incurred but for the storm.

Incremental capital charges and the \$200,000 deductible are subtracted from total incremental costs to produce the incremental operation and maintenance cost. Incremental operation and maintenance costs from Hurricane Gloria equaled \$4,831,694. This amount was charged to the Storm Contingency Fund. The detailed breakdown of costs charged to the Fund is shown on Exhibit III.

THE NARRAGANSETT ELECTRIC COMPANY
STORM CONTINGENCY FUND

DATE	BALANCE REG OF MONTH	ACCRUAL ACCT 924	INTEREST EXPENSE ACCT 431	INTEREST INCOME ACCT 419	DEDUCTIONS VARIOUS ACCTS (AS PAID)	BAL END OF MONTH ACCT 228	BAL END OF MONTH ACCT 186	STORM		AMOUNT (1)	INTEREST PERCENT	MONTHLY (4) INTEREST
								SUBJECT TO	INTEREST			
1982												
APR	10	\$16,668 (3)	10	10	10	\$16,668	10					\$0
MAY		\$33,333	\$100	10	10	\$50,101	10	\$8,334		13.125%		\$100
JUN		\$33,333	\$400	10	10	\$83,834	10	\$33,434		14.250%		\$400
JUL		\$33,333	\$600	10	10	\$117,768	10	\$67,168		10.875%		\$600
AUG		\$33,333	\$800	10	10	\$151,901	10	\$101,101		9.750%		\$800
SEP		\$33,333	\$1,100	10	10	\$186,334	10	\$135,234		9.750%		\$1,100
OCT		\$33,333	\$1,200	10	10	\$220,868	10	\$169,668		8.625%		\$1,200
NOV		\$33,333	\$1,400	10	10	\$255,601	10	\$204,201		8.125%		\$1,400
DEC		\$33,333	\$1,700	10	10	\$290,634	10	\$238,934		8.375%		\$1,700
1983												
JAN	\$290,634	\$33,333	\$1,500	10	10	\$325,868	10	\$273,968		8.250%		\$1,500
FEB	\$325,868	\$33,333	\$2,100	10	10	\$361,301	10	\$309,201		8.000%		\$2,100
MAR	\$361,301	\$33,333	\$2,500	10	10	\$397,134	10	\$344,634		8.750%		\$2,500
APR	\$397,134	\$33,333	\$2,800	10	10	\$433,068	10	\$380,468		8.125%		\$2,800
MAY	\$433,068	\$33,333	\$2,800	10	10	\$469,201	10	\$416,401		8.125%		\$2,800
JUN	\$469,201	\$33,333	\$3,400	10	10	\$505,934	10	\$452,534		9.100%		\$3,400
JUL	\$505,934	\$33,333	\$3,600	10	10	\$542,868	10	\$489,268		8.500%		\$3,600
AUG	\$542,868	\$33,333	\$4,000	10	10	\$580,201	10	\$526,201		9.150%		\$4,000
SEP	\$580,201	\$33,333	\$4,400	10	10	\$617,934	10	\$563,534		9.300%		\$4,400
OCT	\$617,934	\$33,333	\$4,500	10	10	\$655,768	10	\$601,268		8.900%		\$4,500
NOV	\$655,768	\$33,333	\$4,800	10	10	\$693,901	10	\$639,101		8.950%		\$4,800
DEC	\$693,901	\$33,333	\$5,100	10	10	\$732,334	10	\$677,234		9.050%		\$5,100
1984												
JAN	\$732,334	\$33,333	\$5,500	10	10	\$771,168	10	\$715,668		9.250%		\$5,500
FEB	\$771,168	\$33,333	\$5,800	10	10	\$810,301	10	\$754,501		9.150%		\$5,800
MAR	\$810,301	\$33,333	\$6,200	10	10	\$849,934	10	\$793,634		9.400%		\$6,200
APR	\$849,934	\$33,333	\$7,000	10	10	\$890,168	10	\$833,168		10.100%		\$7,000
MAY	\$890,168	\$33,333	\$7,400	10	10	\$930,901	10	\$873,501		10.150%		\$7,400
JUN	\$930,901	\$33,333	\$7,900	10	10	\$972,134	10	\$914,234		10.400%		\$7,900
JUL	\$972,134	\$33,333	\$9,000	10	10	\$1,014,468	10	\$955,468		11.250%		\$9,000
AUG	\$1,014,468	\$33,333	\$9,200	10	10	\$1,057,001	10	\$997,801		11.100%		\$9,200
SEP	\$1,057,001	\$33,333	\$9,700	10	10	\$1,100,034	10	\$1,040,334		11.200%		\$9,700
OCT	\$1,100,034	\$33,333	\$9,800	10	10	\$1,142,968	10	\$1,083,368		10.650%		\$9,800
NOV	\$1,142,968	\$33,333	\$10,700	10	10	\$1,185,001	10	\$1,126,301		9.300%		\$10,700
DEC	\$1,185,001	\$33,333	\$10,400	10	10	\$1,226,734	10	\$1,168,334		8.650%		\$10,400

- (1) BEG BAL - 1/2 PRIOR MONTH'S ACCRUAL + 1/2 CURRENT MONTH'S STORM DEDUCTIONS (ONE MONTH LAG)
- (2) 30 DAY CERTIFICATE OF DEPOSIT RATE AS REPORTED BY FLEET NATIONAL BANK OR ITS PREDECESSOR, INDUSTRIAL NATIONAL BANK.
- (3) DUE TO PRORATION, ONLY A HALF WAS COLLECTED IN APRIL 1982
- (4) ROUNDED TO NEAREST \$100

Exhibit II

THE NARRAGANSETT ELECTRIC COMPANY

Division of Hurricane Gloria's Total Restoration Cost
Between Normal and Incremental Costs

	<u>Total Restoration Costs</u>	<u>Normal Costs</u>	<u>Incremental^{1/} Costs</u>
Payroll Charges excluding payroll overheads for Narragansett's Employees	\$1,761,914	\$361,696	\$1,400,218
Charges for Transportation on Narragansett's Vehicles	202,475	202,475	-
Charges from Outside Companies	3,693,377	-	3,693,377
Charges for Meals and Lodging	384,983	-	384,983
Charges for Materials and Supplies ("M&S")	<u>332,816^{2/}</u>	<u>68,228</u>	<u>264,588^{3/}</u>
Subtotal	6,375,565	632,399	5,743,166
Adjustments: Capital Charges Storm Deductible ^{5/}	<u>(894,933)^{2/}</u>	<u>(183,461)</u> <u>200,000</u>	<u>(711,472)^{4/}</u> <u>(200,000)</u>
Operation and Maintenance Charges	<u>\$5,480,632</u>	<u>\$648,938</u>	<u>\$4,831,694</u>

^{1/} Incremental Costs are defined as the costs which Narragansett experienced as a direct result of the storm which were over and above Narragansett's normal costs of doing business.

^{2/} Allocation factor used to allocate incremental M&S and capital charges equals the ratio of the incremental payroll to the total payroll (i.e. \$1,400,218/\$1,761,914 = 0.795).

^{3/} Incremental M&S = \$332,816 x .795 = \$264,588

^{4/} Incremental Capital = \$894,933 x .795 = \$711,472

^{5/} The first \$200,000 of incremental operation and maintenance charges for a particular storm are considered to be normal costs of doing business.

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Exhibit III

THE NARRAGANSETT ELECTRIC COMPANY

Hurricane Gloria Incremental Costs
Detail

Payroll Narragansett Employees Charges

Weekly Employee Overtime	\$ 920,953
Monthly Employee Overtime	319,315
Rest Time ^{1/}	159,950

\$1,400,218

Outside Companies

HydroQuebec	1,158,602
William J. Hicks, Inc.	121,462
J. Brigham, Inc.	15,401
Driscoll-Lane Inc.	135,044
O'Connell Electric Co.	98,353
Utility Construction	35,013
E.W. Audet & Sons	199,837
Northern Line Construction	49,972
Mass Electric ^{2/}	148,053
Ontario Hydro	86,295
McDonough	122,900
NY State Electric	173,376
Freeborn Electric Co.	48,470
Central Vermont	24,889
J. William Foley Inc.	26,419
Broderick Bros.	13,600
Seaward Construction	65,586
Penn Power & Light	171,112
Massachusetts Electric Co.	86,956
New England Power Co.	8,518
Granite State Electric Co.	33,163
New England Power Service Co.	191,553
Samuel Kinder & Broth.	65,069
Asplundh Tree Expert	124,187
J&L Tree Service	5,894
Lewis Tree Service	198,691
Edward S. Bowers	2,041
Intrastate Tree Service	29,932
Bartlett Tree Experts	70,918
Tree Preservation Co.	51,388
O'Brien Tree Service	12,212
The Davey Tree Expert	118,471

Lodging & Meal Charges	3,693,377
Material & Supply Charges	384,983
Subtotal	264,588
Adjustments: Capital Charges	5,743,166
Storm Deductible	(711,472)
Incremental Operation and Maintenance Costs	(200,000)
	<u>\$4,831,694</u>

^{1/} The collective bargaining agreement with the Brotherhood of Utility Workers under the emergency storm work provision calls for 8 hours of rest time after a union member has worked 16 consecutive hours. The employee is paid for these 8 hours of rest time at a straight time rate.

^{2/} This contractor is not the same company as Narragansett's affiliated company, Massachusetts Electric Company.

Narragansett Electric

The Narragansett Electric Company
280 Melrose Street
P.O. Box 1438
Providence, Rhode Island 02901-1438

Robert L. McCabe
President

January 21, 1991

James J. Malachowski
Chairman
Public Utilities Commission
100 Orange Street
Providence, Rhode Island 02903

Dear Chairman Malachowski:

The Narragansett Electric Company report on Hurricane Bob is attached and submitted as you have requested. I was very proud of our employees efforts and I agree that the task of restoring power in our service territory was efficient and expeditious.

I must also say that the cooperation of all state, local and emergency officials was excellent and aided our recovery effort.

If you have any questions on this report or need further detail, please contact me at your convenience.

Sincerely,

Robert L. McCabe

REPORT ON HURRICANE BOB

January 21, 1992

Submitted To:
Rhode Island Public Utilities Commission

Submitted By:
The Narragansett Electric Company

REPORT ON HURRICANE BOB

TABLE OF CONTENTS

- I. Introduction
- II. Damage Assessment
- III. Restoration Effort
- IV. Costs
- V. Recommendations
 - A. ASRS
 - B. Wires Down
 - C. Improvements to Distribution System
 - 1. Spacer Cable Installation
 - 2. No. 6 Copper Primary Conductor Replacement
 - 3. Open-Wire Secondaries
 - 4. Tree Wire
 - 5. Alarming of Substations
 - D. Communications
 - E. Training
 - F. Emergency Crew Management System
- VI. Conclusion
- VII. Index to Appendices

HURRICANE "BOB" REPORT

The Narragansett Electric Company

I. Introduction

Hurricane Bob with wind gusts in excess of 100 miles per hour struck Rhode Island on Monday, August 19, 1991 and caused severe damage to The Narragansett Electric Company's (NECO) distribution facilities. The first customer outages due to the storm were reported at 11:16 a.m. and by the time the storm had passed through NECO service territory by 3:00 p.m. (see Appendix 1 - Storm Track) over 58% of NECO's customers (186,711) were analyzed by our Automatic Storm Restoration System (ASRS) as being without electric service. ASRS also reported that 155 feeders were out of service from the total of 293 feeders. These feeders are distribution lines that supply service to the customers in a particular area. Additionally, 36 out of the 50 sub-transmission circuits that are mostly located on rights-of-ways and supply the distribution substations were reported out of service. Only one 115 Kv transmission line (E-184) was affected by pole damage in Bristol.

The other 14, 115 Kv lines, and the 345 Kv line were undamaged by the storm.

High winds and heavy rain from the storm caused damage throughout the state. However, the damage was more severe where the heaviest rain and winds were

combined (see Appendix 2). The rainfall was measured from .59 inches in Little Compton to 2.53 inches in Providence and up to 7.01 inches in Foster. The result of the heavy rainfall and strong gusts were uprooted trees and in some instances, when extremely large trees fell on conductors, poles and wires were pulled down. The total number of poles that had to be replaced by NECO crews or other crews working for NECO were 272. Almost all of the damage which resulted in customer outages were caused by the fallen trees and limbs. A total of 39 miles of conductor of various sizes in both the distribution voltages and in secondary voltages, including house services, had to be replaced. Many other repairs were accomplished by splicing wires together or refastening them to the insulator on the poles.

NECO first became aware that the potential existed for a major storm on Thursday, August 15 when our weather consultants and television meteorologists began predicting potential storm tracks for Hurricane Bob. We monitored the situation for the next few days and contacted the Company's weather forecasting service on Saturday, August 17, when the potential for damage became a very real possibility. The Company retains Weather Services Corporation on a year-round basis to provide updated storm information.

Once the weather forecasting service was contacted, forecasts of the storm's position and its intensity were frequently provided. Furthermore, we were able to obtain updated forecasts and projected tracking of the storm from this weather service upon request. We kept in constant contact with the weather service until the hurricane was completely removed from our service territory.

During the weekend prior to August 18 we began preparations and initial actions which are detailed in the Narragansett Electric Company Storm Emergency Plan ("the Plan"). The Plan is updated continually to reflect personnel changes and other operational changes with a new issue by July 1 of every year. The Plan is on file with the Rhode Island Public Utilities Commission and other emergency preparedness groups. The procedures that were followed prior to the storm are described in Appendix 3, Pages 1 - 5 which is Section I of the Plan. Pre-emergency preparation is described in Appendix 4 which comes from the Plan.

On Sunday, August 18, actions were taking place in preparation for Hurricane Bob. Employees were notified throughout the day and told to be prepared for a major storm when they reported to work Monday morning. On Monday morning, August 19, the NECO Emergency Room was activated and remained staffed 24 hours a day throughout

the duration of the storm emergency and until complete restoration was accomplished. The NECO Emergency Room operates in conjunction with Emergency Rooms in the Providence District, Southern District, all the satellite emergency rooms, and the Emergency Room at New England Electric headquarters in Westboro, Massachusetts.

On Monday morning, final preparations also were made. Service vehicles were checked for trouble, emergency generators were tested, the ASRS was system tested, and two-way radio frequencies were tested for communications between vehicles. In addition, arrangements were made for the delivery of additional line materials such as poles, conductor, and line hardware (e.g. splices, connectors, cross arms, fuse links, nuts and bolts) from vendors with whom we have short-term turnaround agreements.

II. Damage Assessment

As described in the Plan, an initial assessment was performed immediately after Hurricane Bob had passed through NECO's territory. The original assessment was performed by utilizing various resources. Much initial information on the extent of the outages was by input to the ASRS system from customer outage calls. This system enabled management to determine the extent of the problem even before the field reports of damage were received from all the survey teams that were dispatched immediately after Hurricane Bob passed through an area. The departments utilized to perform these assessments were overhead lines, substation, arborist, field engineering, meter readers, calls from municipal agencies, and others. This initial assessment confirmed that there was widespread damage and that significant outside resources would be needed to assist the NECO line crews and our contract tree crews.

Damage assessment was continually monitored both by field reports from recovery crews and, most importantly, by the ASRS system which allowed for the proper concentration of resources. Helicopter patrols were utilized when the wind conditions abated to patrol the sub-transmission system rights-of-ways for dispatching of crews to the site of the damages.

The damage assessments were utilized to obtain crews

from independent contractors and other utilities beginning Monday, August 19. The utilities provided assistance in accordance with the Edison Electric Institute Mutual Assistance Programs (Appendix 5).

III. Restoration Effort

The restoration effort commenced immediately after Hurricane Bob passed through each area of NECO and initial surveys were completed. The NECO line crews, 51 two-man crews, were immediately assigned as were the early arrivals of outside contractors and New England Power Service Company crews. By early afternoon on August 19 a total of 91 crews were at work on damaged lines in accordance with our Plan restoration policy of restoring as many customers as quickly as possible, when all other priorities are equal. Therefore, our immediate attention after the storm was to begin repairs on higher voltage lines, the area transmission lines affected, and the sub-transmission circuits, then to restore the substations, distribution main lines, feeder branches, distribution transformers and individual customer services. An additional priority at this time and throughout the restoration process was to address calls of "wires down" to make the area safe as power was restored.

Additionally, consistent with the Plan, every effort was made to prioritize service restoration to critical customers such as hospitals, central water and sewer pumping facilities, fire, police, civil defense offices, life support systems, etc. These critical customers were identified by the ASRS system which helped greatly

in scheduling crews to address this problem.

The service restoration effort was accomplished by augmenting the first day line crew totals of 91 to a high of 315 line crews as shown in Appendix 6, Page 1. Tree crews available on August 19 totalled 40 with a peak of 180 on August 22. The number of tree crews utilized in the restoration effort is shown in Appendix 6, Page 2.

As the restoration effort continued, the ASRS system became of paramount importance since customer calls indicated where the remaining problems were in any given area. The ASRS system also provided a reasonably accurate and detailed account of customer outages for use in discussion with public officials, both State, Cities, and Towns as well as the Public Utility Commission, Police and Fire departments, and Emergency officials.

The line crews and crew coordinators all worked 16 hour days with most of the effort concentrated during the daylight hours for more efficient work on the restoration. The local forces were augmented by employees of the New England Electric Companies to work in all capacities such as crew coordinators, customer service, public relations, and other functions to permit NECO employees to do more of the field work, which greatly improved the efficiency of the outside crews in

finding the location of the service problem when working in an unfamiliar territory.

The restoration effort which began with a total 186,711 customers out of service at 3:00 p.m. on August 19 was restored according to the table below.

<u>Date</u>	<u>Time</u>	<u>Customers Out of Service</u>
Monday, August 19	3:00 p.m.	186,711
Tuesday, August 20	6:00 p.m.	128,244
Wednesday, August 21	6:00 p.m.	64,514
Thursday, August 22	6:00 p.m.	37,808
Friday, August 23	6:00 p.m.	19,649
Saturday, August 24	4:00 p.m.	771
Sunday, August 25	6:00 p.m.	0

The restoration table shows that all but 10 percent of the customers that were out of service on August 19 were restored by Friday, August 23, approximately 96 hours after the restoration started. By Saturday, August 24 at 4:00 p.m. all but 771 customers had their power restored and these remaining customers, mostly individual house services in remote areas, were restored by Sunday, August 25.

As shown on Appendix 6, Page 2, the tree crews working on the recovery effort peaked at 180 on Thursday, August 22. Since the tree crews preceded the work of the line crews and the workload did not require all their services after August 22, NECO began selectively releasing these crews. Local tree crews were used with NECO line crews to finish the restoration on Sunday, August 25.

The outside line crews that were utilized by NECO after Hurricane Bob are shown on Appendix 6, Page 1 with the peak number of crews working at 315 in addition to the 51 Narragansett crews. Early in the morning on Saturday, August 24, 106 outside line crews were released and 40 Massachusetts Electric Company crews were added. Therefore, on the last full day of recovery, 249 crews were working. Saturday afternoon all outside line crews were released and the restoration of service to the few remaining customers (771) was accomplished by Narragansett line crews and local tree crews. The storm emergency was declared over at 4:00 p.m. on Saturday, August 24, 1991.

The restoration effort was accomplished through the dedicated efforts of all NECO employees, NEES employees and with the very significant help of outside forces. The cooperation and understanding of all our customers, public officials, police, fire and emergency personnel from civil defense made the task go relatively smoothly.

IV. Costs

The total cost of the restoration effort due to Hurricane Bob is itemized in Appendix 7, attached to this report. As shown in Appendix 7, a charge of \$7,576,607.45 has been made to the Company's Storm Contingency Fund. Of that total, \$1,068,000 is an estimate of invoices which are expected from certain outside vendors, but not yet received.

Of the total storm-related costs of \$10,182,833.77, \$7,776,607.45 represents the incremental cost of the storm. \$1,094,266.32 were costs that would have been incurred in the normal course of business whether Hurricane Bob occurred or not. \$1,311,960 represents amounts properly charged to capital accounts. Consistent with the operation of the Storm Contingency Fund, \$200,000 was deducted from the incremental cost to arrive at the total charge to the Storm Contingency Fund of \$7,576,607.45.

V. Recommendations

The storm restoration was accomplished very effectively considering the huge amount of damage to our distribution system caused by Hurricane Bob. Even though things went very well and we take great pride in the effectiveness of our Plan, we know improvements can always be made and the following comments reflect improvements that are ongoing or are being studied and developed for future implementation.

A. ASRS

Perhaps the greatest single improvement made to the storm restoration process was the ASRS system which was put on-line after Hurricane Gloria. This system was invaluable in evaluating customer calls and helping to analyze where troubles had occurred. It is not possible to assess the amount of hours this system saved in processing calls and, therefore, time in restoration of service, but it was significant.

Nevertheless, some refinements and improvements to the system are being developed which will provide more flexibility in the use of this system. A team from our Information Systems Department is presently working on these refinements and additionally, more personal computers will be required to provide more access

to the ASRS information for other departments besides T&D. It is also recommended that more individuals be trained in the use of the ASRS system to be able to provide information to any department that requires that knowledge and to assist T&D personnel as needed.

B. Wires Down

A problem that exists after any significant storm is that of wires down which are of a major concern to NECO and public officials as a safety hazard to the public. A study is now being undertaken to determine the feasibility of addressing this issue by creating dedicated crews to concentrate on wires down. The possibility of utilizing retirees and people from other functions within NECO with line experience is one approach being considered. If implemented, these teams would have a primary task of responding to "wires down" calls from the public and or police and fire officials to make the situation safe for the public. Telephone wires, cable T.V., and fire alarm wires will be referred to the proper company or agency.

C. Improvements to Distribution System

Ongoing improvements to the Distribution system will be continued. These improvements which

began after Hurricane Gloria included the following and helped to minimize damage from Hurricane Bob.

1. Spacer Cable Installation

The addition of spacer cable in heavily treed areas is an ongoing project. Locations are prioritized based on tree-related problems, the age and condition of the existing line, and the number of customers affected by an outage on the line. When this program began in 1986, Narragansett had 62 miles of spacer cable installed. An additional 95.8 miles of spacer cable has been installed through the end of 1991 with additional projects ongoing.

2. No. 6 Copper Primary Conductor Replacement

The replacement of the No. 6 copper primary conductors and other small primary wires is also an ongoing program. Through the end of 1991, approximately 367 miles of small primary conductor have been replaced.

3. Open-Wire Secondaries

Open-wire secondaries are being replaced on an ongoing basis as part of Narragansett's general distribution improvement. Whenever construction work is undertaken in a given area, any open-wire secondary is removed and secondary cable is installed. A total of 380 miles of open-wire

secondaries have been replaced since 1986.

4. Tree Wire

A new standard was developed to install "tree wire" on tap lines that are in heavily treed areas. This type of installation began in 1987 and to date approximately 98.5 miles of tree wire has been installed.

5. Alarming of Substations

After Hurricane Gloria it was determined that additional alarming was required in 13 substations and 90 percent of these were completed in 1991.

D. Communications

Communications, which is vital in a storm recovery period, has been difficult and requires additional improvement. The radio system which at times can get overloaded is being reviewed for improvement. Additionally, more cellular phones will be acquired and assigned to key personnel as well as the outside crew supervisors who may bring their own units. These possibilities are being reviewed and improvements to communications will be recommended.

E. Training

Although much training has taken place for all individuals involved with storm restoration efforts, more will be done. It is planned that additional people from NEES headquarters and in non-T&D functions will be

trained to provide more assistance early in the storm restoration and in such areas as "wires down". Additional training in the proper use of the advanced and improved ASRS system will also be initiated.

F. Emergency Crew Management System

A study is now being performed by a quality team to consider computerizing the system to manage crews. This system would help in communicating necessary information about all crews, including numbers, type of trucks, individuals' names, estimated arrival times, actual arrival times, and assignments of the crews. Development of such a system is being studied as to its merits and feasibility.

All of the recommendations that are presently under study will be completed prior to the July 1, 1992 revision of the Storm Emergency Plan. The Plan will reflect changes that are beneficial for use in future emergencies.

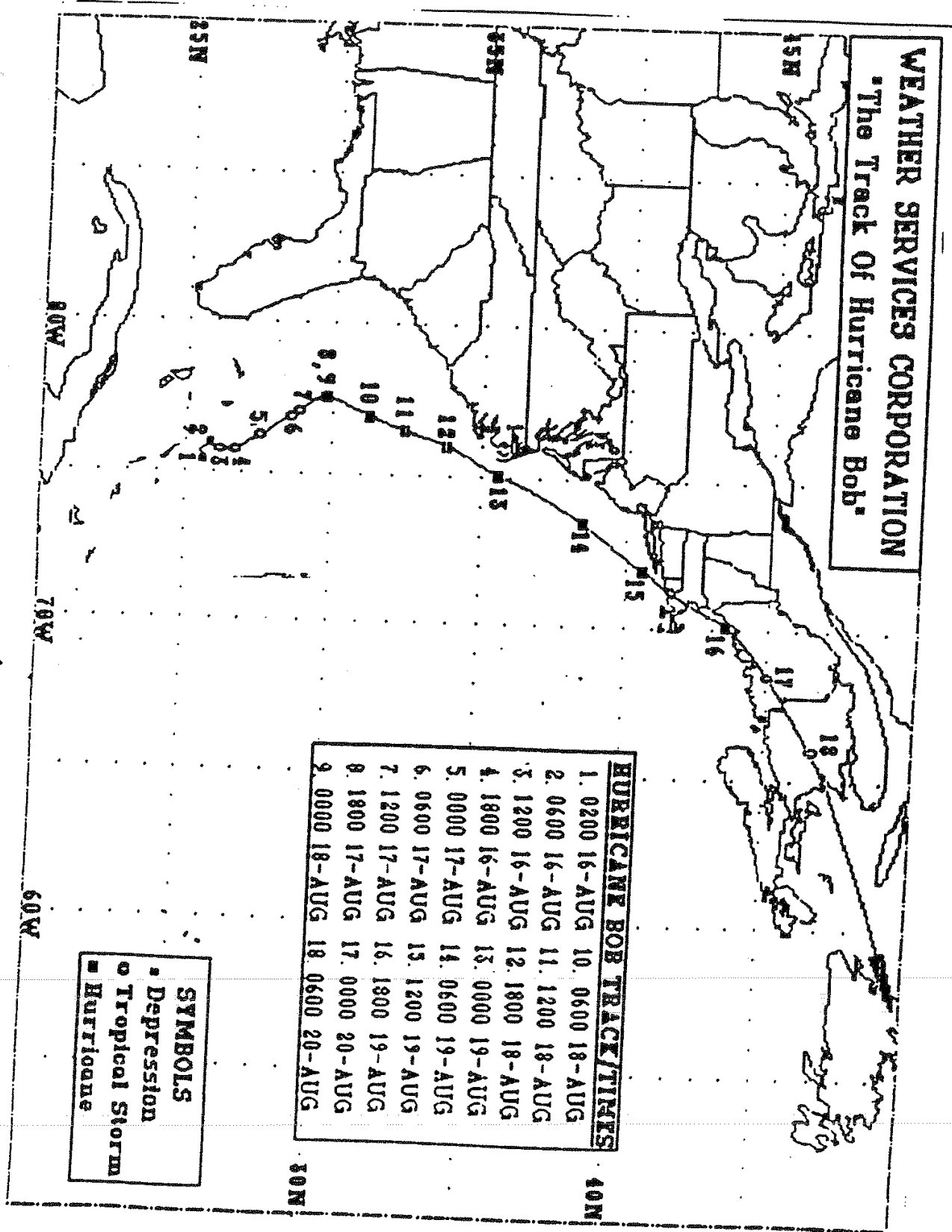
VI. Conclusion

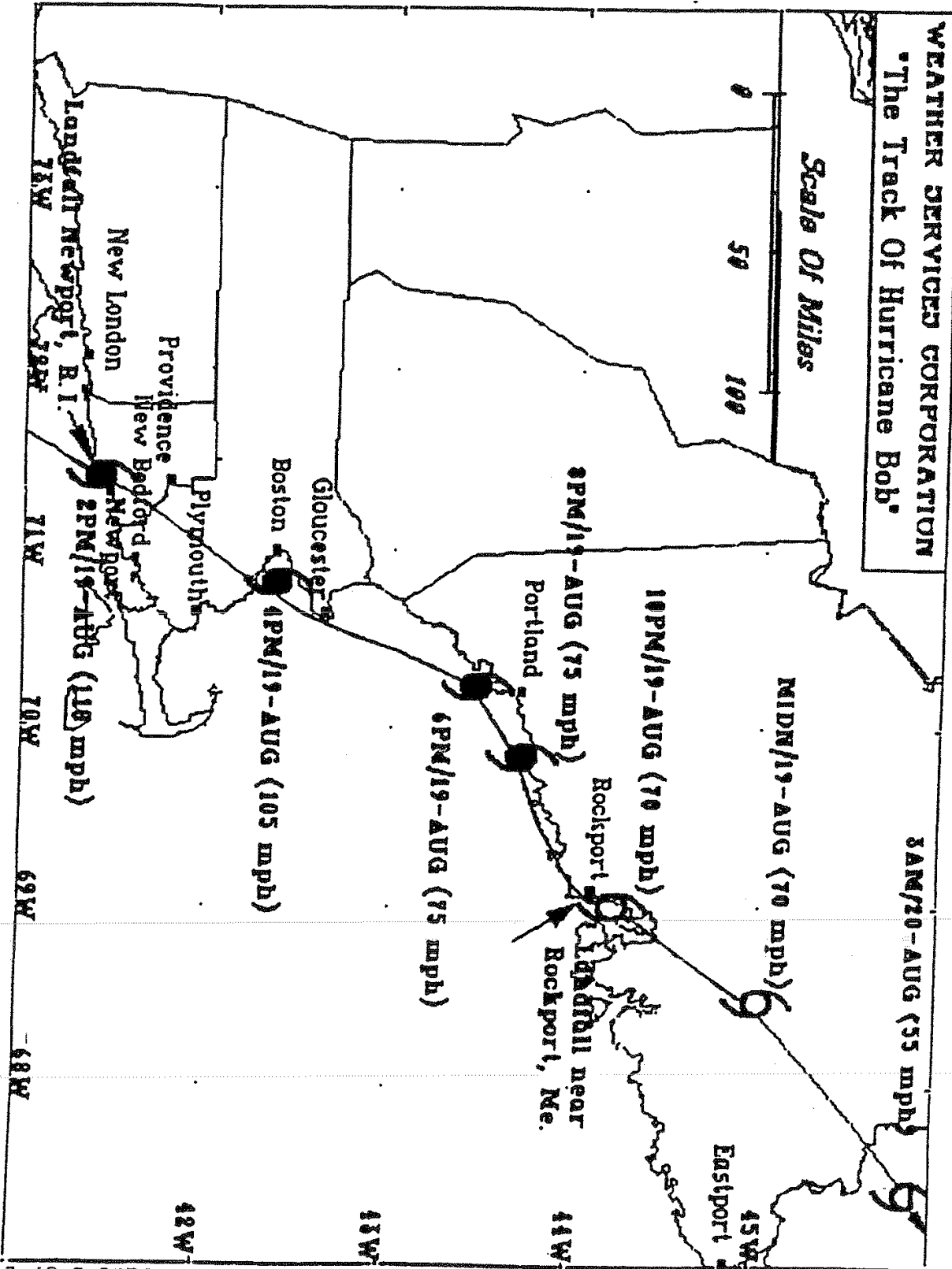
Hurricane Bob was a storm that had much stronger winds and greater impact than Hurricane Gloria. Yet, thanks to the efforts of our employees and outside crews, as well as the operation of the new procedures and systems that we implemented after Hurricane Gloria, we were able to restore service within six days.

We had procedures and plans in place that were followed without deviation. The ASRS system was of great assistance and the improvements made to the distribution system helped to minimize damage in many areas. Nevertheless, we expect to learn from this experience, as we learned from Hurricane Gloria, in order to further improve our emergency efforts. In any case, we take great pride in what we were able to accomplish in the restoration of service from the impact of Hurricane Bob and will strive to be well-prepared again, the next time a storm of this magnitude hits our service territory.

INDEX TO APPENDICES

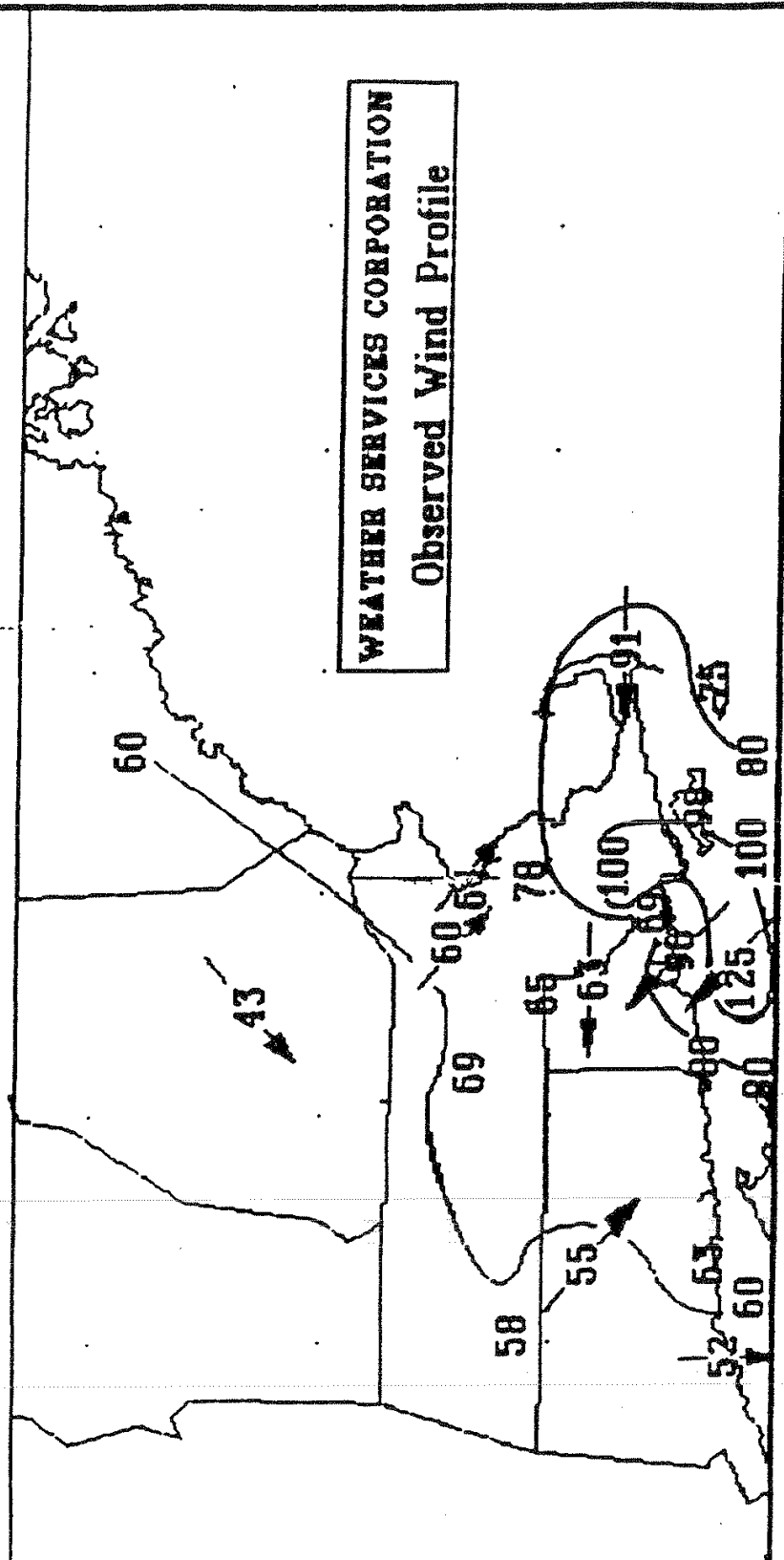
Appendix 1	Pages 1 and 2	Weather Track
Appendix 2	Pages 1 and 2	Wind and Rain Profiles
Appendix 3	Pages 1 - 5	Emergency Plan - Advance Preparation
Appendix 4	Pages 13 - 17	Emergency Plan Sample District Preparation
Appendix 5	Pages 1 - 25	EEI Mutual Assistance Program
Appendix 6	Pages 1 and 2	Line and Tree Crews Utilized





APPENDIX 2

Official National Weather Service reports of maximum wind gusts and direction (if available). Analysis is a general guideline of how large the area of 60 mph (+) wind gusts occurred. Note that areas east of the Hurricane path had maximum wind gusts from the southeast direction while the opposite is true of inland locations.



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#
#   SPECIAL "WEATHER SERVICES CORP" CLIMATOLOGICAL REPORT
#   ~~~~~
#   HURRICANE "BOB" * affects on * "NEW ENGLAND"
#   << 19 AUG 91 >>
#
#####Churricane.bob.sum>#####
```

* Station *	* PEAK WINDS *	BOB-TOTAL	LOWEST
=====	Peak Gust (mph)	RAINFALL	PRESSURE - TIME
=====	=====	=====	=====
BOSTON - MA(nws)	NW 64 // FM= E-47	2.21"	28.83" <1610edt>
BLUE HILL OB	ENE 78 <1432edt> NW 77 <1843edt>	0.58"	28.78" <1545edt>
BEDFORD - MA	*NW 60*	5.47"	28.99" <1635edt>
CHATHAM - MA(nws)	E 91 // FM= ??	0.18"	29.08" <1545edt>
CHICOPEE - MA	-- 58	4.05"	
FALMOUTH - MA	- 100	0.39"	
MARTHAS VINEYARD<CG>- 98		0.15"	29.00" <E1430edt>
Edgartown -- 80			
NANTUCKET - MA	*-- 75* // FM=45	0.10"	29.22" <E1530edt>
READING - MA	*-- 50*	3.40"	28.97" <1630edt>
WORCESTER - MA	-- 69	4.80"	
BRIDGEPORT - CT	N 52 // FM=NNE-28	4.72"	
BRADLEY - CT	NW 55 // FM=NNW-29	4.09"	
NEW HAVEN - CT	-- 63		
BLOCK ISLAND-RI	SE 105+ (off scale* est 110)		28.35" (E1330edt)
	"INDFL est 125"		<<960mb>>
LITTLE COMPTON-RI	SE 69	0.59"	28.47"
NORTH FOSTER-RI		7.01"	
NEWPORT - RI	SE 96 // FM= E-75		
	unofl=105		
PROVIDENCE - RI	E 63 // FM= E-41	2.53"	28.72" (1415edt)
			*STORM SURGE = 8.6ft
WESTERLY - RI	-- 75 // FM= -51		with tide = 10.4ft
	unofl=30		
WOONSOCKET-RI	*-- 65*	3.90"	
CONCORD - NH	NE 43 // FM=NNE-30	3.98"	
PORTSMOUTH - NH	NNW 35+60 mph	6.27"	(est)29.06" = 984.6mb
PORTLAND - MAINE	N 40+55 mph	7.33"	(est)29.10" =

```
#####
# Report compiled by: David M. Taylor - Chief Climatologist #
# Weather Services Corp - Bedford, Mass * (617) 275-9860 #
#####
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APPENDIX 3

THE NARRAGANSETT ELECTRIC COMPANY

EMERGENCY PLAN

This Emergency Plan of operation has been developed to expedite an efficient and orderly restoration of electric service disrupted by natural, civil, or other disturbances.

In addition to all procedures outlined in the plan which are detailed in this manual, the System Disaster Committee will be advised by the Narragansett Electric Company Emergency Director of any event which creates or is likely to create a full emergency condition. Conversely, the System Disaster Committee will warn the Emergency Director of the Narragansett Electric Company of any impending disaster of which the Emergency Director of the Narragansett Electric Company might not be aware.

The System Disaster Committee functions as a headquarters coordinating group in all major emergencies which affect or threaten to affect continuous service to large blocks of NEES customers and is charged with assisting in rapid and effective restoration of that service.

These emergencies include floods, hurricanes, tornadoes, and ice storms, as well as riots, civil disturbances, acts of war and strikes.

The Committee is responsible for early, accurate warning of a pending disaster, rapid assessment of System damage, maximum coordination of Operating Divisions, fast procurements and deployment of restoration crews, and accurate and punctual information for press releases.

The Committee will activate the Central Office Emergency Room and see that it is staffed for rapid communication with our Operating Headquarters, Regional Offices, Public Relations Department, and outside utilities whenever a major emergency occurs.

The Committee reports to the Vice President of Operations, but individual members are empowered to act autonomously in the absence of the others.

A. Company Emergency Headquarters

1. Emergency Plan Books.

Each year the Emergency Committee is directed to meet for the purpose of reviewing all major storms which have caused operation of all or a part of this comprehensive plan. In addition to this annual meeting it is expected that the NECO Emergency Director (Company President or Vice President) will call a short meeting of the Emergency Committee immediately after any particularly damaging storm to hear any suggestions for improving any of the procedures then in effect.

On or before July 1 of each year it is expected that all sections of the Emergency Plan Book will be updated and copies of all changes in the hands of Emergency Plan Book holders by that time.

2. Notification of Personnel.

It is the duty of each department head to review the emergency assignments of all personnel under his jurisdiction and ascertain if any employees need special instruction to satisfactorily carry out assigned tasks. Should instruction be appropriate or necessary, it is expected that the Superintendent of T&D will be notified and suitable arrangements made to accomplish the necessary training.

B. Production

The Superintendent of Production shall act to maintain continuity of service, prepare and protect personnel, equipment and buildings against flood, wind, salt spray, and other damage and restore service where affected as a result of such damage. He will make reports to Company Emergency Headquarters whenever major changes occur in equipment or capabilities.

The boundaries of land areas under the Production Division's jurisdiction include the power generating stations at South Street, Manchester Street and Franklin Square Substation.

C. Dispatching

During the progress of the storm or other emergency the Dispatcher will keep Company Emergency Headquarters informed of actual loads as well as normal loads at the time of reporting. From information available to the Dispatcher he will make a preliminary estimate of damage to the transmission system.

In the event of large scale damage to transmission lines, surveys of these lines shall be made as soon as it is practical utilizing the system helicopter, personnel on foot, in wheeled or tracked vehicles as the weather and terrain dictate. The system helicopter coordinator in Hopedale (see Page I - 6) can provide helicopters for surveys.

Results of these surveys should be submitted on transmission line status reports to Emergency Headquarters, or directly by phone or radio as conditions dictate.

The dispatcher shall assign priorities for the order of restoration of the transmission lines so that coordination in the system is insured. An Overhead Lines Department Line Supervisor shall be assigned to Melrose Street to coordinate those line crews who will work on transmission lines.

D. Transmission and Distribution

1. Maps and Forms for T&D Use.

As a continuing program it is understood that the T&D Division will maintain maps and all other materials required for damage survey patrols and operation by areas when and if required. Checklists are to accompany each kit or set of materials in order to assure issuer and user that all intended items are present.

2. Forecast.

In conjunction with Company Emergency Headquarters, the Superintendent of T&D will, 12 to 24 hours prior to the expected arrival of the storm or other disaster, make an estimate of the potential damage which could result. The purpose of this forecast is to prompt an alert of all personnel who need time to prepare for other than normal operation.

3. Estimated Restoration Requirements.

The Superintendent of T&D will evaluate the restoration requirements (personnel, materials, transportation, etc.) by means of the numerous channels available to him and initiate partial or full decentralization as needed for the expected degree of emergency. The resources of the New England Electric System will be available for material and personnel to the extent of its capability.

Responsibilities of this division include:

- a. Preliminary switching.
- b. Organization of restoration personnel.
- c. Emergency transportation.
- d. Damage assessment.
- e. Restoration of service.

4. Personnel From Other Departments

Narragansett Electric Company personnel previously delegated to augment T&D personnel during emergencies will be made available on call from the Superintendent of T&D. Such personnel will assemble in their regular work areas and await directions from authorized representatives of the Superintendent of T&D.

5. Report - Substation and Feeders

When any degree of decentralization has been instituted, each area will report, as soon as possible, to Division Headquarters which will assemble reports to Company T&D Headquarters with the use of the ASRS System, the operating status of the local substations and distribution feeders within the area, i.e. hot, dead, part dead, and if so, approximately what fraction.

6. Damage Assessment

As assessment patrols are completed the results will be totaled and reported to the Division by each Area Headquarters. The Providence and Southern Districts will total the area figures and report them to Company T&D Headquarters.

7. Priority of Restoration

Under the most severe conditions, when a major portion of Narragansett Electric Company customers are out of service, the following list is included as a guide in service restoration. It is recognized that deviation will have to be made to fit the circumstances and that many customers in the less vital categories will be placed in service in order to reach those of high priority.

- a. Civil Defense Operating Headquarters.
- b. Hospitals - Major.
- c. Communication.
- d. Orphanages, Hospitals (non-operating room)
Convalescent Homes.
- e. Newspapers.
- f. Water Pumping.
- g. Sewage Pumping and Treatment.

- h. Food Storage and Processing.
- i. Civic, Welfare, Public Housing.
- j. Transportation.
- k. Other Utilities.
- l. Fuel Supply Companies.
- m. Ice Manufacturers.
- n. Other.

E. Community Relations

1. Publicity Group.

The Manager of Community Relations, together with his group will receive information during an emergency as to the status of our production, transmission and distribution systems from Company Emergency headquarters. He (and staff) will assimilate this information and prepare releases for the various news media during the continuation of the emergency. He will also channel information to the customer contact group for use by the personnel who answer our telephones.

2. Public Contact.

The Manager of Customer Service will reorganize the telephone and customer inquiry group during the emergency to increase the number of telephone messages that can be processed. The normal operating personnel will be augmented and emergency trunk lines put in service.

F. Personnel

The Personnel Manager and his group will arrange for accommodations and feeding of the company's operating personnel as required during an emergency in the Providence District. In the Southern District, the District Manager will make the same arrangements. If outside assistance has been required by the Company Emergency Headquarters, line crews and employees of other companies will be cleared through the Staging Area prior to their assignment to work areas by T&D Headquarters. The District Manager (in Providence, the Personnel Manager) will be responsible for feeding and lodging of this outside help (with the assistance of T&D in special circumstances) until released for return to company of origin.

APPENDIX 4

SOUTHERN DISTRICT
MANAGEMENT RESPONSIBILITIES

STORM/EMERGENCY WITH 24 HOUR NOTICE

Listed below are the major responsibilities for key district personnel in the event of a major storm/emergency warning, where 24 hour or more advance notice is received. This is not intended to be an all inclusive listing.

If after the initial damage assessment review, it is determined that outside assistance will be required then additional responsibilities will come into play.

DISTRICT MANAGER
AND MANAGER

1. Maintain contact with Company President and division staff for latest information and disseminate this information to district department heads.
2. Contact local officials in each municipality to:
 - A. Determine appropriate municipal contact for duration of emergency and exchange telephone numbers.
 - B. Request a major damage assessment report from the municipality within several hours after the emergency strikes.
 - C. Consider advisability of arranging damage assessment/update/exchange of information meeting with local officials at District Headquarters on the day after the emergency strikes.
3. Secure internal office work area to prevent interference and interruption by non-essential personnel and public.

DISTRICT SUPERINTENDENT
AND ASSISTANT

1. Maintain contact with division(s) to determine availability of division personnel assigned to district.
2. Keep supervisors and appropriate operation personnel updated as to progress and assignments.

3. Review list of district personnel available for support groups and employees out sick but possibly available.
4. Prepare to interview supervisors of outside crews as to voltages, work conditions, hours of operation, utilization of bird dogs, work procedures, etc.
5. Transportation - vehicle availability, top off fuel tanks completed.
6. Stores - review availability, adequacy of transformers, poles, wire, arms, etc.
7. Review crew assignments: best utilization and make up of crews, troublemen and schedules with O. H. Supervisors with operating instructions/local switching, etc.
8. Review utilization of off duty troublemen and employees out sick.
9. Westerly - manpower, vehicles, stock review. Is compliment in reasonable balance with North Kingstown?

GENERAL FOREMAN AND
AREA SUPERVISOR

1. Check trucks - completely stocked and serviced.
2. Stores to load wire and equipment on trailers.
3. All available trailers loaded with poles.
4. All available personnel should have tools, rain gear and personal gear for three (3) days.
5. All foremen supplied with maps for appropriate feeders.
6. Maintain listing of "Feeders By Towns" with location of Supervisors and number of crews in each municipality.
7. Advise all foremen, crew leaders, etc. of necessity in returning completed trouble slips to District Headquarters for match up.

CUSTOMER SERVICE
MANAGER

1. Assignment review with supervisors and updated information.
2. Review shift schedules.
3. Contact employees out sick, or on vacation to determine availability.
4. Distribute and review with all employees the "Emergency/Trouble Instruction Manual".
5. Insure adequate supply of all necessary forms.
6. Review with supervisors the procedure for flowing through trouble slips to DFE and set up feeders/towns system.

D. F. E. SUPERVISOR

1. Assignment review and update of supervisors.
2. Review available manpower/illness or vacation leave and work schedules - motor vehicles.
3. Insure adequacy of supply of feeder books and feeder maps.
4. Coordinate with Supervisor of Meter Readers to determine availability of manpower, vehicles and feeder maps for initial damage report.

SUPERVISOR OF
METER READERS

1. Coordinate with DFE and Meter Dept. Supervisors as to availability of personnel, vehicles and maps for initial damage survey.
2. Determine availability of sufficient flash lights, batteries, forms, etc.
3. Prepare sufficient "Bird Dog Manuals" and prepare for review of responsibilities with all "Bird Dogs".

4. Arrange assignments for specific locations -
where employee normally works or lives.
5. Arrange forms for reporting all:
 - A. Bird Dogs by location and crew
size.
 - B. Bird Dog expenses.

COMMERCIAL & INDUSTRIAL SERVICES
MANAGER

1. Update departmental personnel.
- . Set up "Emergency Room" - forms,
blackboards, etc.
3. Coordinate with District Manager as to
contacts with Local Officials.
4. Preliminary arrangements for crew lodging
and feeding.
5. Determine that accommodations are clean and
ready for use.

COMMUNICATIONS DEPARTMENT

PREPARATION

1. Immediate check of all two-way radio base
stations.
2. Locate all portable radios, put on charge
and check operation.
3. Assign technicians to area offices.
4. Gas, oil and stock maintenance vans for
emergency field repair of radio equipment.
5. Test emergency power generators with
~~Supervisor of Building Maintenance.~~
6. Install needed phones and radio monitors in
area Emergency Room.

7. Assemble all spare radio channel elements for operation in each area.
8. Prepare work schedules for around-the-clock coverage.

EXECUTE COVERAGE

1. Dispatch technicians/maintenance vehicles to assigned areas.
 - A. Monitor operation of multi-base radio controllers.
 - B. Standby for equipment maintenance.
 - C. Offer any assistance to others.

SUPERVISOR
BUILDING MAINT.

1. Secure buildings and yards at North Kingstown and Westerly.
2. Coordinate with Communication Dept. to test auxiliary generators at North Kingstown and Westerly.
3. Check supplies of water, toilet facilities, and other supplies.
4. Arrange for outside vendor to maintain clean up of work/lodging areas where required.

SUPERVISOR O & M

1. Disperse crews to various substations as warranted (i.e.) Kent, Drummuck, Wood River Subs.
2. Maintain contact with "Dispatchers" as to crew locations.

APPENDIX 5

EDISON ELECTRIC INSTITUTE
MUTUAL ASSISTANCE PROGRAMS

TABLE OF CONTENTS

	<u>Page</u>
1. Mutual Assistance General Guidelines.....	1
2. Suggested Governing Principles.....	3
3. Mutual-Assistance Guidelines.....	7
4. Appendix A.....	12
5. Check Lists #1-3.....	13
6. Distribution - Participating Companies.....	21
7. Individual Customer Rosters.....	25

8. Guidelines For Transmission Mutual Assistance....	120
9. Transmission - Participating Companies.....	123
10. Transmission - Individual Company Rosters and Structure Data.....	127

MUTUAL ASSISTANCE GENERAL GUIDELINES

The mutual assistance guidelines are intended to serve as an aid in establishing the basis on which a member company assists another in restoring electric service. Service restoration is most effective when companies have specific restoration plans, particularly plans for the logistical support of mutual assistance crews.

The Suggested Governing Principles and Insurance Aspects should be examined in light of a company's specific abilities, applicable laws, insurance coverages, etc. to determine the consequences of mutual assistance agreements.

Participation in mutual assistance is voluntary. The ability to provide assistance may be limited by situations such as a member company's own conditions or other prior commitments. Members may have responsibilities to other electric systems before responding to EEI Mutual Assistance. Companies which have submitted their names for the roster may enter into arrangements with companies not on the roster just as companies not named may deal with members on the roster. These guidelines may be used to assist in making such arrangements to the extent the companies deem them appropriate.

When damage is widespread and several electric systems have asked for assistance, consideration should be given to allocating responding crews on the basis of the number of customers affected and damage severity.

Page 3 of 25

Normally, mutual assistance crews are requested when actual damage is sustained and assessed to reduce undue burdens on responding linemen.

Mutual assistance service restoration requires clear thinking and unhampered ability. It is imperative that the work force be free of drug and alcohol abuse.

Participating companies are encouraged to develop plans for providing teams of office and/or field trouble analyzers as part of mutual assistance.

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The Mutual Assistance Plan For Transmission Line Emergencies is included with the Mutual Assistance Guidelines to reduce duplication and to coordinate subsequent revisions.

Page 4 of 25

SUGGESTED GOVERNING PRINCIPLES COVERING
--EMERGENCY ASSISTANCE ARRANGEMENTS--

(A Report of the EEI Legal Committee with the concurrence of the Insurance Committee and the Transmission and Distribution Committee originally prepared in April 1964 and revised in June 1976)

Member companies of EEI have occasion to call upon other member companies for emergency assistance in the form of personnel or equipment to aid in maintaining or restoring electric utility service when such service has been disrupted by acts of the elements, equipment malfunctions, accidents, sabotage or any other occurrences where the parties deem emergency assistance to be necessary or advisable. While it is acknowledged that a member company is not under any obligation to furnish such emergency assistance, experience indicates that member companies are willing to furnish such assistance when personnel or equipment are available. In the absence of a continuing formal contract between a company requesting emergency assistance ("Requesting Company") and a company willing to furnish such assistance ("Responding Company"), the following principles are suggested as the basis for a contract governing emergency assistance to be established at the time such assistance is requested:

(1) The emergency assistance period shall commence when the transportation of Responding Company's employees or equipment to Requesting Company begins (or, if the Responding Company has been requested to prepare its employees or equipment for transportation and await further instructions, at the time such preparations have been completed) and shall terminate when the transportation of such employees or equipment back to Responding Company has been completed.

(2) Employees of Responding Company shall at all times during the emergency assistance period continue to be employees of Responding Company and shall not be deemed employees of Requesting Company for any purpose. Responding Company shall be an independent Contractor of Requesting Company and wages, hours and other terms and conditions of employment of Responding Company shall remain applicable to its employees during the emergency assistance period.

(3) Responding Company shall make available at least one supervisor in addition to crew foremen. All instructions for work to be done by Responding Company's crews shall be given by Requesting Company to Responding Company's supervisor (s); or, when Responding Company's

crews are to work in widely separate areas, to such of Responding Company's foremen as may be designated for the purpose by Responding Company's supervisor(s).

(4) All time sheets and work records pertaining to Responding Company's employees furnishing emergency assistance shall be kept by Responding Company.

(5) Requesting Company shall indicate to Responding Company the type and size of trucks and other equipment desired as well as the number of job function of employees requested but the extent to which Responding Company makes available such equipment and employees shall be at Responding Company's sole discretion.

(6) Requesting Company shall reimburse Responding Company for all costs and expenses incurred by Responding Company as a result of furnishing emergency assistance. Such costs and expenses shall include, but not be limited to, the following:

(a) Employees' wages and salaries for paid time spent in Requesting Company's service area and paid time during travel to and from such service area, plus Responding Company's standard payable additives to cover all employee benefits and allowances for vacation, sick leave and holiday pay and social and retirement benefits, all payroll taxes, workmen's compensation, employer's liability insurance and other contingencies and benefits imposed by applicable law or regulation.

(b) Employee travel and living expenses (meals, lodging and reasonable incidentals).

(c) Replacement cost of materials and supplies expended or furnished.

(d) Repair or replacement cost of equipment damaged or lost.

(e) Charges, at rates internally used by Responding Company, for the use of transportation equipment and other equipment requested.

(f) Administrative and general costs which are properly allocable to the emergency assistance to the extent such costs are not chargeable pursuant to the foregoing subsections.

(7) All costs and expenses of Responding Company shall be paid by Requesting Company within thirty days after receiving an invoice therefor.

(8) Requesting Company shall indemnify and hold Responding Company harmless from and against any and all liability for loss, damage, cost or expense which Responding Company may incur by reason of bodily injury, including death, to any person or persons or by reason of damage to or destruction of any property, including the loss of use thereof, which result from furnishing emergency assistance and whether or not due in whole or in part to any act, omission, or negligence of Responding Company. Where payments are made to Responding Company's employees under a workmen's compensation or disability benefits law or any similar law for bodily injury or death resulting from furnishing emergency assistance, Requesting Company shall make reimbursement to Responding Company to the extent such payment increases the Responding Company's workmen's compensation or disability benefits costs, whether such increase in costs occurs in the form of an increase in premiums or contributions or in the form of reduction in dividends or premium refunds, or otherwise.

(9) In the event any claim or demand is made or suit or action is filed against Responding Company alleging liability for which Requesting Company shall indemnify and hold harmless Responding Company under paragraph (8) above, Responding Company shall promptly notify Requesting Company thereof, and Requesting Company, at its sole cost and expense, shall settle, compromise or defend the same in such manner as it in its sole discretion deems necessary or prudent.

Page / of 25

SAMPLE TELEGRAM OR LETTER

Some companies have found it helpful, in the absence of a continuing formal contract, to utilize the following sample telegram or letter when requesting mutual assistance.

Date _____ 19 ____

(Name and Address of Responding Company)

In recognition of the personnel, equipment or other emergency assistance being sent to us by your company in accordance with a telephone request between your Mr. _____ and our Mr. _____ on _____, we agree to be bound by the "Suggested Governing Principles Covering Emergency Assistance Arrangements" dated June 1976, a report of the EEI Legal Committee. (Insert any mutually agreeable changes or exceptions here and a request for acceptance of this agreement).

Requesting Company Name _____

Requesting Company Address _____

Corporate Officer Signature _____

MUTUAL ASSISTANCE GUIDELINES

INSURANCE ASPECTS OF EMERGENCY ASSISTANCE ARRANGEMENTS

(Comments Prepared by
EEI Risk Management Committee)

Mutual assistance among utilities to restore service as rapidly as possible after a storm or other adverse situation is an important step to underwrite the reliability of service by the individual utilities and the industry. The benefits derived are not only to the affected customers and utility, but to the general reputation of the entire industry. Therefore, there are mutual benefits to all and these guidelines should reflect the cooperative spirit among the participants so as to efficiently and expeditiously accomplish the intended purpose of restoring services. Each participant should review their insurance situation in light of the discussion below. However, the Risk Management Committee believes that, in most cases, there is sufficient protection to prevent the associated risk from becoming an encumbrance upon the operation of the mutual assistance agreements.

Based on the EEI Legal Committee's "Suggested Governing Principles" and particularly Section (8) thereof, the Risk Management Committee believes there is adequate protection in most cases; however, each member company should review their own insurance coverage and consult their carriers as to the protection they have.

The following is a discussion of the insurance implications of mutual assistance. Each member should review these in light of their own circumstance. The following comments address misunderstandings concerning: (1) the effect of a catastrophic loss on a responding company's cost of Workers' Compensation Insurance and Group Life Insurance, and (2) the extent to which the requesting company is insured for assumed liabilities under its existing liability insurance:

I. CATASTROPHIC LOSSES

Fears have been expressed that a catastrophic loss, such as the death of many employees in an airplane crash, would have serious effect on future costs of Worker's Compensation and Group Life Insurance. However, features are built into the rating processes of these two forms of insurance which limit the amount of any one loss to be included with other losses in determining future rates and premiums.

A. Workers's Compensation

The maximum dollar limitation for any one loss varies by state and such applicable maximum in any particular state can be ascertained readily by each member company.

The applicable limitations represent the maximum amount for any one loss, regardless of its size, which will be used in calculating future rates. For example, assume a member company operating in a state having a \$50,000 accidental limitation suffered a catastrophic loss which results in total insured benefit payments of \$500,000. This one loss would be charged to that company only in the amount of \$50,000 per year for each of the three years involved in calculation of the Experience Rating Modification applicable under the normal control rating formula. The effect of this charge could be readily determined by a responding company as the amount to which its insurance costs were increased.

Since the Experience Rating Modification formula used by all states provides that losses occurring during the three years ending twelve months prior to the effective date of the insurance, the total net effect of a catastrophic loss would be determinable within a four-year period following the occurrences.

B. Group Life Insurance

A similar "safety valve" is an integral part of the rating formula used by many Group Life Insurance underwriters but each member company should secure, in writing, the accident limitation applying to its own contracts.

The limitation or stipulation is usually defined as a "Catastrophe Provision." It defines what constitutes a catastrophe and provides a formula to determine the limited amount charged to the insured because of the catastrophic loss. Based on this, the additional insurance cost to a responding company can be readily determined in this instance, too.

If the member company's Group Life Insurance underwriter does have a "Catastrophe Provision," the effect of a catastrophe probably would be reflected and paid at the end of the policy year in which the catastrophe occurred. In any event, the limited effect would be readily determinable.

If the member company's Group Life Insurance underwriter does not have a "Catastrophe Provision," steps should be taken to secure a provision applicable to its contract.

II. ASSUMED LIABILITIES

Many have also expressed concern that as participants in mutual assistance arrangements, they might be assuming liabilities for which insurance is not available.

The normal Liability Insurance carried by a member company will, if "Blanket Contractual" coverage is included, adequately insure not only its common law liabilities but the liability assumed under contract or agreement as well.

Each member company should confirm the existence of such coverage, making sure that the insuring agreement is not so worded as to limit protection to written contracts. It should apply to all contracts whether they are oral or written, expressed or implied.

Since the extension of a Liability Insurance policy to provide "Contractual Liability" does not alter the effect of the normal policy exclusions, it is recommended that two revisions be made, as follows:

- A. The standard exclusions provide (either separately or combined) that the policy will not apply "to any obligation for which the insured or any carrier as his insurer may be held liable under any worker's compensation, unemployment compensation or disability benefits law, or under any similar law, and to bodily injury to or sickness, disease or death of any employee of the insured arising out of and in the course of his employment by the insured." These standard exclusions should be removed by endorsement and replaced with the following wording:

"This policy does not apply, except with respect to liability of others assumed by the named insured under contract or agreement, to any obligation for which the insured or any carrier as his insurer may be held liable under any worker's compensation, unemployment compensation or disability benefits law, or under any similar law, or to bodily injury to or sickness, disease or death of any employee of the insured arising out of and in the course of his employment by the insured."

Page 11 of 25

8. The standard exclusions also provide that the policy will not apply "to injury to or destruction of property owned or occupied by or rented to the insured, property used by the insured, property in the care, custody or control of the insured, or property as to which the insured for any purpose is exercising physical control." Since situations could arise where responding company's property could be considered to fall into one of the above categories as far as the requesting company is concerned, an endorsement should be obtained providing that it will be deemed that this exclusion does not apply to liability assumed by the insured under contract or agreement for injury to or destruction of property owned by a responding company and occurring during a mutual assistance situation.

For those member companies who insure their Worker's Compensation, Group Life and Liability exposures, the above comments and follow-through procedures with their insurance carriers should remove any problems with their coverage.

In the case of a requesting company which is a self-insurer, the overall magnitude of a mutual assistance exposure is probably no greater than the possible loss potential it is assuming every day in its normal operations. However, in a situation in which a member company might ask a self-insurer for assistance, the amount of indemnification to such a self-insured responding company could be far greater than would be required if Worker's Compensation and/or Group Life Insurance was carried. In this latter instance, the "spirit of mutual assistance" might produce an understanding which would provide for an equitable settlement within a reasonable length of time.

Each member company should ascertain the nature of the insurance program of those member companies which it is most likely to contact for mutual assistance. This will enable the member company to evaluate the probable magnitude of a catastrophic loss for which it is assuming liability. This evaluation should be used to determine whether the liabilities assumed are insured under its Liability Insurance and whether the limits of such insurance are sufficient.

In evaluating the insuring programs of those companies which a member company is most likely to contact for assistance, it should be borne in mind, too, that some companies have self-insured or practically self-insured hospitalization, surgical, medical, pension or salary continuance plans. Since Section (8) of the "Suggested Governing Principles"

Page 12 of 25

also provides that costs of this nature to the responding company are reimbursable by the requesting company, the member company should also take into consideration the effect of such programs.

As a guide for the advance evaluation of a requesting company's assumed liability, Appendix A is attached and lists the principal items of a responding company's insurance program which should be considered. The information obtained should be updated periodically. A review every two years should be sufficient.

APPENDIX A

Edison Electric Institute
Risk Management Committee

Mutual Assistance
INSURANCE CHECK LIST
(For Requesting Company's Advance Evaluation of a
Responding Company's Insurance Program)

Name of Responding Company _____
Person Furnishing Data - Name _____
Title _____

Type of Insurance	Insured	Amount of Deductibles	Self- Insured
Workers Compensation			
Liability Insurance:			
General Operations			
Automobile Liability			
Automotive Equipment:			
Fire			
Theft			
Comprehensive			
Collision			
Special Equipment:			
All Risks			
Other (Specify) _____			
Group Life			
Group Accident			
Primary Medical Expense			
Major Medical Expense			
Travel Accident			
Disability (Salary Continuance)			

Page 14 of 25

Edison Electric Institute
Transmission and Distribution Committee
Mutual Assistance Roster

Check List #1 - Information Supplied by Company
Seeking Assistance

1. Name of company making the request.
2. Name and title of person calling.
3. Telephone number where requestor can be reached.
4. When the crews are needed.
5. Where the help is wanted.
6. Where the help should report.
7. The name and title of person to report to.
8. Number of crews requested.
9. Classification of crew personnel.
10. Type of emergency, rain, snow, sleet, wind lighting, flood, other.
11. Estimated duration of the emergency.
12. Equipment needed:
 - a. Line trucks (diggers, derricks)
 - b. Passenger cars
 - c. Other trucks (service trucks, aerial ladder trucks)
 - d. Double bucket trucks.
 - e. Single bucket trucks.
 - f. Special equipment (pole trailers, wire trailers, etc.)
13. Material needed.
14. Expense money to cover trip from headquarters to destination.
15. Weather - present and forecast.

Page 15 of 25

16. Tools required, including splicing tools and hot line tools, rubber goods, trouble lights, batteries, etc.
17. Travel conditions for transportation facilities - airport, highways, railways.
18. Suggested mode of transportation for distances greater than 300 miles. Trucks should be dispatched separately from the work forces. Mechanic to accompany if considered necessary.
19. Suggested highway routes to travel.
20. The name and title of person meeting importees at point of arrival.
21. If available, estimated time of arrival at destination.
22. Coordinate differences in time zones, standard time and daylight saving time.

Edison Electric Institute
Transmission and Distribution Committee
Mutual Assistance Roster

Check List #2 - Dispatching Forces to Company
Seeking Assistance

1. Select Supervisor(s) who will have charge of crews. One should be Selected to be lead man and report to foreign utility as soon as possible to help coordinate details.
2. Instruct Supervisor-in-Charge of the duties expected of him.
3. Decide on mode of transportation, based on weather, distance, time of day and available transportation.
4. Set up transportation details and give to Supervisor-in-Charge. If transportation distance is greater than 300 miles, consideration should be given to public transportation. Consider highway permits and truck scales.
5. If trucks are required.
 - A. Select and assign drivers.
 - B. Select trucks. (Consider diesel engines, four wheel drive)
 - 1.) Line Trucks (diggers, derricks)
 - 2.) Passenger cars.
 - 3.) Other trucks (service, aerial ladder)
 - 4.) Double bucket trucks. (Insulated Bucket Voltage Ratings)
 - 5.) Single bucket trucks. (Insulated Bucket Voltage Ratings)
 - 6.) Special equipment (trailers) Hot stick.
 - C. Have trucks serviced.
 - D. Check radios for proper operation. Provide portable radio for receiving company bird dog. If available.
 - E. Load any special tools and material if requested.
 - F. Load foul weather gear.

- G. Assign Supervisor, to accompany fleet and consider sending mechanic.
- H. Arrange meeting place from home base to destination.
- I. Provide for expenses from home base to destination.
- J. Arrange departure time and notify company seeking assistance.
- K. Advise company seeking assistance.
 - 1) Departure time.
 - 2) Approximate arrival time at designated location.
 - 3) Name of Supervisor-in-Charge, number of men and vehicles.
- 1. Provide company seeking assistance with Appendix AA, attached.
- 6. Provide Supervisor with:
 - a. Name and address of company requesting assistance.
 - b. Name, address and phone number of person he is to report to in company requesting assistance.
 - c. Conditions of emergency, i.e., rain, snow, wind, lighting, flood, etc.
 - d. Estimated duration of emergency.
 - e. Equipment needed.
 - f. Tools required.
 - g. Weather - present and forecast.
- 7. Provide Supervisor-in-Charge with check list of personal items required by employees, such as change of work clothes, personal toilet articles, shaving equipment, tool bag, (which includes climbing hooks, rubber gloves, safety belt, hard hat etc.) and medication prescriptions.
- 8. Provide Supervisor(s) and crews with money and instructions to handle required expenses.
- 9. Notify top management, through proper channels, of assistance being provided and to whom.

Page 18 of 25

10. Provide accurate list of names and classifications of personnel in each crew and the Foreman to Supervisor-in-charge.
11. Dispatch Supervisors, crew men and trucks to destination as suggested by calling company.
12. Provide Foreman and/or Supervisor with time slips, report forms and other required stationery/supplies.
13. Provide crew members with authorized CIVIL DEFENSE PASSES.

Edison Electric Institute
Transmission And Distribution Committee
Mutual Assistance Roster

Check List #3 - For Supervisors of Crews
Assisting Other Company

- a. Advance Supervisor(s) at the Foreign Utility
- 1) Call home office on arrival at point of emergency work assignments.
 - 2) Obtain names, responsibilities, and phone numbers of Supervisory personnel in charge at foreign utility.
 - 3) Verify information on where crews will be met and where they will report for work.
 - 4) Obtain information on crew lodging and meals.
 - 5) Check restaurant hours for proper accommodations, especially breakfast.
 - 6) Establish daily work schedule.
 - 7) Arrange for assignment and storing of vehicles and how to handle gas/repairs.
 - 8) Arrange for assignment of a guide who knows the local area and who is qualified to do switching, block lines and equipment.
 - 9) Request General Information for your crews (Include map of local area).
 - 10) Request Transmission and Distribution Systems Descriptions and Instructions for your crews, including work practices (switching resp., blocking procedures, permits, grounds) and types of major material used (wire sizes, fuses, conn.).
 - 11) Request maps of distribution circuits and description of symbols used.
 - 12) Request important telephone numbers such as work headquarters, System Operator, police and doctor and 24 hour number where messages can be received and relayed to employees.
 - 13) Maintain a daily log of activities from time to

departure.

b. Trip Supervisor(s)

- 1) Fill out Crew Record (attached). Include payroll number, classification and truck assignment.
- 2) Obtain emergency phone number of Company. Dispatch Office, and person coordinating at home.
- 3) Obtain supplies such as: pad of timesheets, work practices manual, scratch pad.
- 4) Obtain estimated length of stay. How much clothing should be taken?
- 5) Ask about the operating voltage and work practices at foreign utility. Determine qualifications of personnel to work: 4kv, 13kv, 34 kv.
- 6) Have crews check vehicles for items such as: Impact wrench, power saws, gloves, sleeves, rubber protective equipment, lights, ladders, blinker lights.
- 7) Make sure of directions to foreign utility: Destination - Route to be taken - arrangement for paying tolls. Phone number of foreign utility, who to meet, rendezvous point.
- 8) Have crews check vehicles - Send the most reliable equipment. Fuel, oil, air, tires, water, windshield solution Check to see if Transportation Mechanic is going.
- 9) Check petty cash situation. Estimate of needs, Gas Credit Cards, Amount, etc.
- 10) Start Daily Log of Activities.
- 11) What account/job number for reporting time if it can be obtained at time of departure. Account Number Job Number
- 12) Designate someone to be - Convoy Leader. Convoy Sweeper.
- 13) Make sure each vehicle has a working radio.
- 14) Get and keep receipts for all expenses associated with the mutual assistance.

c. Before Leaving Foreign Utility

- 1) On release from emergency, care should be taken to return all host company equipment, tools and material.
- 2) Turn in all outstanding unpaid bills to host company.
- 3) Obtain return expense money from host company.
- 4) Arrange for return to home office in reasonable and prompt manner.
- 5) Report to home office when released.
- 6) Submit required reports to home office.

DISTRIBUTION MUTUAL ASSISTANCE ROSTER

PARTICIPATING COMPANIES

1. Alabama Power Company	Birmingham, Alabama
2. Arizona Public Service Company	Phoenix, Arizona
3. Arkansas Power & Light Company	Little Rock, Arkansas
4. Atlantic Electric Company	Pleasantville, New Jersey
5. Baltimore Gas & Electric Company	Baltimore, Maryland
6. Black Hills Power & Light Company	Rapid City, South Dakota
7. Boston Edison Company	Boston, Massachusetts
8. Carolina Power & Light Company	Raleigh, North Carolina
9. Centel Electric - Colorado	Pueblo, Colorado
10. Central Hudson Gas & Electric Corp.	Poughkeepsie, New York
11. Central Illinois Light Company	Peoria, Illinois
12. Central Illinois Public Service Company	Springfield, Illinois
13. Central Louisiana Electric Co., Inc.	Alexandria, Louisiana
14. Central Maine Power Company	Augusta, Maine
15. Central Power and Light Company	Corpus Christi, Texas
16. Central Vermont Public Service Corp.	Rutland, Vermont
17. Cincinnati Gas & Electric Company	Cincinnati, Ohio
18. Cleveland Electric Illuminating Co.	Cleveland, Ohio
19. Commonwealth Edison Company	Chicago, Illinois
20. Commonwealth Electric Company	Wareham, Massachusetts
21. Consolidated Edison Co. of N.Y., Inc.	New York, New York
22. Dayton Power & Light Company	Dayton, Ohio
23. Delmarva power & Light Company	Newark, Delaware
24. Detroit Edison Company	Detroit, Michigan

Page 23 of 25

25. Duke Power Company	Charlotte, North Carolina
26. Dusquesne Light Company	Pittsburgh, Pennsylvania
27. Eastern Utilities Associates	Boston, Massachusetts
28. Empire District Electric Company	Joplin, Missouri
29. Fitchburg Gas and Electric Light Co.	Fitchburg, Massachusetts
30. Florida Power & Light Company	Miami, Florida
31. Florida Power Corporation	St. Petersburg, Florida
32. Georgia Power Company	Atlanta, Georgia
33. Gulf Power Company	Pensacola, Florida
34. Gulf States Utilities	Beaumont, Texas
35. Houston Lighting & Power Company	Houston, Texas
36. Illinois Power Company	Decatur, Illinois
37. Indianapolis Power & Light Company	Indianapolis, Indiana
38. Interstate Power Company	Dubuque, Iowa
39. Iowa Electric Light & Power	Cedar Rapids, Iowa
40. Iowa-Illinois Gas and Electric Company	Davenport, Iowa
41. Iowa Power and Light Company	Des Moines, Iowa
42. Iowa Public Service Company	Sioux City, Iowa
43. Iowa Southern Utilities Company	Centerville, Iowa
44. Jersey Central Power and Light Company	Morristown, New Jersey
45. Kansas City Power & Light Company	Kansas City, Missouri
46. Kentucky Utilities Company (KU)	Lexington, Kentucky
47. KPL Gas Service	Topeka, Kansas
48. Louisville Gas & Electric Company	Louisville, Kentucky
49. Louisiana Power & Light/New Orleans Public Service	New Orleans, Louisiana
50. Madison Gas & Electric Company	Madison, Wisconsin

Page 24 of 25

51. Metropolitan Edison Company	Reading, Pennsylvania
52. Minnesota Power	Duluth, Minnesota
53. Mississippi Power Company	Gulfport, Mississippi
54. Mississippi Power & Light Company	Jackson, Mississippi
55. Missouri Public Service	Kansas City, Missouri
56. Monongahela Power Company	Fairmont, West Virginia
57. Newport Electric Corporation	Middletown, Rhode Island
58. New England Electric System	Westborough, Mass.
59. New York State Electric & Gas Corp.	Binghamton, New York
60. Niagara Mohawk Power Corporation	Syracuse, New York
61. Northern Indiana Public Service Co.	Hammond, Indiana
62. Northern States Power Company	Minneapolis, Minnesota
63. Notheast Utilities	Hartford, Connecticut
64. Northwestern Public Service Company	Huron, South Dakota
65. Ohio Edison Company	Akron, Ohio
66. Oklahoma Gas and Electric Company	Oklahoma City, Oklahoma
67. Orange & Rockland Utilities, Inc.	Pearl River, New York
68. Otter Tail Power Company	Fergus Falls, Minnesota
69. Pacific Gas and Electric	San Francisco, California
70. Pacific Power	Portland, Oregon
71. Pennsylvania Electric Company	Johnstown, Pennsylvania
72. Pennsylvania Power Company	New Castle, Pennsylvania
73. Pennsylvania Power & Light Company	Allentown, Pennsylvania
74. Philadelphia Electric Company	Philadelphia, PA
75. The Potomac Edison Company	Hagerstown, Maryland
76. Potomac Electric Power Company	Washington, D.C.
77. Public Service Electric & Gas Co.	Newark, New Jersey

78.	Public Service Company of Colorado	Denver, Colorado
79.	Public Service Company of Oklahoma	Tulsa, Oklahoma
80.	Public Service Company of New Mexico	Albuquerque, New Mexico
81.	Public Service Company of New Hampshire	Manchester, New Hampshire
82.	Puget Sound Power & Light Company	Bellevue, Pennsylvania
83.	Rochester Gas and Electric Corp.	Rochester, New York
84.	South Carolina Electric & Gas Co.	Columbia, South Carolina
85.	Southwestern Electric Power Company	Shreveport, Louisiana
86.	St. Joseph Light & Power Company	St. Joseph, Missouri
87.	Tampa Electric Company	Tampa, Florida
88.	The Toledo Edison Company	Toledo, Ohio
89.	The United Illuminating Company	New Haven, Connecticut
90.	Union Electric Company	St. Louis, Missouri
91.	Utah Power and Light Company	Salt Lake City, Utah
92.	Virginia Power	Richmond, Virginia
93.	West Penn Power Company	Greensburg, Pennsylvania
94.	Wisconsin Electric Power	Milwaukee, Wisconsin
95.	Wisconsin Power and Light Company	Madison, Wisconsin
96.	Wisconsin Public Service Corporation	Green Bay, Wisconsin

APPENDIX 6

THE NARRAGANSETT ELECTRIC COMPANY

Outside Crews Utilized During Hurricane Bob

<u>Company Name</u>	<u>Independent Contractor</u>	<u>Utility</u>	<u>Crews</u>	<u>Arrival Date</u>
Rocha	X		7	8/19
Massachusetts Electric Inc.	X		10	8/19
Grattan	X		6	8/19
Audet	X		4	8/19
New England Power Service Company		X	3	8/19
New England Power Service Company		X	1	8/20
O'Donnell	X		9	8/20
Hazard	X		6	8/20
Grattan	X		3	8/20
New England Power Service Company		X	2	8/20
Jersey Center Power and Light		X	10	8/20
Central Connecticut Cable	X		2	8/20
Madison Yankee Electric	X		1	8/20
Danella	X		6	8/20
Virginia Electric Power Company		X	45	8/20
Hydro Quebec		X	20	8/20
Ontario Hydro		X	25	8/21
Hydro Quebec		X	40	8/21
Western Pennsylvania Power		X	21	8/23
Massachusetts Electric Company		X	18	8/23
Ontario Hydro		X	10	8/23
Granite State Electric Company		X	7	8/23
New England Power Service Company		X	20	8/23
Hydro Quebec		X	<u>39</u>	8/23
Total Outside Crews			315	
Narragansett Electric Company Crews			<u>51</u>	
Total Crews			<u>366</u>	

THE NARRAGANSETT ELECTRIC COMPANY
Outside Crews Utilized During Hurricane Bob

<u>Tree Crews</u>	<u>8/19</u>	<u>8/20</u>	<u>8/21</u>	<u>8/22</u>	<u>8/23</u>	<u>8/24</u>	<u>8/25</u>
Local	24	24	22	22	22	23	7
Outside	<u>16</u>	<u>71</u>	<u>142</u>	<u>158</u>	<u>142</u>	<u>55</u>	<u>0</u>
TOTAL	40	95	164	180	164	78	7

APPENDIX 7

ITEMIZATION OF RESTORATION COSTS

Total Charge to Storm Contingency Fund	<u>\$7,576,607.45</u>
<u>Itemization</u>	
Payroll and Related Charges	\$1,957,850.97
Stores Handling	181,215.91
Transportation Charges	249,341.23
Charges from Outside Companies	6,189,035.72
Materials & Supplies	537,389.94
Estimate of Invoices not yet received	<u>1,068,000.00</u>
Total Restoration Costs	\$10,182,833.77
Amounts Charged to Capital Accounts	(1,311,960.00)
Normal Business Costs	(1,094,266.32)
Storm Contingency Fund Deductible	(200,000.00)
Total Charged to Storm Contingency Fund	<u>\$7,576,607.45</u>



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL
150 South Main Street, Providence, RI 02903
(401) 274-4400

Jeffrey B. Pine, Attorney General

February 25, 1997

By Hand Delivery

Luly Massaro, Clerk
Public Utilities Commission
100 Orange Street
Providence, Rhode Island 02903

Re: **Investigation of Storm Contingency Funds**
Docket No. 2509

Dear Ms. Massaro:

Enclosed for filing in connection with the above-referenced docket are an original and nine (9) copies of the prefiled testimony of John Bell on behalf of the Division of Public Utilities and Carriers.

Thank you for your attention to this matter.

Very truly yours,

Paul J. Roberti
Special Assistant Attorney General

Enclosures

cc: David Fazzone, Esq.
Craig Eaton, Esq.
Ina Suuberg, Esq.
Michael McElroy, Esq.
Dennis St. Pierre
Theodore Garille
Jerome Edwards

TDD-453-0410

THE NARRAGANSETT ELECTRIC COMPANY

FEB 27 1997

RECEIVED
LEGAL DEPT.

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2

3 A. My name is John Bell and my business address is the Division of Public Utilities
4 and Carriers ("Division"), 100 Orange Street, Providence, RI 02903.

5

6 Q. WHAT IS YOUR POSITION AT THE DIVISION?

7

8 A. I am a Public Utilities Analyst IV for the Division. I have been employed in this
9 position since August of 1995.

10

11 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

12

13 A. I graduated from the University of Rhode Island in 1982 with a Bachelor of
14 Science degree in Business Administration. I have also completed several
15 continuing professional educational courses in the areas of utility accounting and
16 ratemaking.

17

18 Q. PLEASE INDICATE YOUR CERTIFICATIONS AND PROFESSIONAL
19 MEMBERSHIPS.

20

21 A. I am a Certified Public Accountant and a member of the American Institute of
22 Certified Public Accountants (AICPA).

23

24 Q. PLEASE DESCRIBE YOUR EMPLOYMENT BACKGROUND.

25

26 A. Prior to accepting my current position with the Division, I was employed with the
27 Federal Energy Regulatory Commission (FERC) for 12 years. Between 1983 and
28 1985, I was employed as a staff auditor. In 1985 I was promoted to the position

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 of Auditor-In-Charge and I held this position until 1995. In this position, I was
2 the lead member of an audit team responsible for conducting compliance audits of
3 various electric and gas utilities under the jurisdiction of the FERC.
4

5 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RHODE ISLAND
6 PUBLIC UTILITIES COMMISSION (PUC)?
7

8 A. Yes. I testified concerning the Providence Water Supply Board's proposal for
9 partial repayment to the City of Providence in Docket 2108. I also testified in
10 Docket 2433 concerning Prudence Island Utilities Corporation's request for a
11 general rate increase.
12

13 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
14

15 A. The purpose of my testimony is to present the Division's position concerning the
16 operations of the ratepayer funded storm contingency funds maintained by
17 Narragansett Electric (Narragansett), Blackstone Valley Electric (Blackstone
18 Valley) and Newport Electric (Newport). In developing my testimony, I reviewed
19 past Commission Orders concerning the storm funds, and the responses to the data
20 requests propounded upon the utilities by the Commission in this docket. I also
21 reviewed reports the utilities filed in the past related to their use of the storm
22 funds and also the utilities responses to Division data requests propounded upon
23 the utilities in the past.
24

25 Q. BASED ON YOUR REVIEW OF THIS INFORMATION, WHAT ARE YOUR
26 FINDINGS/CONCLUSIONS?
27

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 A. I found that the three utilities operated their funds in a reasonable manner,
2 however there were inconsistencies in the operations of the funds between the
3 three utilities. To remedy this situation, I recommend the Commission issue some
4 generic guidelines for the utilities to follow so that all parties have a common
5 understanding of how the storm contingency funds should be operated.
6

7 Q. WHAT ARE THE SPECIFIC AREAS THAT YOU BELIEVE SHOULD BE
8 COVERED BY THE GUIDELINES?
9

10 A. The areas I believe the guidelines should cover are as follows:
11

- 12 • **Allowable Storms**
- 13 • **Allowable Fund Charges**
- 14 • **Segregation of Funds**
- 15 • **Interest on Fund Balances**
- 16 • **Accounting for Storm Funds**
- 17 • **Funding Levels and Fund Caps**
- 18 • **Reporting of Fund Activity**
- 19

20 Q. WHAT GUIDELINES DO YOU RECOMMEND THE COMMISSION
21 ESTABLISH RELATED TO THE DETERMINATION OF THE SIZE OR TYPE
22 OF STORMS TO CHARGE TO THE STORM FUND AND ALSO YOUR
23 POSITION RELATED TO ALLOWABLE FUND CHARGES?
24

25 A. The Commission has issued guidance in this area in past orders. In Order No.
26 10635 dated March 30, 1982, in Docket No. 1591 the Commission stated "a storm
27 damage fund represented a "rational and equitable" approach to the problem of
28 extraordinary storm costs". A Rhode Island Supreme Court Decision issued June

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 5, 1980 in Narragansett Electric Co. v. Ed F. Burke et al. described extraordinary
2 storm expenses as follows:

3
4 "Extraordinary expenses" flow from an extraordinary storm. An
5 extraordinary storm is "not necessarily an unprecedented one, but one that
6 happens so rarely that it is unusual and not ordinarily to be expected."
7 Spitzer v. City of Waterbury, 113 Conn. 84, 90, 154 A. 157, 160 (1931).
8 This definition accurately describes the unexpected severity of the January
9 1978 ice storm. In order to determine the extraordinary expenses incurred
10 by a utility in combating such an extraordinary storm, we hold that the
11 everyday operational and maintenance costs, as well as the allowance for
12 typical New England weather used by the commission in calculating rates,
13 must be excluded from total storm expenses. [Emphasis Added]
14

15 The decision further stated:

16
17 We would emphasize, however, that the exception to the rule expressed
18 herein is inapplicable to expenses incurred in connection with New
19 England's usually capricious winter climate. A utility company may
20 recover by whatever method the commission deems appropriate only the
21 unusual and nonrecurring expenses related to such extraordinary
22 occurrences as the freakish ice storm of the winter of 1978. [Emphasis
23 Added]
24

25 In accordance with this decision, a copy of which is attached as Exhibit JB-1, the
26 Commission authorized (Order No. 10635) Narragansett to create a storm fund
27 and stated the following concerning the utilization of the fund:

28
29 The Company proposed that the fund be drawn upon only in the event that
30 the Company incurs expenses in excess of \$200,000 for a particular storm.
31 Because the Commission finds that this proposal is reasonable and easily
32 applied, we accept a \$200,000 triggering amount.
33

34 The \$200,000 threshold is still in effect for Narragansett. The Commission never
35 established a specific dollar threshold for Blackstone or Newport. In Order No.

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 10695, dated May 20, 1982, in Docket No. 1605, the Commission authorized
2 Blackstone Valley to create a storm fund and stated the following concerning the
3 utilization of the fund:
4

5 Moreover, because the record does not contain sufficient evidence upon
6 which to make a finding regarding the magnitude of expenses necessary in
7 order to trigger recovery from the fund, we authorize the Company to
8 continue to utilize the criteria currently used to determine when a storm is
9 sufficiently severe to warrant special ratemaking treatment.
10

11 In Order No. 12405, dated August 7, 1987, in Docket No. 1872, the Commission
12 authorized Newport to create a storm fund, however it was silent as to the
13 magnitude of expenses necessary to trigger recovery from the fund.
14

15 Based on my review of the above Commission Orders and the Rhode Island
16 Supreme Court Decision, I believe that setting a dollar amount to trigger the use
17 of the storm funds is appropriate. As noted in Commission Order 10635, the use
18 of the storm fund only when expenses exceed a level is easily applied. However,
19 the dollar amount must be set sufficiently high to ensure that only expenses
20 related to extraordinary storms are charged to the storm fund and not expenses
21 associated with storms that represent typical New England weather.
22

23 As noted above, Narragansett's \$200,000 threshold is still in effect. This
24 threshold was set in 1982 and appears to me to be too low. During the four year
25 period 1991 through 1994, Narragansett utilized the storm fund for 4 storms.
26 During this same period, Blackstone Valley also utilized their storm fund for 4
27 storms and Newport used theirs for 3 storms. I do not believe the commission
28 intended for such frequent usage of the funds.
29

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 In conclusion, I recommend the commission establish a dollar threshold for each
2 of the utilities as the trigger mechanism for the use of the storm contingency
3 funds.

4
5 Q. DO YOU HAVE ANY RECOMMENDATIONS RELATED TO THE
6 APPROPRIATE THRESHOLD?

7
8 A. Yes. I recommend the threshold be set at 5% of the utilities total distribution
9 maintenance costs as recorded in FERC accounts 590 through 598.

10
11 I developed this recommendation by reviewing the definition of an extraordinary
12 item as contained in General Instruction No. 7 to the FERC Uniform System of
13 Accounts. The definition states in part: "To be considered as extraordinary under
14 the above guidelines, an item should be more than approximately 5 percent of
15 income, computed before extraordinary items." Based on FERC's definition, the
16 threshold necessary to be considered an extraordinary item for financial statement
17 purposes for 1995 for each of the utilities would be as follows:

18

<u>Utility</u>	<u>1995 Net Income</u>	<u>5% Threshold</u>
Narragansett	\$42,424,258	\$2,121,213
Blackstone Valley	8,336,805	416,840
Newport	3,977,584	198,879

23

24 However, I believe it would be inappropriate to tie the storm fund threshold to
25 same threshold used to determine an extraordinary item for financial statement
26 purposes. The reason being is that the storm fund has a narrow focus. Its purpose
27 is to reimburse the utilities for the costs to restore service outages resulting from
28 extraordinary storms. The costs incurred to restore service are distribution
29 maintenance related. Therefore, I believe it would be more appropriate to apply
30 the 5% factor only to distribution maintenance costs. I prepared the following

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

schedule to show the results of applying the 5% factor to distribution maintenance costs for each of the utilities for 1995:

<u>Utility</u>	<u>1995 Distribution Maintenance Expenses</u>	<u>5% Threshold</u>
Narragansett	\$8,923,254	\$446,163
Blackstone Valley	2,810,032	140,502
Newport	1,688,107	84,405

The above thresholds appear reasonable to me. As a result I recommend the Commission set the trigger mechanism for use of the storm funds at 5% of distribution maintenance costs for each of the utilities. In addition, to help offset the effects of any wide swings in maintenance expenses and to offset the effects of inflation, I recommend the Commission use a rolling average of the prior three years. For example, the threshold for a 1997 storm would be 5% of the average distribution maintenance costs for the years 1994 - 1996.

Q. PLEASE DISCUSS YOUR POSITION RELATED TO ALLOWABLE FUND CHARGES?

I recommend that the only expenses that the utilities be allowed to charge against their storm contingency funds are the incremental non-capital storm related costs such as overtime pay and charges for outside contractors. Capital costs, regular time pay and overheads should not be charged to the storm contingency funds because they are recovered through other means. Non-incremental expenses are recovered as part of the utilities base rates while capital costs are recovered through the depreciation allowance over the life of the related asset.

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 In addition, I recommend that only those incremental expenses that exceed the
2 threshold I discussed in my response to the previous question be charged to the
3 storm fund. In my opinion, those expenses below the threshold represent costs
4 associated with New England's typical weather and thus should be covered by the
5 utility's base rates.

6
7 Q. PLEASE DISCUSS YOUR POSITION RELATED TO THE SEGREGATION
8 OF FUNDS?

9
10 A. Currently, Blackstone Valley deposits its storm funds into money market
11 accounts, while the other two utilities do not segregate their storm funds from
12 their general operating funds. I believe that as long as the utilities properly
13 account for their storm funds there is no need to establish separate accounts for
14 the deposit of the funds.

15
16 Q. HOW DO YOU RECOMMEND THE UTILITIES ACCOUNT FOR THEIR
17 STORM CONTINGENCY FUNDS?

18
19 A. Based on the requirements of the FERC Uniform System of Accounts, the utilities
20 should record the balance of the fund in FERC Account 254, Other Regulatory
21 Liabilities, when it is in a positive position and in FERC Account 182.3, Other
22 Regulatory Assets, when it is in a negative position. The accounting for monthly
23 contributions and interest should be as follows:

24
25 1. To record monthly contributions to the fund when it is in a positive position:

26
27 DR Account 924, Property Insurance
28 CR Account 254, Other Regulatory Liabilities
29

30 2. To record interest on the fund balance when it is in a positive position:
31

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 DR Account 431, Interest Expense
2 CR Account 254, Other Regulatory Liabilities
3

4 3. To record monthly contributions to the fund when it is in a negative position:
5

6 DR Account 924, Property Insurance
7 CR Account 182.3, Other Regulatory Assets
8

9 4. To record interest on the fund balance when it is in a negative position:
10

11 DR Account 182.3, Other Regulatory Assets
12 CR Account 419, Interest And Dividend Income
13

14 Upon the occurrence of an extraordinary storm, the incremental non-capital costs
15 should be offset against the balance in Account 254. If the costs exceed the
16 balance in Account 254, then the excess should be charged to Account 182.3.
17

18 Q. WHAT GUIDELINES DO YOU RECOMMEND THE COMMISSION
19 ESTABLISH RELATED TO INTEREST ON FUND BALANCES?
20

21 A. Currently, the three utilities accrue interest on fund balances, which I believe is
22 appropriate. However all three utilize different interest rates. Newport Electric
23 accrues interest at the prime rate. Blackstone Valley deposits its storm funds in a
24 money market account and interest accrues at the rate on the money market
25 account. Narragansett accrues interest at the 30 - Day Certificate of Deposit rate
26 as published by Fleet Bank. Narragansett's use of the 30 - Day Certificate of
27 Deposit was established in Commission Order No. 10635 dated March 30, 1982,
28 in Docket No. 1591.
29

30 Since interest rates fluctuate, I do not believe the Commission should establish a
31 fixed interest rate on the funds. It would be more appropriate to tie the interest
32 rate on the funds to a market mechanism. I previously recommended that the

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 utilities be allowed to commingle their storm funds with their operating funds. If
2 this recommendation is accepted the utilities may be able to utilize the funds to
3 reduce or avoid short-term debt. As a result, I believe the interest rate on the
4 storm funds should be tied to a short term loan rate. According to the Wall Street
5 Journal, the prime rate represents the base rate on corporate loans. Based on this
6 description of the prime rate, I believe it would be an appropriate interest rate for
7 the storm funds. As a result, I recommend the Commission tie the interest rate on
8 the storm funds to the prime rate as published in the Wall Street Journal.

9
10 Q. PLEASE DISCUSS YOUR POSITION RELATED TO THE FUNDING
11 LEVELS AND FUND CAPS?

12
13 A. In the past the funding levels have been set through general base rate proceedings.
14 This process allows the parties in the case to review the appropriate funding levels
15 and to present their recommendations to the Commission. A party may
16 recommend to increase the funding level, decrease the funding level or to stop the
17 funding due to a sufficient fund balance. Since there is already a process in place
18 for the parties to review funding levels and whether a fund cap is necessary, I do
19 not believe the Commission needs to establish any guidelines in these areas as
20 part of these proceedings. In addition, a problem that may arise from establishing
21 a fund cap outside of a rate proceeding is that if the cap is reached outside of a
22 rate proceeding the utility would continue to collect storm funds revenues but
23 would not be required to set them aside in the storm fund.

24
25 Q. WHAT GUIDELINES DO YOU RECOMMEND THE COMMISSION
26 ESTABLISH RELATED TO THE REPORTING OF STORM FUND
27 ACTIVITY?
28

**Storm Contingency Funds
Docket 2509
Direct Testimony of John Bell**

1 A. I recommend the Commission implement reporting requirements so that the
2 Commission and Division can monitor the activity of the funds. I recommend the
3 utilities be required to provide a full accounting of all charges to the storm fund
4 within 90 days after the occurrence of a storm. The report should also include a
5 description of the storm along with a description of the extent of the damage to
6 the Company's system, including number of outages and length of outages.

7
8 I also recommend the utilities be required to provide an annual summary report
9 showing the beginning balance, the monthly activity and the ending balance of the
10 fund and also the calculation of the current years threshold for use of the fund. I
11 recommend this report be filed within 90 days of the calendar year-end.

12
13 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

14
15 A. Yes, it does.

EXHIBIT JB-1

NARRAGANSETT ELECTRIC CO. v. BURKE

(The N.E.C. 410 A.2d 177)

R. 1

J., held that storm expenses incurred by the company were extraordinary for which recovery against retroactive rate making would be barred.

Petition granted; order quashed.

1. Public Service Commissions 11.3(4)

In order to determine extraordinary expenses incurred by a utility in connection with an "extraordinary storm," which is not necessarily an unprecedented one, but one which happens so rarely that it is unusual or extraordinary to be expected, everyday operational and maintenance costs, as well as allowance for typical weather used by the Public Utilities Commission in calculating rates, must be excluded from total expenses.

See publication Words and Phrases for other judicial constructions and definitions.

2. Electricity 11.3(4)

Recovery of electric company's extraordinary costs incurred in restoring service to customers after extraordinary winter storm was not barred by rule against active rate making.

Pasco Gasbarro, Jr., Thomas G. Robb, Providence, Samuel Huntington, Weymouth, Mass., for petitioner.

Dennis J. Roberts, II, Atty. Gen., John McDermott, Sp. Asst. Atty. Gen., for respondents.

OPINION

KELLEHER, Justice.

On February 24, 1978, the Narragansett Electric Company (the company) filed with the Public Utilities Commission (the commission) an application for a temporary adjustment designed to recoup funds expended in restoring service to customers after the crippling ice storm of January 1978. This storm, described as the most destructive in the company's experience, caused widespread power outages as well as branches encrusted with ice fell across

NARRAGANSETT ELECTRIC CO.
v.
Edward F. BURKE et al.
No. 79-9-M.P.
Supreme Court of Rhode Island.
June 5, 1980.

The electric company petitioned for certification after its plan to recover costs of emergency operation incurred in restoring service to customers after crippling winter ice storm was rejected by the Public Utilities Commission. The Supreme Court, Kelleher,

178 R.L. 415 ATLANTIC REPORTER, 2d SERIES

er lines. In response to the crisis, the company quickly alerted repair units. In addition to its fifty-five regular crews, 194 "outside" line and 133 "outside" tree crews worked continuously for almost a week until total service was restored. The company's plan to recover the costs of this emergency operation, estimated to be \$2,500,000 exclusive of normal operational and maintenance expenses, was rejected by the commission, and the company thereupon filed a petition for certiorari with this court.

The commission, acting pursuant to G.L. 1956 (1977 Reenactment) § 39-3-11 (1979 Supp.), had originally suspended the effective date of the proposed temporary adjustment and held a series of hearings from November 20, 1978, to December 13, 1978. Several witnesses testified before the commission, including members of the public opposed to the temporary adjustment and witnesses appearing on behalf of the company. One company witness, Gerald R. Browne, Vice President and Director of Rates for the New England Power Service Company, explained to the commission that the incremental storm expenses could be recovered through a temporary addition of \$,00076 to the price of each kilowatt-hour of electricity sold. An alternate method of reimbursement was detailed by the company's vice president, Alfred D. Houston, who testified that the storm costs could be capitalized and amortized over a three-to-five-year period.

In its decision, the commission recognized "the excellent work performed by the employees of the company" and stated that "storm damage is a legitimate operating expense which must be borne by ratepayers and that the [c]ompany has incurred legitimate expenses in this instance." The proposed temporary rate adjustment was denied, however, on the theory that the commission was unable to define the term "extraordinary expenses" given the information provided by the company. It is clear from the commission's order that it also

believed that even if a portion of the storm expense was extraordinary, the prohibition against retroactive ratemaking barred recovery.

[1] "Extraordinary expenses" flow from an extraordinary storm. An extraordinary storm is "not necessarily an unprecedented one, but one that happens so rarely that it is unusual and not ordinarily to be expected." *Spitzer v. City of Waterbury*, 113 Conn. 84, 90, 154 A. 157, 160 (1931). This definition accurately describes the unexpected severity of the January 1978 ice storm. In order to determine the extraordinary expenses incurred by a utility in combating such an extraordinary storm, we hold that the everyday operational and maintenance costs, as well as the allowance for typical New England weather used by the commission in calculating rates, must be excluded from total storm expenses.

Turning to the prohibition against retroactive ratemaking, we recognize that the commission justifiably expressed concern over the applicability of this judicially created rule set forth in such decisions as *Bristol County Water Co. v. Harsch*, R.I., 386 A.2d 1103 (1978), and *Narragansett Electric Co. v. Burke*, R.I., 381 A.2d 1358 (1977). No rule should be blindly applied, however, without prior consideration of the underlying policy that originally precipitated its adoption. Such an approach ensures that the application of the rule in a particular instance will not undermine its original purpose. See *Asplin v. Amica Mutual Insurance Co.*, R.I., 394 A.2d 1355 (1978). The rule against retroactive ratemaking serves two basic functions. Initially, it protects the public by ensuring that present consumers will not be required to pay for past deficits of the company in their future payments. The Supreme Court of New Jersey has expressed this legitimate concern as follows:

the commission, the order resulting from this earlier application which issued on April 14, 1978, contained no allowance for the incremental expenses of the storm.

NAKAGANSETT ELECT. CO. v. BURKE

(The N.E.R.L. 415 A.2d 177)

"The present practice, as set forth in these cases, is fair to the public utility, for it can act as speedily as it sees fit to move for a correction of inadequate rates, and it is fair to the consumer in safeguarding him from surprise surcharges dating back over years that he had a right to assume were finished business for him and possibly over years when he was not even a consumer." *New Jersey Power & Light Co. v. State Department of Public Utilities Board of Public Utility Comms.*, 15 N.J. 82, 98, 104 A.2d 1, 7 (1954). See *Western Oklahoma Gas & Fuel Co. v. State*, 113 Okl. 126, 239 P. 588 (1925).

The rule also prevents the company from employing future rates as a means of ensuring the investments of its stockholders. *Georgia Ry. & Power Co. v. Railroad Commission of Georgia*, 278 F. 242 (D.C.Ga. 1922). If a utility's income were guaranteed, the company would lose all incentive to operate in an efficient, cost-effective manner, thereby leading to higher operating costs and eventual rate increases.

[2] The application of the rule against retroactive ratemaking to prevent the company from recovering the extraordinary cost of the ice storm would serve neither of the policies expressed above. Because of the unpredictable and severe nature of the storm, it is unlikely that company officials, in planning their operational expenses, could take into account the cost of repairing the widespread damage that occurred on January 14, 1978. The existing rates, moreover, as the commission indicated in its decision, were "not in any fashion [based on] the extraordinary expenses of restoration of service after the ice storm." Since the company incurred highly extraordinary expenses not covered by existing rates in combating this freakish storm, it is difficult to perceive how the future efficiency of the utility would be furthered by the application of the rule in this instance.

We have also noted that the rule serves to protect present customers from paying for a utility's past operating deficits. This aspect of the rule must be weighed against

the interest of providing immediate service to customers when a destructive, unexpected storm occurs. On such an occasion public interest in quickly restoring heat and electricity to the homes of customers must prevail.

The Evening Bulletin, in its editorial comment on the ice storm entitled "Rh Island on ice," described the repair crew: the storm's heroes who

"knitted the power lines—our communal umbilicals—back together. Deftly using chain saws, bouncing aloft in buckets among tangled limbs and in the linemen did an impressive job patching things up under miserable conditions. Nature smote us quite a blow, we are back with our modern comforts reassured. Until the next time." 17, 1978.

The next time a storm of this magnitude occurs, the company would have no incentive to hire outside line and tree crew: restore service efficiently and swiftly customers if no reimbursement for extraordinary expenses would be forthcoming. Thus, application of the rule to expenses related to such an emergency situation inextricably related to the public health safety would serve to thwart the goal of effective customer service.

The plethora of cases from other jurisdictions permitting a utility to recover extraordinary costs associated with an unusually severe storm indicate that the against retroactive ratemaking does come into play in such instances. *Re L. C. P.U.C.1974*; *Re Diamond State Telephone Co.*, 28 P.U.R.3d 121 (Del.P.S.C.1959); *Southern Bell Telephone & Telegraph Co.*, 66 P.U.R.3d 1 (Fla.P.S.C.1966); *Re Ka Power & Light Co.*, 8 P.U.R.4th 337 (K.C.1975); *Re Baltimore Gas & Electric Co.*, 25 P.U.R.3d 91 (Md.P.S.C.1958); *Boston Edison Co.*, D.P.U. 19300 (Feb. 28, 1977); *Detroit Edison Co.*, 20 P.U.R.4th 1 (M.C.1977); *Re Southwestern Bell Telephone Co.*, 92 P.U.R.N.S. 481 (Mo.P.S.C.1952); *Chisp's Telephone Co.*, 65 P.U.R.3d (Neb.S.R.C.1966); *Re Long Beach W*

180 R. I. 415 ATLANTIC REPORTER, 2d SERIES

Co., 53 P.U.R.3d 495 (N.J.P.U.C.1964). *Re Long Island Lighting Co.*, 9 P.U.R.4th 21 (N.Y.P.S.C.1975). *Pennsylvania Public Utility Commission v. Pennsylvania Electric Co.*, 25 P.U.R.4th 342 (Penn.P.U.C.1978). We would emphasize, however, that the exception to the rule expressed herein is inapplicable to expenses incurred in connection with New England's usually capricious winter climate. A utility company may recover by whatever method the commission deems appropriate only the unusual and nonrecurring expenses related to such extraordinary occurrences as the freakish ice storm of the winter of 1978.

The petition for certiorari is granted, the order of the commission is quashed, and the record certified to this court is ordered returned to the commission with our decision endorsed thereon.

DORIS and MURRAY, JJ., did not participate.



STATE

v.

Alexander AVILA and William Paine.

No. 79-476-M.P.

Supreme Court of Rhode Island.

June 6, 1980.

Defendants, who were convicted in the District Court of assault and battery and fined \$100 each, petitioned for writ of certiorari after the Superior Court denied their motions requesting a jury trial. The Supreme Court, Murray, J., held that defendants, who were convicted of a nonpetty offense, had constitutional right to a jury trial in the Superior Court.

Petition granted; claim for jury trial reinstated.

1. Criminal Law \S 260.3

Waiver by a person accused of a "nonpetty" offense of his right to jury trial in first instance, which prevents automatic transfer of the case from the district court to the superior court, does not affect statutory right of a person convicted in the district court to appeal to the superior court. *Gen.Laws 1956, \S 12-22-1.*

2. Criminal Law \S 260.13

Superior court possesses power to impose a sentence after trial de novo more severe than that imposed by the district court. *Gen.Laws 1956, \S 12-22-1.*

3. Jury \S 22(2)

Defendants, who were convicted of a nonpetty offense in the district court and fined \$100 each, had constitutional right to jury trial on their statutory appeal to the superior court. *Gen.Laws 1956, \S 12-3-1, 12-22-1; Const. Art. 1, \S 10.*

Dennis J. Roberts, II, Atty. Gen., Stephen Lichatin, III, Sp. Asst. Atty. Gen., Chief, App. Div., Providence, for plaintiff-respondent.

McOsker, Isserlis & Davignon, Milton L. Isserlis, Michael Fitzpatrick, Providence, for defendants-petitioners.

OPINION

MURRAY, Justice.

Alexander Avila (Avila) and William Paine (Paine), defendants in criminal proceedings, filed a petition for certiorari seeking review of an interlocutory order of the Superior Court which denied their motions for a jury trial. We issued the writ and now have the pertinent records before us.

The charges against Avila and Paine arose from their alleged involvement in an altercation with several off-duty police officers. As a result of the confrontation, two police officers were injured and they filed complaints that named Avila and Paine as their assailants. The state subsequently

STATE v. AVILA
(The ss. R.I. 415 A.2d 1980)

charged Avila and Paine with assault and battery in violation of G.L. 1956 (1969 Reenactment) \S 11-5-3, an offense that authorizes a maximum penalty on conviction of one year's imprisonment, a fine of \$500, or both. After trial before a justice of the District Court, Avila and Paine were each convicted and fined \$100.

The defendants filed timely appeals from that judgment pursuant to G.L. 1956 (1969 Reenactment) \S 12-22-1, as amended by P.L. 1976, ch. 173, \S 5.¹ In their respective notices of appeal, Avila and Paine each claimed a trial by jury in the Superior Court. During a pretrial conference, a Superior Court justice indicated that he would strike the jury claim from the notices of appeal. In response, Avila and Paine each filed a formal motion requesting a jury trial. The trial justice denied their motions after a hearing. The defendants then petitioned this court for a writ of certiorari. We issued the writ to review denial of their motions for a jury trial. *State v. Avila, R.I., 412 A.2d 249 (1979).*

Ordinarily, the District Court exercises original jurisdiction over offenses that authorize a maximum penalty on conviction of no more than one year's imprisonment, a fine of \$500, or both. General Laws 1956 (1969 Reenactment) \S 12-3-1, as amended by P.L. 1976, ch. 173, \S 3.2 All trials in the District Court are conducted by a justice sitting without a jury. In *Duncan v. Louisiana*, 391 U.S. 145, 88 S.Ct. 1444, 20

1. General Laws 1956 (1969 Reenactment) \S 12-22-1, as amended by P.L. 1976, ch. 173, \S 5, provides that

"Every person aggrieved by the sentence of the district court for any offense other than a violation may, within five (5) days after such sentence appeal therefrom to the superior court for the county in which the division of the district court is situated, by claiming an appeal in the court or in the office of the clerk of the court appealed from or at any of the penal institutions of the state, before any justice of the supreme or superior court, or before a justice clerk of the court appealed from, or before any of the persons authorized to take bail at said penal institutions."

2. General Laws 1956 (1969 Reenactment) \S 12-3-1, as amended by P.L. 1976, ch. 173, \S 3, provides that

L.R. 2d 491 (1980), however, the Superior Court ruled that the United States Constitution guarantees an accused's right to jury in criminal prosecutions involving "non-petty" offenses. The Court recently ruled in *Baldwin v. New York*, U.S. 66, 69, 90 S.Ct. 1886, 1888, 26 L. 437, 440 (1970), that offenses cannot be deemed "petty" for purposes of the right to jury, if they authorize a penalty more than six months' imprisonment.

[1] In *State v. Holiday*, 109 R.I. 5 A.2d 333 (1971), this court applied the holding of *Baldwin v. New York* and affirmed that persons accused of "non-petty" offenses could bypass trial in the District Court and proceed directly to the Superior Court for trial by jury. We ruled, over, that transfer to the Superior Court would occur automatically unless with writing his right to a jury trial in this instance. *State v. Holiday*, 109 R.I. 280 A.2d at 339. Such a waiver do affect the right of a person convicted in the District Court to appeal to the Superior Court pursuant to \S 12-22-1. *Id.* 280 A.2d at 339.

It is clear in light of *Baldwin v. New York* that Avila and Paine were charged with a "non-petty" offense were therefore entitled to a Superior Court jury trial in the first instance. *State v. Holiday*, supra. They elected instead to waive that right and to proceed to

"The district court shall have jurisdiction and cognizance of all crimes, offenses, misdemeanors, and violations, including against town or city ordinances, if no court exists or is created by charter for that purpose, done or committed by the division in which it is situated, by a fine not exceeding five hundred dollars (\$500) or by imprisonment not exceeding one (1) year, or both, and of all other matters which are or shall be declared to be within the jurisdiction of the court by the laws of the state, which may be brought before such court for trial, render judgment, pass sentence, and award a warrant for execution

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STATE OF RHODE ISLAND
AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

HEARING IN RE:

INVESTIGATION OF STORM
CONTINGENCY FUNDS

DOCKET NO. 2509

-----/

FEBRUARY 28, 1997
10:00 A.M.

100 ORANGE STREET
PROVIDENCE, RI

BEFORE THE COMMISSION:

KATE RACINE, COMMISSIONER PRESIDING
JAMES MALACHOWSKI, CHAIRMAN
ADRIENNE SOUTHGATE, LEGAL COUNSEL

COPY

APPEARANCES:

**FOR NARRAGANSETT
ELECTRIC: RONALD GERWATOWSKI, ESQ.
-AND-
CRAIG EATON, ESQ.**

**FOR BLACKSTONE VALLEY ELECTRIC
AND NEWPORT ELECTRIC: McDERMOTT, WILL & EMERY
BY: DORON F. EZICKSON, ESQ.**

FOR PASCOAG FIRE DISTRICT: INA SUUBERG, ESQ.

**FOR BLOCK ISLAND POWER: SCHACHT & McELROY
BY: MICHAEL McELROY, ESQ.**

**FOR THE DIVISION: PAUL J. ROBERTI, SPECIAL
ASSISTANT ATTORNEY GENERAL**

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I N D E X

PAGE NO.

JOHN BELL

DIRECT EXAMINATION BY MR. ROBERTI	17
CROSS-EXAMINATION BY MR. GERWATOWSKI	18
CROSS-EXAMINATION BY MR. EZICKSON	35
EXAMINATION BY MS. SOUTHGATE	37
EXAMINATION BY MS. RACINE	49
REDIRECT EXAMINATION BY MR. ROBERTI	57
RECROSS-EXAMINATION BY MR. GERWATOWSKI	63
EXAMINATION BY CHAIRMAN MALACHOWSKI	67

DAVID M. WEBSTER

DIRECT EXAMINATION BY MR. GERWATOWSKI	70
CROSS-EXAMINATION BY MR. ROBERTI	95, 159
CROSS-EXAMINATION BY MR. McELROY	124
EXAMINATION BY MS. SOUTHGATE	138
EXAMINATION BY CHAIRMAN MALACHOWSKI	142
EXAMINATION BY MR. MASSARO	156

THEODORE G. GARILLE

DIRECT EXAMINATION BY MS. SUUBERG	82
CROSS-EXAMINATION BY MR. ROBERTI	91
EXAMINATION BY MR. MASSARO	94

AUGUSTINE CAMARA

DIRECT EXAMINATION BY MR. EZICKSON	160
EXAMINATION BY CHAIRMAN MALACHOWSKI	161
CROSS-EXAMINATION BY MR. ROBERTI	173
EXAMINATION BY MR. MASSARO	174

1			
2		<u>E X H I B I T S</u>	
3		<u>EXHIBIT NO.</u>	<u>FOR ID/FULL</u>
4		<u>FOR THE COMMISSION:</u>	
5	1	DATA REQUESTS SENT TO	/9
6		ALL COMPANIES	
7	2	BLOCK ISLAND POWER'S	/9
8		RESPONSES TO THE COMMISSION'S	
9		DATA REQUESTS	
10	3	PASCOAG FIRE DISTRICT'S	/9
11		RESPONSES TO THE COMMISSION'S	
12		DATA REQUESTS	
13	4	NEWPORT ELECTRIC'S RESPONSES	/9
14		TO THE COMMISSION'S DATA REQUESTS	
15	5	BVE'S RESPONSES TO THE	/9
16		COMMISSION'S DATA REQUESTS	
17	6	NARRAGANSETT ELECTRIC'S	/9
18		RESPONSES TO THE COMMISSION'S	
19		DATA REQUESTS	
20		<u>FOR NARRAGANSETT ELECTRIC:</u>	
21	1	NARRAGANSETT ELECTRIC'S	/9
22		PREFILED TESTIMONY	
23	2	NEWSPAPER ARTICLE WHICH	25/63
24		APPEARED IN THE <u>PROVIDENCE</u>	
		<u>SUNDAY JOURNAL</u> ON	
		DECEMBER 13, 1992	
	3	COPY OF FERC RULE	/66
		REFERENCED IN MR. BELL'S	
		TESTIMONY	
	4	CALCULATION OF 5 PERCENT	/75
		EXTRAORDINARY ITEMS OF	
		DISTRIBUTION MAINTENANCE	

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E X H I B I T S (Continued)

<u>EXHIBIT NO.</u>		<u>FOR ID/FULL</u>
5	DETAIL OF OVERHEAD LINE MAINTENANCE	/77
6	CALCULATION DONE BY NARRAGANSETT ELECTRIC	/77
7	CALCULATION OF 5 PERCENT EXTRAORDINARY ITEMS ADJUSTED FOR PREVENTIVE TREE TRIMMING AND NONSTORM RELATED RECURRING OPERATIONS	/79
8	CALCULATION OF 5 PERCENT EXTRAORDINARY ITEMS ON DISTRIBUTION MAINTENANCE ADJUSTED FOR PREVENTIVE TREE TRIMMING AND NONSTORM RELATED RECURRING OPERATIONS	/81
FOR BVE/NEWPORT:		
1	PREFILED TESTIMONY OF BVE AND NEWPORT ELECTRIC	/9
FOR THE DIVISION:		
1	PREFILED TESTIMONY OF THE DIVISION	/9

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IN-HEARING DATA REQUESTS

DESCRIPTION

PAGE NO.

BY THE DIVISION TO NARRAGANSETT ELECTRIC:

RECOMPUTE THE INCREMENTAL THRESHOLD 97
CALCULATION USING THE CPI INDEX UTILIZED IN
THE PBR DOCKETS

1 (COMMENCED AT 10:07 A.M.)

2 MS. RACINE: Good morning. We're
3 here this morning at the Public Utilities
4 Commission for the investigation of the Storm
5 Contingency Funds, referred to as Docket No.
6 2509. This docket was initiated by the
7 Commission to investigate the Storm
8 Contingency Funds of the Rhode Island electric
9 utilities. Storm Contingency Funds were
10 established for the purpose of funding
11 restoration service expenses incurred by
12 utilities as a result of extraordinary
13 storms.

14 At this hearing the Commission will
15 examine the utilities' funding, expenditures
16 and accounting for storm restoration costs.
17 In addition, the Commission will review the
18 utilities' guidelines and policies relating to
19 their Storm Contingency Funds.

20 I would ask for appearances please.

21 MR. GERWATOWSKI: Ron Gerwatowski
22 and Craig Eaton for Narragansett Electric.

23 MR. ROBERTI: Paul Roberti for the
24 Division of Public Utilities and Carriers.

1 MS. SUUBERG: Ina Suuberg
2 representing Pascoag Fire District.

3 MR. McELROY: Mike McElroy, Block
4 Island Power.

5 MR. ERICKSON: Doron Ezickson,
6 Blackstone Valley Electric and Newport
7 Electric.

8 MS. RACINE: May I have your name
9 again, sir?

10 MR. ERICKSON: Doron Ezickson.

11 MS. SOUTHGATE: Adrienne Southgate,
12 counsel to the Commission.

13 MR. MASSARO: Thomas Massaro, fiscal
14 analyst for the Commission.

15 MS. RACINE: My name is Kate Racine;
16 and to my right is Chairman James
17 Malachowski.

18 Are there any administrative matters to
19 come before the Commission at this time?

20 MS. SOUTHGATE: Commissioner, I've
21 premarked a number of exhibits in this case.
22 May I read them into the record?

23 MS. RACINE: Certainly.

24 MS. SOUTHGATE: As Public Utilities

1 Commission Exhibit 1, the data requests that
2 were sent to all companies; PUC Exhibit 2, the
3 data responses of the Block Island Power
4 Company; PUC Exhibit 3, the data responses of
5 the Pascoag Fire District; PUC Exhibit 4, the
6 data responses of Newport Electric; PUC
7 Exhibit 5, the data responses of Blackstone
8 Valley Electric; PUC Exhibit 6, the data
9 responses of the Narragansett Electric
10 Company. And then as Narragansett Exhibit 1
11 the company's prefiled testimony; as
12 BVE/Newport 1, those companies' prefiled
13 testimony; and as Division Exhibit 1, the
14 Division's prefiled testimony. And I believe
15 there is no objection to any of those matters
16 coming in as full exhibits.

17 MS. RACINE: Moved and marked.

18 (WHEREUPON, THE EXHIBITS
19 WERE RECEIVED IN EVIDENCE)

20 MS. RACINE: Any administrative
21 matters to come before the Commission at this
22 time? Would you like to waive opening
23 statements; or would you care to make them?
24 Mr. Gerwatowski.

1 MR. GERWATOWSKI: Thank you,
2 Commissioner. I would like to make a
3 statement; because there has been some
4 testimony that has come in, and unlike the
5 normal course of proceedings where you have an
6 opportunity to see testimony and then file
7 rebuttal testimony, we haven't had that
8 opportunity. I'd like to just summarize the
9 company's position with respect to some of
10 these matters.

11 It appears from looking at what the
12 Division has said about our, Narragansett's,
13 Storm Fund and what we've said about it,
14 there's really only one point of difference;
15 and it relates to the how we set the
16 threshold/deductible for Narragansett.

17 Currently the deductible for Narragansett
18 is 200,000. Narragansett recommended a
19 deductible of 320,000 by taking the rate of
20 inflation from when it was first established
21 to today. And the Division tried a different
22 methodology, which I won't go into, but
23 essentially comes out with a number
24 approximately 450,000.

1 Narragansett's position really is that
2 with respect to what we propose we can
3 obviously live with that because we proposed
4 it; but if the Commission were going to adopt
5 the Division's proposal, we would really hope
6 that the Commission would decouple how the
7 threshold and deductible worked. And the
8 reason for that is if you assume that the
9 Division's definition of a storm is
10 extraordinary is correct and there's a
11 \$451,000 storm that occurs, we would incur a
12 cost of \$451,000, but under the Division's
13 methodology we'd only recover \$1,000. We
14 don't think that's a fair result. And if you
15 get two storms and add them up, you get a
16 million dollar charge, you only recover a
17 hundred thousand dollar charge, and so on. If
18 we were to do something, used the Division's
19 methodology to establish the threshold but
20 then set the deductible, perhaps the way we
21 suggested it, by taking the original 200,
22 inflating it out, receiving the 200, we'd at
23 least have an opportunity to recover costs
24 associated with an extraordinary storm. We

1 think that would be a reasonable result. And
2 obviously there may be some cross-examination
3 to show why we don't think it's necessarily
4 reasonable to use the Division's approach by
5 itself; but I wanted the Commission to
6 understand where we were coming from because
7 that doesn't appear from the testimony;
8 because everything came in simultaneously.
9 And I think that states the company's
10 position.

11 MS. RACINE: Thank you, Mr.
12 Gerwatowski. Mr. Roberti.

13 MR. ROBERTI: Thank you,
14 Commissioner. First I'd note that there was
15 no decoupling recommendation in Narragansett's
16 prefiled case. What we attempted to do, the
17 Division, is try to determine or establish
18 what is an extraordinary storm. That is the
19 first thing the Commission must do. Once you
20 establish what the level of an extraordinary
21 storm is and thereby what the appropriate
22 access level, the threshold ought to be for
23 accessing funds, that ought -- that should be
24 consistent with the deductible. And that --

1 our position is to not rely on the \$200,000
2 deductible figure that came out of the
3 Commission's decision 14 years ago, but to try
4 to figure out today the -- to use the \$200,000
5 as a benchmark did not seem the best way to
6 figure out what is an extraordinary storm or
7 an extraordinary expense from a distribution
8 cost perspective for the utilities. And
9 that's why we tried to establish an objective
10 standard relying on FERC forms and
11 distribution costs reported down there. That
12 we believe establishes a more appropriate way
13 to determine what an extraordinary storm is.

14 A little bit of history. Since 14 years
15 ago when the Commission established the
16 \$200,000 deductible, for the first ten or so
17 years it was accessed one or two times for a
18 major storm. In fact, the Commission used the
19 methodology of employing basically a seven
20 year amortization period for building up the
21 account level to match what would be an
22 extraordinary storm event. Since that time,
23 the last three years the companies have been
24 accessing this account more and more. There

1 ought to be -- we live in New England, the --
2 this whole docket on this whole issue was
3 generated by the Supreme Court decision in
4 Narragansett Electric versus Burke; and there
5 even the Supreme Court said that extraordinary
6 storm costs are not those to be expected in a
7 typical New England harsh winter. They're
8 extraordinary events, they're very unusual,
9 etcetera, they're rarely to be expected. And
10 storms like Hurricane Bob and Hurricane Gloria
11 and the 1978 ice storm certainly fall in that
12 category. Since then, as the threshold has
13 remained the same, the utilities have been
14 accessing, specifically the last year, four
15 times for storms in 1996.

16 Now, I submit to you that accessing one
17 time every year would not make it an
18 extraordinary storm. That we anticipated
19 having a storm hit us every single year, then
20 that naturally would be covered by base
21 rates. Certainly four times a year just
22 really brings forth this whole issue. What I
23 think it demonstrates is that the existing
24 threshold is not reasonable, that it needs to

1 be increased; and that even using a \$200,000
2 benchmark in applying inflation may not be the
3 best way to establish what is the appropriate
4 benchmark or access level or threshold, and
5 that the Commission must focus on, once you
6 establish that threshold, I think the
7 deductible ought to, for logical purposes,
8 follow the threshold. If it's less than the
9 threshold, then it's not an extraordinary
10 storm, the deductible should not be lowered.
11 And we'll be presenting our testimony on that
12 point. Thank you.

13 MS. RACINE: Thank you, Mr.
14 Roberti. Ms. Suuberg?

15 MS. SUUBERG: We'll be presenting
16 some testimony, so no opening.

17 MS. RACINE: Mr. McElroy?

18 MR. MCELROY: I have no opening.

19 MS. RACINE: Mr. Ezickson?

20 MR. ERICKSON: Yes, just by way of a
21 brief opening, we have, as you're aware, have
22 adopted the position of the Division. I would
23 just take note of one exception; and, that is,
24 the reference to accessing the Storm Fund over

1 the course of two or three years three or four
2 times. We believe that we accessed it three
3 or four times over a much longer period; and
4 it was consistent with the definition of
5 extraordinary. Although, certainly for ease
6 of administration we're willing to adopt a
7 financial threshold, as is indicated in the
8 direct testimony of Mr. Camara.

9 I would also state on the record, if the
10 Commission does find that it's in the
11 ratepayers' best interest to have this
12 decoupling of threshold and deductible, we
13 certainly would request similar treatment if
14 that's the finding of the Commission.

15 MS. RACINE: Thank you. I believe
16 at this time, to set up the mechanics of what
17 we're going to do, attempt to do; but first I
18 was thinking about a panel. And I see we've
19 got disagreement; and I don't want to
20 bundle -- I think it's probably, and I'll hear
21 from you, but I think each company will call
22 their witness and we'll go through it. Simply
23 because Mr. Ezickson has indicated BVE's
24 agreement, but certainly Narragansett hasn't.

1 We're going to want to get to their witness
2 and their testimony. Mr. Roberti.

3 MR. ROBERTI: Would you like us to
4 present our witness first?

5 MS. RACINE: We do have a member of
6 the public here. Would you care to speak?
7 Hello. You're a faithful follower; and it's
8 nice to see you. Thanks, Adrienne. I think
9 at this point we'd ask you to call your
10 witness; and we can begin to go forward.

11 MR. ROBERTI: The Division would
12 call John Bell to the stand.

13 JOHN BELL (Sworn)

14 DIRECT EXAMINATION BY MR. ROBERTI

15 MR. ROBERTI: I believe your
16 testimony, marked Division Exhibit 1, has
17 already been entered into the record as a full
18 exhibit.

19 MS. RACINE: Yes, it has.

20 MR. ROBERTI: So there's no need to
21 go through the procedure on that.

22 Q. You have no changes to your testimony?

23 A. That's correct, I have no changes.

24 MR. ROBERTI: I would offer -- Mr.

1 Bell is available for cross-examination.

2 MS. RACINE: Mr. Gerwatowski?

3 MR. GERWATOWSKI: Thank you,
4 Commissioner.

5 CROSS-EXAMINATION BY MR. GERWATOWSKI

6 MR. GERWATOWSKI: Good morning, Mr.
7 Bell.

8 THE WITNESS: Good morning.

9 Q. You state in your testimony that you believe
10 it's appropriate to establish a threshold or
11 trigger so a company can access the storm
12 funds; is that correct?

13 A. That's correct.

14 Q. And you state on page 5 of your testimony that
15 your opinion is based in part on review of the
16 Supreme Court case; is that correct?

17 A. That's correct.

18 Q. And also on lines 19 through 21 of your
19 testimony you state, "The dollar amount must
20 be set sufficiently high to insure that only
21 expenses related to extraordinary storms are
22 charged to the Storm Fund and not expenses
23 associated with storms that represent typical
24 New England weather"; is that correct?

1 A. Correct.

2 Q. Is it fair to say then that the purpose of a
3 threshold is to distinguish between storms
4 that are extraordinary and those storms that
5 represent typical New England weather?

6 A. Yes.

7 Q. Did you review all the storm charges that
8 Narragansett made to the fund since 1982?

9 A. I reviewed the charges up through about
10 1994. I just took a quick look at the
11 company's responses to the Commission's data
12 requests in this docket. And the activity in
13 1996 sticks out in my mind; but I don't recall
14 the 1995 activity. I didn't look at any of
15 the specific charges, just the whole dollar
16 amounts.

17 Q. When you looked at those storms from 1991 to
18 '94, that was the time period you said that
19 you reviewed?

20 A. I reviewed from the inception through
21 '94.

22 Q. Okay. Okay. Did you make a determination of
23 which storms were typical New England weather
24 and those that were unusual and not ordinarily

1 expected?

2 A. No, I didn't review any weather reports or
3 any history of the actual storm. I was
4 strictly looking at the dollar amounts and
5 type of charges.

6 Q. Do you have a method for dollar amounts, to
7 determine whether a storm is extraordinary or
8 whether it's typical New England weather?

9 A. I don't have a scientific methodology; but
10 I used the methodology that's laid out in the
11 testimony of my definition -- the FERC Uniform
12 System of Accounts' definition of what an
13 extraordinary event is; and I tried to tie
14 that to the type of expenses that a utility
15 incurs as a result of a storm. So I'm not
16 making -- I did not make a definition that
17 says that a storm with 50 mile an hour winds
18 is extraordinary and one with 49 mile an hour
19 winds is not extraordinary.

20 Q. So your criteria was essentially a dollar
21 determination based on the analysis expressed
22 in your testimony?

23 A. That's correct; and the reason I didn't
24 use actual weather type of data is that there

- 1 could be strong winds that come through the
2 area and maybe they're not -- there may not be
3 a lot of dollar damage, so it wouldn't be
4 reasonable to charge a storm fund for that
5 type of storm.
- 6 Q. Your methodology was simply to take the FERC
7 standard of 5 percent measure for
8 extraordinary items regarding net income and
9 applying that percentage to a line item in the
10 FERC form for distribution maintenance costs;
11 is that correct?
- 12 A. That's correct.
- 13 Q. Would you agree with me that a hurricane is
14 extraordinary?
- 15 A. I would need more information on that.
16 There's different levels of hurricanes, where
17 a hurricane hits. You might say a hurricane
18 is unusual. Whether it's extraordinary or not
19 depends on a lot of different factors.
- 20 Q. Well, let's assume that we use a threshold of
21 \$446,000, which approximates what you have in
22 your testimony, and there's a hurricane hits
23 Rhode Island and Narragansett incurs \$446,000
24 of costs to repair, would you consider that

1 extraordinary?

2 THE WITNESS: Could you repeat the
3 dollar threshold?

4 Q. Let's assume your threshold is \$446,000 --
5 let's use 450 for round numbers. Assume your
6 threshold's \$450,000 and a hurricane hits
7 Rhode Island and Narragansett Electric incurs
8 \$450,000 worth of damage, would you consider
9 that storm extraordinary?

10 THE WITNESS: The storm itself or
11 the amount of the dollars?

12 MR. GERWATOWSKI: The storm itself.
13 That event, that major storm event. Is that
14 an extraordinary event?

15 A. I don't have a weather background; and I
16 cannot -- I really can't say whether the event
17 itself is an extraordinary event.

18 Q. But, in any case, Narragansett would not be
19 allowed to recover any costs associated with
20 the hurricane because it only incurred
21 \$450,000 worth of costs?

22 A. That's correct.

23 Q. If it incurred \$451,000 worth of costs, it
24 would be able to recover \$1,000 but not the

1 450; is that correct?

2 A. Under my proposal.

3 Q. If the storm was \$450,000 worth of costs, you
4 would call that storm extraordinary, is that
5 correct, under your methodology?

6 A. I'd consider the costs incurred over
7 \$450,000 to be extraordinary.

8 Q. So a thousand dollars was an extraordinary
9 cost for a hurricane under your methodology?

10 A. That's correct.

11 Q. In your testimony on page 8, line 3, you say,
12 "In my opinion, those expenses below the
13 threshold represent costs associated with New
14 England typical weather and thus should be
15 covered by the utility's base rates"; is that
16 correct?

17 A. That's correct.

18 Q. Is it typical that a hurricane hits Rhode
19 Island every year?

20 A. Based on my knowledge, no.

21 Q. Let's look at -- you looked at the cost
22 associated with the 1992 charges to the fund;
23 did you not?

24 A. Yes, I did.

1 Q. And Narragansett incurred incremental costs of
2 approximately \$428,000, is that correct, or at
3 least you can take that subject to check?

4 A. I'll take that subject to check.

5 Q. Under your definition was that storm an
6 extraordinary storm?

7 THE WITNESS: Can I refer to my
8 analysis?

9 MR. GERWATOWSKI: Sure.

10 THE WITNESS: For 1992?

11 MR. GERWATOWSKI: Yes.

12 A. Under the analysis that I ran, it's more
13 than that. The threshold for 1992 I have down
14 here as \$429,000. So the company would not be
15 allowed to charge any expenses -- any costs to
16 the Storm Fund.

17 Q. Under your definition the storm and blizzard
18 of 1992 was not an extraordinary event, in
19 fact, was typical New England weather; is that
20 correct?

21 A. I don't recall the storm itself. My
22 proposal is to tie a dollar amount to weather
23 conditions. It's not --

24 Q. So under your dollar amount definition of what

1 typical weather is, the blizzard of 1992 was
2 typical New England weather under the way you
3 set up the analysis; isn't that correct?

4 A. That's correct.

5 MR. GERWATOWSKI: I'd like to have
6 marked as Narragansett Exhibit 2, I guess it
7 would be, which is a newspaper article from
8 the Providence Sunday Journal of December
9 13th, 1992. Is that exhibit No. 2?

10 MS. SOUTHGATE: Correct.

11 (WHEREUPON, THE EXHIBIT WAS
12 MARKED FOR IDENTIFICATION)

13 Q. Do you have the article in front of you, Mr.
14 Bell?

15 A. Yes.

16 Q. Do you see the headline?

17 A. Yes.

18 Q. It says, "Incredible Storm Rips the Northeast,
19 Thousands Lose Power. Some Locales Suffer
20 Little"; and the first paragraph says, "One of
21 the most significant storms to hit the east
22 coast this century yesterday presented Rhode
23 Islanders and their Massachusetts neighbors
24 with what Mark Twain once called a sumptuous

1 variety of weather"; do you see that?

2 A. Yes.

3 Q. After having read that article, do you believe
4 that that storm that occurred in December of
5 1992 was typical New England weather?

6 A. That was unusual weather. No, I do not
7 believe it was typical.

8 Q. So your definition of typical New England
9 weather doesn't work in this -- the case of
10 this storm; does it?

11 A. I'm thinking. No, no, it doesn't.

12 Q. Let's take your example. Let's assume that
13 you have a threshold that is, as an example,
14 450,000. Let's assume a storm like this hit
15 and it would cost \$450,000. Wouldn't it have
16 been a fairer result to the company to have a
17 lower deductible of perhaps \$250,000 and be
18 able to recover at least some of the costs of
19 a storm like this than to have the threshold
20 and deductible just track all the way because
21 you avoid the absurd result of clearly what is
22 not typical New England weather?

23 MR. ROBERTI: I object to the
24 characterization of absurd. He's testifying.

1 Q. Wouldn't it be a fairer result to the company
2 in an instance like this to have the threshold
3 and the deductible be decoupled so that when
4 you have an event which is clearly not typical
5 New England weather the company's still
6 allowed to recover some of the incremental
7 costs associated with that storm?

8 A. Based on the past Commission orders
9 relating to the Storm Fund, based on the
10 practice of Narragansett Electric, the
11 threshold and the deductible have always been
12 the same amount; and, actually, they've been
13 set at 200,000 since back in 1982.
14 Narragansett has used that threshold, have
15 used that as the deductible. I notice in 1996
16 they used the Storm Fund for four storms, they
17 applied the \$200,000 deductible to each of
18 those storms. So I stand by my methodology of
19 coming up with a definition of what an
20 extraordinary event is as far as the use of
21 the Storm Fund, not whether the Providence
22 Journal or not whether a weatherman considers
23 a storm to be typical, unusual, or
24 extraordinary. I'm just applying the

1 threshold -- setting a threshold for the
2 utilities to use to access their Storm Fund
3 for financial purposes only.

4 Q. Would you agree with me that the if deductible
5 and threshold is the same and it's set low
6 enough, then the company will recover most of
7 its incremental costs associated with storms
8 which are not typical New England weather?

9 THE WITNESS: If the deductible is
10 set too low?

11 Q. Is set low enough, then there's no issue, the
12 threshold and the deductible are low, a storm
13 occurs, and the company will recover a
14 substantial amount of the costs associated
15 with that storm which is not typical New
16 England weather?

17 A. They may also be recovering costs that are
18 associated with typical New England weather.

19 Q. Would you agree with me the way the Storm Fund
20 works is it's only the incremental costs that
21 are recoverable from the storm so that all
22 ordinary maintenance and operations expenses
23 of the company would otherwise occur for that
24 day are not counted as a charge to the Storm

1 Fund?

2 A. That's correct.

3 Q. Let's assume that your methodology, again, has
4 a threshold of \$450,000; and assume that in
5 1998 there are two ice storms which a
6 weatherman would consider severe and that they
7 have ice that lands on distribution wires and
8 tree limbs come crashing down through
9 distribution wires, and there's one storm, in
10 January this occurs, and the company incurs
11 \$500,000 of costs associated with that. Then
12 there's a second storm in February because
13 it's kind of an unusual winter, and we have a
14 second ice storm similar to that and the
15 company incurs \$500,000 of costs. In that
16 hypothetical, you'll agree with me that the
17 company will have incurred \$1 million worth of
18 costs for two storms, which under your
19 definition are extraordinary and unusual?

20 A. Right.

21 Q. But even though those storms were
22 extraordinary and unusual and incurred a
23 million dollars worth of costs, under your
24 methodology the company only recovers

1 \$100,000?

2 A. That's correct.

3 Q. Do you believe that that kind of a result is
4 consistent with the Supreme Court's analysis
5 that you said you relied upon in your opinion?

6 A. Yes, because I applied the definition of
7 extraordinary to a particular event, not a
8 particular year.

9 Q. Doesn't the Supreme Court say that the
10 incremental costs associated with that storm
11 are recoverable by the company?

12 THE WITNESS: Can I refer to my
13 testimony?

14 MR. GERWATOWSKI: Sure.

15 MS. RACINE: Certainly.

16 (BRIEF PAUSE)

17 THE WITNESS: Could you repeat that
18 question?

19 Q. Is it your understanding of the Supreme Court
20 decision that the company is entitled to
21 recover its incremental costs associated with
22 extraordinary storms?

23 A. I'm going to read a sentence from the
24 testimony.

1 MR. GERWATOWSKI: Uh-huh.

2 A. It begins on -- it's on page 4, line 19,
3 "The Supreme Court decision stated a utility
4 may recover by whatever method the Commission
5 deems appropriate only the unusual and
6 nonreoccurring expenses." The nonreoccurring
7 does represent incremental type of costs. I'm
8 claiming, though, that the unusual is that
9 threshold level that if a storm hit that had,
10 like under the current methodology that
11 Narragansett uses, if a storm hits and has --
12 there's \$150,000 of costs to restore service
13 as a result of that storm, they could --
14 \$150,000 of incremental costs, it's
15 considered -- that's not reoccurring but it's
16 not unusual.

17 Q. Let's take a look at the hypothetical. We
18 have two severe ice storms as defined by a
19 weather person because of the ice that lands
20 on the lines and tree limbs, and they occur
21 one in January, one in February. Would you
22 say that that's typical in New England weather
23 to have two ice storms like that occur?

24 A. I can't recall having two storms like that

1 occur before, I mean, in my recent memory of
2 the winters in New England.

3 Q. Let me restate the question in a different
4 way. Would you agree with me at that time,
5 expenses incurred for those -- expenses
6 incurred for those storms are nonrecurring
7 expenses? If it's not typical and they don't
8 occur normally, then it has to be a
9 nonrecurring expense; doesn't it?

10 A. Right. If the utility incurred
11 incremental type of costs over time or if you
12 had to bring in outside contractors, yeah, I
13 agree that those are nonrecurring costs.

14 Q. So the company incurred \$1 million worth of
15 nonrecurring expenses but yet was allowed
16 recovery of \$100,000 of those costs under your
17 methodology; is that correct?

18 A. That's correct.

19 Q. Now, under our methodology, carrying it
20 forward where the company was not allowed to
21 recover \$900,000, wouldn't that give the
22 company incentive to file a rate case the next
23 year to try to recover that \$900,000 in base
24 rates?

1 A. Yes, it may.

2 Q. Isn't it better from a ratepayer perspective
3 to have -- is it better from a ratepayer's
4 perspective to have \$900,000 permanently
5 established in rates through a rate case or to
6 have simply a one-time charge to the Storm
7 Fund of \$900,000 that has no impact on base
8 rates?

9 A. That would be a company decision whether
10 to file a rate case for a single issue of that
11 nature. Would it be better for ratepayers?
12 You said that it's not typical having two
13 storms hit in a year like that. You could
14 file a rate case and the Commission could
15 decide that this is not typical and the second
16 storm you could amortize over not one year but
17 five or seven years, however often these type
18 of storms occur. And in my 15 -- my analysis
19 of the 15 years of the Storm Funds, I did not
20 see any single year when two storms over my
21 proposed threshold occurred.

22 Q. Nevertheless, it would result in an increase
23 in rates whether it's amortized or whether the
24 full amount is allowed in rates?

1 A. That would be a company decision whether
2 to file a rate case. If that occurred in 1997
3 and the company's return on equity dropped
4 below the 6 percent threshold, then under the
5 Restructuring Act they could come and file for
6 their performance based rates plus the
7 additional amount to recover the deficit on
8 earnings.

9 Q. Would you agree with me that the primary
10 purpose of the Storm Fund is to provide a
11 mechanism to which the company can recover
12 service restoration costs from extraordinary
13 storms without having to seek either rate
14 surcharges or filing for periodic rate
15 relief?

16 A. Yeah, that's the primary purpose of the
17 fund.

18 MR. GERWATOWSKI: I don't have any
19 further questions.

20 MS. RACINE: Thank you, Mr.
21 Gerwatowski. Ms. Suuberg, do you have any
22 questions of the witness?

23 MS. SUUBERG: I have no questions.

24 MS. RACINE: Mr. McElroy?

1 MR. McELROY: None.

2 MS. RACINE: By Ezickson?

3 MR. EZICKSON: Very briefly.

4 CROSS-EXAMINATION BY MR. EZICKSON

5 Q. Mr. Bell, referring to your testimony at page
6 5, lines 26 through 28, you recount between
7 the periods 1991 and 1994 that BVE had
8 accessed the Storm Fund four times and Newport
9 in the same period three times. Do you recall
10 that testimony?

11 A. Yes.

12 Q. And there's also been referenced here today
13 and in prior testimony that an appropriate
14 period is seven years for at least referencing
15 or for amortizing the potential costs for
16 storms?

17 A. Based on past Commissions' decisions in
18 rate orders concerning the Storm Funds, the
19 seven year, so-called seven year storm was
20 utilized to determine the funding level
21 necessary.

22 Q. And, again, you chose a four year period for
23 that reference point?

24 THE WITNESS: In my testimony here?

1 MR. ERICKSON: Yes.

2 A. I did to make a point, yes.

3 Q. And your point was that you believe that
4 within four years that seemed frequent to you?

5 A. That's correct. That's the point.

6 Q. But in fact if you look at the seven year
7 period, those numbers don't change; do they?
8 In other words, within the last seven years
9 Newport still accessed its fund only three
10 times and Blackstone four times?

11 A. That's correct.

12 Q. And, in fact, if you look at Newport, you
13 could go back as far as 12 years and it's
14 still only three times that they've accessed
15 the funds subject to check?

16 A. I don't even think Newport's Storm Fund
17 has been in effect for 12 years. So maybe
18 over the entire life of their Storm Fund I
19 think it's been accessed three times.

20 Q. If you went back, say, ten years for
21 Blackstone, that's also a period of time of
22 which Blackstone only accessed it four times;
23 is that correct?

24 A. I just want -- I believe that's correct.

1 MR. ERICKSON: Okay, I have no
2 further questions.

3 MS. RACINE: Thank you, Mr.
4 Ezickson. Ms. Southgate?

5 MS. SOUTHGATE: Thank you,
6 Commissioner. Good morning, Mr. Bell.

7 EXAMINATION BY MS. SOUTHGATE

8 Q. I'm trying to understand the obtuse economic
9 issues; and if I understand your testimony
10 correctly, in 1982 Narragansett's Storm Fund
11 was established with a \$200,000 deductible.
12 Do you know what changes have occurred in
13 terms of inflation on the one hand, in terms
14 of real numbers changes to Narragansett's
15 labor costs and so forth in the ensuing 15
16 year period so that we could fairly
17 approximate what that \$200,000 in 1982 would
18 buy in 1997?

19 A. In Narragansett's prefiled testimony in
20 this case, they did apply what's called a GNP
21 price deflator to basically bring the \$200,000
22 number up to today's dollars.

23 Q. I thought that they did that for just five
24 years.

1 A. I believe that was --

2 Q. Am I wrong? In Mr. Webster's testimony, the
3 discussion on page 12, I thought that they
4 were looking just at 1992 and 1997?

5 MR. GERWATOWSKI: DMW-7, Adrienne.

6 MS. SOUTHGATE: Oh, I'm sorry.

7 Thank you. Thank you very much.

8 Q. So would you accept Mr. Webster's Exhibit
9 DMW-7 as fairly approximating the purchasing
10 power of a 1982 allocation of \$200,000 to a
11 1997 allocation of \$320,000?

12 A. I'm not exactly sure what the GNP price
13 deflator represents; but I don't think it
14 represents the CPI index, the Consumer Price
15 Index. So \$200,000 -- I mean, \$320,000 today,
16 if you use the CPI index, does not buy
17 \$200,000 in 1982 dollars.

18 Q. Do you know what does?

19 A. I believe that Consumer Price Index
20 does --

21 Q. No, I mean --

22 THE WITNESS: The dollar amount?

23 MS. SOUTHGATE: The dollar amount.

24 A. No, I don't.

1 Q. Do you understand what I'm struggling with?
2 If the Commission had a principal basis of
3 establishing \$200,000 as a threshold, because
4 they anticipated that over that amount the
5 characterization of a storm is extraordinary
6 really goes by the wayside, I think that that
7 is just a semantic issue that gets us very,
8 you know, tied into knots as to whether
9 something's, you know, incredible or
10 substantial or what, but if the thrust of the
11 order was that \$200,000 in damages was such an
12 amount that the Commission could reasonably
13 anticipate that the company would otherwise
14 come in with a request for a surcharge, that
15 we need to be broken towards the dollar amount
16 that's going to fairly reflect what the
17 Commission intended then. And I wasn't
18 able -- you take a different approach, and so
19 what I was trying to find out is if you
20 utilize what I presume was the Commission's
21 old approach, what dollar amount you're
22 looking at. And if I understand your
23 testimony correctly, it's not 320,000, but you
24 don't know how much it is?

1 A. Right. And I took a different approach;
2 because I felt that the \$200,000 threshold set
3 in 1982 was too low. I also felt that the
4 Commission's intention of setting a dollar
5 amount was, "We'll monitor this over time."
6 Was this 200,000 even reasonable at that
7 time? There was no history to look at.

8 MS. SOUTHGATE: Right.

9 A. They didn't know whether the 200,000 was
10 reasonable. They accepted Narragansett's
11 proposal in that docket of using \$200,000.
12 I'm just --

13 Q. And we had two large hurricanes after that,
14 both Gloria and Bob, which did substantial
15 amounts of damage; but before Hurricane Gloria
16 the last significant hurricane event was
17 Hurricane Carol in 1954. So if you were, you
18 know, looking at a 20 year average, maybe
19 \$200,000 was reasonable. Going back now, what
20 looks like an average over the 15 year period
21 for extraordinary storms?

22 THE WITNESS: What represents an
23 average for extraordinary storms over the last
24 15 year period of time?

1 MS. SOUTHGATE: Uh-huh.

2 A. They add up all the expenses charged to
3 the Storm Fund divided by the number of years.

4 MS. SOUTHGATE: Yeah.

5 A. I didn't do that. I don't know.

6 Q. Could you do that calculation?

7 A. No, I don't have a calculator with me. I
8 could do it later. Or under my methodology,
9 just to give you a little more information, I
10 ran a spread sheet this morning that just
11 showed back in 1982, just applied the 5
12 percent to the distribution maintenance
13 expenses for that particular year, not a three
14 year average. My beginning threshold would be
15 255,000, so it's really not that much higher
16 than the \$200,000 that the company determined
17 was reasonable back then.

18 Q. But you're advocating something that's really
19 considerably higher, more than twice as much,
20 as the original 1982 order; are you not?

21 A. Over 15 years I don't believe that's
22 considerably higher. It is if you look at a
23 point in time.

24 Q. If I looked at a 15 year average, which we

1 don't have in the record, that it would be
2 less than the \$456,000 that you're advocating?

3 THE WITNESS: If you applied what
4 factor, a CPI type of a factor?

5 Q. If we just divided the actual storm damages
6 that have been incurred by Narragansett since
7 1982, divided it by 15, and we compared it to
8 your recommended threshold, \$356,000, and I'll
9 say it as an annual event, we'll just assume
10 there's only one storm per year, is it your
11 testimony and belief that the amount that
12 would occur in any given year would be less
13 than the threshold or more than the
14 threshold?

15 A. If I were to simply take the charges to
16 the Storm Fund over that 15 year period of
17 time divided by the 15 year period of time,
18 that number would be significantly higher than
19 my threshold. And what would happen then, if
20 we were to set the threshold at that level,
21 almost no storms would ever get charged to the
22 Storm Funds.

23 Q. If we set the threshold at 456, or if we set
24 it at actual experience over the last --

1 A. Right. And that's not the purpose of the
2 Storm Fund.

3 MS. SOUTHGATE: No, I don't think
4 anybody's advocating that.

5 A. I'm actually advocating that the utility
6 use it and -- but I'm just advocating a higher
7 threshold than is currently in place. And
8 this threshold, and I'm discussing the
9 \$200,000, is specific to Narragansett
10 Electric. A threshold had never been set for
11 Blackstone Valley and Newport Electric.
12 Basically they used internal procedures to
13 determine what storms they felt were -- should
14 be charged to the Storm Fund.

15 Q. Do you think it's a better process to have an
16 arithmetically set threshold as opposed to the
17 process of, that I have to assume was followed
18 by the EUA companies and saying we really got
19 whacked on this one, this one, I'm sure they
20 have, you know, accounting gobbledegook that
21 says the same thing, but the bottom line is
22 we've had to incur a lot of expenses on this
23 storm, it's appropriate to charge it against
24 the Storm Fund? Would we be better off

1 eventually having companies decide on a
2 case-by-case basis when the Journal or
3 somebody else says that there's an incredible
4 storm and we all recognize, you know, we've
5 gotten hit by a hurricane or something? Could
6 you give me the pros and cons? Obviously
7 you're advocating the arithmetical position;
8 but isn't there something to be said for a
9 rule of reason?

10 A. I strongly disagree with that.

11 Q. Okay, tell me why.

12 A. Do you remember a severe storm hitting in
13 December of 1996? This was just a few months
14 ago. Probably one person here remembers
15 that. Pascoag got hit very hard with a storm
16 in December of 1996; and I'm sure Newport had
17 no damage from that storm. You pick up the
18 Providence paper, they might not even have,
19 you know, covered the storm in Newport. You
20 cannot rely on the paper to determine how much
21 damage was done to Newport Electric's system,
22 how many customers -- to determine whether a
23 storm gets charged to the Storm Fund. It's
24 just -- it's not reasonable.

1 Q. No, but, you know, the Providence paper
2 doesn't perhaps give you an indication as to
3 whether a storm in Pascoag should be covered;
4 but like the token people in Pascoag surely
5 can tell you, this is an extraordinary event,
6 this storm is something that we believe ought
7 to be covered; and, you know, incidently it
8 might even exceed our 5 percent maintenance,
9 you know, level. But whether it does or not,
10 if it creates an extraordinary charge against
11 the utility's operations, you know, it's sort
12 of like, you know, pornography, you know it
13 when you see it, if it's really extraordinary
14 I'm not so sure that we need to go quite so
15 far in setting numerical limits; because you
16 know, as a lawyer and not an accountant, I
17 always have problems with a threshold that's
18 strictly based on numbers and that leaves out
19 the concept of reason.
20 A. Without using a dollar threshold,
21 accessing the Storm Fund becomes very
22 subjective. It gets hard for the Commission
23 to review, it gets hard for the Division to
24 review.

1 Q. What happens if the Division reviews it, then
2 have you challenged -- have you -- you have
3 testified there are two companies that have
4 not had a threshold but have accessed the
5 Storm Fund seven times between them. Has the
6 Division at any point objected to any of the
7 charges that they have taken against the Storm
8 Fund during the period of time since these
9 Storm Funds have been in effect in a rate case
10 or in any other proceeding?

11 A. No. The Division has not gone back and
12 challenged any of Newport's or Blackstone's
13 storms.

14 Q. So they were presumptively legitimate charges
15 against the Storm Funds. There's no reason to
16 think that they erred either legally or
17 subjectively substituting their judgement for
18 the regulatory body's judgement about whether
19 the storm was an extraordinary storm?

20 A. That's right.

21 Q. So really the issue here is because
22 Narragansett has a threshold and they've
23 actually utilized the Storm Fund for storm
24 events over that threshold, are we making an

1 assumption that Narragansett is not capable of
2 exercising reasonable judgment about what is
3 an extraordinary storm and needs further
4 guidance in the form of a new threshold?

5 A. No, we're not making that assumption.

6 Q. Okay.

7 A. That was -- a threshold mechanism was
8 proposed by Narragansett Electric in the rate
9 case -- in a rate case back in the early
10 1980s. I just want to read to you a quote
11 from that rate case. I have it here. It's on
12 page 4 of my testimony; and it begins around
13 line 26, "Commission Order No. 10635," and it
14 authorized Narragansett to create a Storm
15 Fund. It stated the following concerning the
16 utilization of the Fund. "The company
17 proposed that the funds be drawn upon only in
18 the event that the company incurs expenses in
19 excess of \$200,000 for a particular storm.
20 Because the Commission finds that this
21 proposal is reasonable and easily applied, we
22 accept a \$200,000 triggering amount." When I
23 read that, I thought the same thing, a
24 specific dollar amount is very easily

1 applied. I would hate to have to go back and
2 read the newspapers, go talk to customers to
3 see if they considered this sort of weather
4 pattern or certain storm to be extraordinary
5 to get data as far as how many customers were
6 out, how long it took them to be reconnected,
7 when was the work done, was it done on a
8 weekend at overtime rates, was it done by
9 outside crews. It would just be creating a
10 nightmare basically. It's a lot easier to set
11 a specific threshold, everybody knows up front
12 what the threshold is, it's applied, you know,
13 to the Storm Fund so you know beforehand what
14 the dollar level is that you need to obtain
15 before accessing the Storm Funds.

16 MS. SOUTHGATE: Okay. Well, I
17 really appreciate your helping me understand
18 all of this, Mr. Bell, and the reasons behind
19 your testimony. Thank you.

20 MS. RACINE: Mr. Massaro?

21 MR. MASSARO: I have no questions.

22 MS. RACINE: Chairman Malachowski?

23 THE CHAIRMAN: I have no questions
24 of this witness.

1 MS. RACINE: Good morning, Mr.
2 Bell.

3 THE WITNESS: Good morning.

4 EXAMINATION BY MS. RACINE

5 Q. I think I'm the person you're referring to. I
6 come in looking like I come from the north and
7 people in here are in light suits; and I can
8 attest that northern Rhode Island does have
9 storms that don't cross. Attorney Southgate
10 was just speaking to you arithmetically versus
11 the rule of reason. But one cannot signal,
12 but I feel in fairness it's always better to
13 be able to go and know your threshold versus
14 relying on the interpretation that one may
15 have as to whether or not it's an
16 extraordinary storm. Often I will consider a
17 storm extraordinary, and maybe the person next
18 to me doesn't; but the fact is I guess, if you
19 live long enough you've seen enough and you've
20 experienced enough. In your opinion can you
21 tell me if you feel that Narragansett has used
22 the Storm Funds in say '91 to '94 where they
23 did not have an extraordinary storm but they
24 were accessing it for whatever reason?

1 A. During that time frame they utilized their
2 Storm Fund in accordance with Commission
3 orders that have been issued in the past. So
4 I have no problem with what they've done to
5 date with their Storm Funds.

6 Now, in 1996, I know that based on their
7 responses to the Commission's data requests
8 they utilized the Storm Fund four times. I
9 didn't recall any extraordinary storms in --
10 if you're just asking me to recall an
11 extraordinary storm, I cannot recall any
12 extraordinary storms in 1996. And this was
13 only one year ago. I do recall Hurricane
14 Gloria, I do recall Hurricane Bob. If you
15 want to call those extraordinary storms, I
16 remember those type of storms.

17 Q. So Narragansett made its own definition or
18 felt that it was extraordinary in terms of
19 your access to the Storm Funds even using an
20 arithmetical threshold?

21 A. If -- yes, if they're going to say that
22 the Commission had set \$200,000 as the
23 guideline, that everything over that's
24 extraordinary. Well, they abided by the

1 Commission's guidelines; but I guess what
2 they're currently saying, that anything over
3 200,000 represents an extraordinary storm.

4 Q. And you're saying it's time to up it and
5 here's why; and you've got your 5 percent of
6 the distribution maintenance, as I understand
7 it; and that's the way you arrived at the 446
8 for Narragansett; correct?

9 A. That's correct.

10 Q. And 140,502 for BVE?

11 A. That's correct.

12 Q. And 84,405 for Newport?

13 A. That's correct.

14 Q. And you said that these thresholds are
15 reasonable using a rolling average of the
16 prior three years?

17 A. Yes.

18 Q. Correct?

19 A. In developing that methodology, too, I
20 relied on what the FERC Uniform System of
21 Accounts described as being extraordinary.
22 And I started out with net income; and I just
23 felt that was way too high, 5 percent of net
24 income was way too high. And I looked at 5

1 percent of all distribution expenses; and I
2 felt even that was a little bit too high. But
3 that would have doubled, more than doubled
4 these numbers that I'm proposing. So I think
5 I'm being very conservative on my proposal.
6 I'm using strictly 5 percent distribution
7 maintenance costs.

8 Q. And that's a FERC definition; correct?

9 THE WITNESS: Of the maintenance
10 costs?

11 MS. RACINE: Yes.

12 A. This is from the company's FERC Form 2 in
13 the distribution accounts.

14 Q. And to be extraordinary it should be more than
15 5 percent of the income computed before
16 extraordinary items?

17 A. Right.

18 Q. You also gave guidelines to the Commission in
19 your testimony; did you not?

20 A. Yes.

21 Q. And could you just run through them for me in
22 terms of the allowable forms of storms, the
23 Fund charges, the segregation of funds, the
24 interest on balances, the accounting for storm

1 funds, the funding levels and caps, and the
2 reporting of the fund activity? You can be
3 brief; but I think it's important that the
4 record show the guidelines that you've
5 suggested to the Commission.

6 A. I'll just skip over the calculation of
7 threshold; because we discussed that. As far
8 as the allowable fund charges, I'm
9 recommending the companies only be allowed to
10 charge the incremental noncapital
11 storm-related costs to the funds. Those would
12 be such things as overtime wages; outside
13 contractors, such as tree trimming crews or
14 outside utility help that the company could
15 get. Excluded would be such things as normal
16 wages, nonovertime type of wages.

17 Looking at the charges that the three
18 companies charged to the Storm Funds over the
19 past, I haven't seen any problems with -- in
20 those areas. That's basically what they
21 charged.

22 Q. Segregation of funds?

23 A. Currently Blackstone Valley deposits their
24 funds into a money market account. The

1 others, Newport Electric and Narragansett,
2 commingle their funds with the other operating
3 cash. And I have no problem with commingling
4 the funds as long as the companies properly
5 account for it; and that's why I recommended
6 some accounting guidelines and also some
7 reporting guidelines so that the Division and
8 the Commission can be assured that they're
9 properly accounting for the revenues they're
10 getting. I feel this is very important too;
11 because the Storm Fund, what it's actually
12 doing is the customer is prepaying an expense,
13 which is very unusual. Normally the customer
14 pays for an expense as it occurs. But an
15 extraordinary event, you don't know when
16 they're going to occur, so actually the
17 customer -- in theory the customer's prepaying
18 for an expense. However, I know
19 Narragansett's Storm Fund has been in a
20 negative position for a while. So when it's
21 in a negative position, the customer doesn't
22 actually prepay, cause they're paying after
23 the fact. That's one of the reasons I feel
24 that the accounting and the reporting should

1 be established in some guidelines so that the
2 Division and the Commission can monitor it to
3 insure that the companies get -- like I said,
4 the company's getting money ahead of an
5 expense, so it should be closely watched.

6 Q. How about the interest on the fund balances?

7 A. Since I'm recommending that the company be
8 allowed to basically use the funds, the
9 operating capital, a reasonable interest rate
10 should be paid on these funds; and I'm using
11 the prime rate based on the Wall Street
12 Journal.

13 Q. Accounting for storm funds?

14 A. The accounting I have laid out on page 8
15 and 9 in my testimony; and by using
16 standardized accounting, again, it would just
17 be easier for the Division and the Commission
18 to follow.

19 Q. You're using the FERC Uniform System of
20 Accounts?

21 A. Yes.

22 Q. Do the companies use that now?

23 A. Yes.

24 Q. They're all abiding by that now?

1 A. I'm not sure their funds are in these
2 accounts right now; but in general --
3 generally they do abide by the FERC Uniform
4 System of Accounts.

5 Q. We've gone through the funding levels and the
6 reporting of fund activity. Sir, if you
7 would -- I believe it's 90 days after the
8 close of the year that they would report to
9 the Commission?

10 A. That's right. I'm advocating two
11 reporting requirements. The first being to
12 report after, 90 days after the occurrence of
13 a storm that requires utilization of the Storm
14 Fund; and I'm also advocating annual reporting
15 90 days after the calendar year to show the
16 activity in the account.

17 The reason I'm advocating the annual
18 report is because the fund may not be used for
19 several years; and I don't think it should be
20 something because it hasn't been used nobody
21 should look at it for five or six years. I
22 think it should be looked at every year; and I
23 also think it should be looked at more closely
24 when the company does utilize it.

1 Q. How about an audit of those funds, Coopers &
2 Lybrand does it for Narragansett, and they
3 haven't been audited in that Storm Fund, do
4 you recommend that we should direct that the
5 Storm Funds be audited as well?

6 A. I think not past activity in the storm
7 fund; but if you want to establish guidelines
8 for future activity, I think it may be a good
9 idea to put some guidelines in there that the
10 Division should audit, basically make a review
11 of the fund after each storm.

12 MS. RACINE: Thank you very much,
13 sir. I have no further questions. Further
14 questions of Mr. Bell?

15 MR. ROBERTI: A couple of redirect
16 questions.

17 REDIRECT EXAMINATION BY MR. ROBERTI

18 Q. Mr. Bell, you're not a meteorologist; are you?

19 A. No.

20 Q. When you developed your standard, you didn't
21 develop it on the amount of snow that drops in
22 a particular snow storm; did you?

23 A. No.

24 Q. You don't rely on the wind speeds?

1 A. No, I don't.

2 Q. You don't rely on the direction of the wind?

3 A. No, I don't.

4 Q. You don't rely on the path of a hurricane?

5 A. No, I don't.

6 Q. Now, referring back to this newspaper article,
7 December 13th, 1992, that was presented,
8 entitled, "Incredible Storm Rips Northeast,"
9 you don't know how many homes were out of
10 service due to wind; do you?

11 A. No, I don't. One thing I do note in here
12 is that there's a statement that says, "While
13 Scituate was measuring 24 inches of snow in
14 its higher elevations, Providence had little
15 more than ankle deep slush." So that just
16 shows you that this article makes it sound
17 like the storm is incredible. Different areas
18 of the state got hit with different magnitudes
19 of the storm very close. Scituate is ten
20 miles from Providence, had 24 inches,
21 Providence had slush.

22 Q. Would it surprise you if I told you that
23 Newport Electric didn't even access its fund
24 on this incredible storm?

1 A. No, it wouldn't surprise me.

2 Q. Certainly an incredible storm may be measured
3 by how much snow falls; do you agree with
4 that?

5 A. Journalistically speaking it could be.

6 Q. And if we had a storm with 30 inches of snow
7 without an ounce of wind, that wouldn't
8 necessarily impact a utility in terms of power
9 outages; would it?

10 A. That's correct.

11 Q. And if I understand your testimony correctly,
12 you sought a more objective standard?

13 A. That's correct.

14 Q. And what was that standard again?

15 A. Five percent the prior year average
16 distribution maintenance expenses; and I used
17 a three year rolling average to kind of smooth
18 out any bumps, to smooth out any fluctuations
19 in the account.

20 Q. And by 5 percent, then that would mean that
21 Narragansett's total distribution and
22 maintenance costs are approximately -- they're
23 over \$9 million; is that right?

24 A. That's right. Yes.

1 Q. So that your figure of 5 percent is -- 5
2 percent, it's a small figure compared to --

3 A. Yes, very small to total expenses.

4 Q. You were presented with some hypotheticals
5 about two storms occurring in the same year or
6 the same month; and I believe Mr. Gerwatowski
7 questioned you on a \$451,000 storm, assuming
8 the threshold, your access point was \$450,000;
9 do you remember that?

10 A. Yes, I remember.

11 Q. And he cited to you two storms of a magnitude
12 of 450,000?

13 A. I remember that.

14 Q. And that they would be out a million dollars,
15 if it would be \$450,000, they would only
16 recover 2,000 from the Storm Fund?

17 A. Yes, I remember that.

18 Q. Now, if I understand general or traditional
19 concepts of utility ratemaking, there is some
20 allowance for storms of some magnitude in base
21 rates?

22 A. I believe so, yes.

23 Q. And does anything you're recommending today
24 preclude a utility from pursuing additional

1 rate recovery if allowed by the Utility
2 Restructuring Act if a particular storm --

3 A. No. This scenario he laid out is -- no.
4 I'm not saying that the utility should not be
5 able to recover those expenses through
6 traditional methods.

7 Q. And you were questioned also about the past
8 incurrence by utilities or access to the Storm
9 Contingency Funds as they were presumptively
10 legitimate?

11 THE WITNESS: The utility's access?

12 A. Yes.

13 Q. Prior access?

14 A. Correct.

15 Q. Does that mean that the threshold that exists
16 today is reasonable?

17 A. No, it doesn't.

18 Q. Now let's just look at Narragansett's number.
19 They've proposed \$320,000. Do you agree with
20 that as the threshold?

21 A. Yes, that's in there.

22 Q. And the concept of two storms of a magnitude
23 of 461,000, according to your own threshold,
24 this is a question of fairness, if the utility

1 has storms slightly under the threshold, if
2 Narragansett's threshold -- if their number
3 was adopted at 320,000, what would happen if
4 the utility had three storms this year at a
5 cost of less than -- at 315,000 at each
6 instance?

7 A. There would be no recovery. They would
8 not get a recovery from the Storm Fund.

9 Q. Is that fair?

10 A. That's the company's proposal. I'm not
11 going to make a judgement whether that's fair.

12 Q. So there's a matter of luck here also about
13 whether or not two storms slightly below the
14 threshold exist -- occur in one month?

15 A. That's correct.

16 Q. Or one year? Or three storms for that matter?

17 A. That's correct.

18 Q. But yet luck still does not interfere with the
19 utility's right to file for a rate case, rate
20 increase?

21 A. That's correct.

22 Q. If necessary. Now, did you compute luck into
23 your calculation -- establishment of a
24 threshold?

1 A. No, I tried to be as objective as
2 possible.

3 Q. And do you believe that your threshold is
4 reasonable and in the best interest of
5 ratepayers?

6 A. Yes, I do.

7 MR. ROBERTI: Thank you. I have no
8 further questions.

9 MS. RACINE: Mr. Gerwatowski, before
10 we go, Exhibit 2, Narragansett, you didn't
11 move this. Do you want to?

12 MR. GERWATOWSKI: I would like to
13 move that as an exhibit. Thank you for
14 pointing that out.

15 MS. RACINE: Objection? None. So
16 moved.

17 (WHEREUPON, THE EXHIBIT
18 WAS RECEIVED IN EVIDENCE)

19 MS. RACINE: Further questions of
20 the witness, Mr. Gerwatowski?

21 MR. GERWATOWSKI: I just have a few
22 really quick ones.

23 RE CROSS-EXAMINATION BY MR. GERWATOWSKI

24 Q. In the newspaper article it mentioned

1 Scituate. Do you know in whose service
2 territory Scituate is located?

3 A. Narragansett Electric's.

4 Q. Mr. Roberti asked a question about allowance
5 in a rate case for costs associated with
6 storms. Is it your understanding that in a
7 rate case the company's allowed to include in
8 its cost of service nonrecurring expenses
9 resulting from storms?

10 A. I haven't reviewed any of Narragansett's
11 rate cases. My understanding is, though, that
12 if -- like using that \$200,000 threshold right
13 now, if Narragansett was -- the costs that
14 fell below that threshold in 1996 where there
15 were four storms, you had four storms, you
16 applied that deductible four times, if you
17 were to use that as a test year in a rate
18 case, those costs would be included in that
19 test year. That's my understanding. I don't
20 have any documentation to support that; but
21 that's my understanding.

22 Q. As a general principle of ratemaking though,
23 nonrecurring expenses usually are not
24 permitted in the cost of service when

1 computing the revenue requirement, is that
2 correct, as a general principle?

3 A. Yes, as a general principle.

4 Q. Just one last question. You reviewed storm
5 activity from 1991 to '94 for Narragansett
6 Electric; and I think you testified that you
7 were satisfied that the application of the
8 Storm Fund and the way it was used was
9 reasonable but then when you looked at the '96
10 activity that seemed kind of low. Looking --
11 is that a restatement of what your testimony
12 was?

13 A. I just want to clarify that. They
14 utilized the Storm Fund in accordance with
15 prior Commission guidance. I'm not saying --
16 I'm not recommending any adjustment to any
17 prior activity in the matter. Even looking at
18 the '91 to '94 period, I still felt a \$200,000
19 threshold was too low; but that had already
20 been established in Commission orders. I
21 think the activity in '96 just shows further
22 that it must be too low.

23 Q. You agree with me that the four storms that
24 occurred in 1996 all would fall under the

1 company's proposed threshold, so that under
2 the company's proposal, none of the storms
3 that occurred in 1996 would be chargeable to
4 the Storm Fund?

5 A. Yes, I agree with that.

6 MR. GERWATOWSKI: Just the last
7 thing is I'd like to introduce an exhibit, the
8 particular FERC rule that you referenced in
9 your testimony. I don't think you quoted the
10 whole thing. You didn't take it out of
11 context or anything. I'd just like to have
12 that entered into the record. Just look at
13 this to make sure I quoted the right section.
14 Can we have this marked as Narragansett
15 Exhibit 3?

16 MS. RACINE: Objection? None. So
17 moved and marked.

18 (WHEREUPON, THE EXHIBIT
19 WAS RECEIVED IN EVIDENCE)

20 Q. Does Exhibit 3 reflect the rule from which you
21 took the 5 percent figure?

22 A. Yes, it does.

23 MR. GERWATOWSKI: Thank you. If
24 it's not already moved into evidence, I'd like

1 to do that.

2 MS. RACINE: It's been moved and
3 marked as full.

4 MR. GERWATOWSKI: Thank you. I have
5 no further questions.

6 MS. RACINE: Chairman?

7 EXAMINATION BY CHAIRMAN MALACHOWSKI

8 Q. Mr. Bell, I have a question about your
9 understanding of storm charges against the
10 account. Can you explain to me how it happens
11 there is a threshold amount that the storm has
12 to incur before they can charge against the
13 account?

14 A. Yes. My understanding --

15 Q. What's that threshold amount?

16 A. A specific dollar threshold has only been
17 set for Narragansett Electric.

18 Q. And what's that amount?

19 A. \$200,000.

20 Q. And how do you interpret that if the cost of a
21 storm is more than 200,000 they can charge the
22 cost against the storm account?

23 A. The costs above the \$200,000 threshold,
24 yes. And it relates to incremental costs,

1 not -- it relates to incremental noncapital
2 type of costs.

3 Q. So it's only the amounts above 200,000?

4 A. That's correct.

5 Q. So when I look at 1996 for Narragansett
6 Electric, when they talk about a storm in
7 February and they're charging off \$19,864,
8 you're saying that their actual expenses were
9 219,864 and they were allowed to charge the
10 amount in excess of 200,000?

11 A. That's correct.

12 Q. And so the three different storms in '96 that
13 they charged against the account, those
14 balances they identified are the amount over
15 200,000?

16 A. That's correct.

17 Q. And you've verified that?

18 A. No, that was the first -- the company's
19 responses to the Commission's data requests
20 was the first time I saw the activity for
21 1996. I'm basing that understanding on my
22 review of past storms.

23 Q. So you haven't had a chance to verify that?

24 THE WITNESS: '96 numbers?

1 THE CHAIRMAN: Yes.

2 A. No. But the company had consistently
3 applied the principle with prior storms, so my
4 answer's based on my understanding of prior
5 practices.

6 THE CHAIRMAN: That's fine. Thanks
7 very much. No further questions.

8 MS. RACINE: Any further questions
9 of the witness, Mr. Roberti?

10 MR. ROBERTI: One more question.

11 REDIRECT EXAMINATION BY MR. ROBERTI

12 Q. By the way, Mr. Bell, looking back at the
13 December, 1992 storm, the costs of that storm
14 I believe were 428,000; and that was December
15 of 1992. If you increased that figure by the
16 CPI over the years, do you know what that
17 number would be today approximately?

18 THE WITNESS: The \$200,000?

19 MR. ROBERTI: 428,000.

20 THE WITNESS: Oh, if I increase that
21 number?

22 MR. ROBERTI: That's the cost as of
23 December, 1992.

24 A. I don't know what -- it would probably add

1 another 30 or \$40,000 to that.

2 Q. Probably would exceed your threshold; wouldn't
3 it?

4 THE WITNESS: My threshold?

5 Q. Four hundred sixty thousand?

6 A. Yes.

7 Q. So under your standard this storm would have
8 been considered an extraordinary storm by
9 today's standards based on your threshold;
10 isn't that right?

11 A. Yes.

12 MR. ROBERTI: Thank you.

13 MS. RACINE: Thank you, Mr.

14 Roberti. Any further questions of Mr. Bell?
15 Thank you, Mr. Bell, for your testimony.

16 Mr. Gerwatowski, do you have a witness as
17 well?

18 MR. GERWATOWSKI: Thank you. I'll
19 call Mr. David Webster to the stand.

20 DAVID M. WEBSTER (Sworn)

21 DIRECT EXAMINATION BY MR. GERWATOWSKI

22 Q. Mr. Webster, could you identify yourself for
23 the record, your address and position please?

24 A. My name is David M. Webster. I work at 25

1 Research Drive, Westborough, Massachusetts.

2 I'm currently in the Rate Department
3 performing revenue requirement analysis work.

4 Q. Mr. Webster, you describe in your testimony
5 how you developed a threshold of \$320,000; and
6 you indicate that you took the \$200,000 and
7 inflated it by the rate of inflation to get to
8 your number. Was there another way that you
9 could have developed a threshold?

10 A. Yeah, another way we could have gone about
11 developing a threshold number is take a look
12 at the incremental cost of each storm charged
13 to the fund and developing it on an average.
14 Doing it that way, however, when I got done
15 inflating the number and got the 320 and
16 looked at the amount of incremental cost
17 charged to the Storm Fund, it appeared
18 reasonable, so I didn't do any additional
19 incremental analysis.

20 Q. The way Narragansett's threshold works has
21 already been testified to. Its threshold and
22 deductible are the same. Is there another way
23 in which the threshold and the deductible
24 could operate that you think would be

1 reasonable?

2 A. Yes, there is.

3 Q. What would that be?

4 A. What we could do is separate the threshold
5 amount from the deductible amount of each
6 storm occurrence.

7 Q. Is there a particular circumstance where you
8 think it would be appropriate to change the
9 mechanism to decouple the threshold from the
10 deductible?

11 A. Using the Division's number of a
12 deductible of approximately 450,000 in your
13 previous example of a storm of 451,000. Under
14 this secondary proposal what we would do is
15 because the storm cost exceeds \$450,000, we
16 would be able to access the funds but only the
17 incremental amount above \$200,000.

18 Q. So if you set the threshold at 450, once you
19 exceed the threshold, you'd be able to recover
20 any amounts above the deductible, the
21 deductible being lower, so in the instance of
22 the example of having a \$451,000 storm, rather
23 than just recover a thousand dollars for that
24 extraordinary event, you'd recover half or

1 something close to that?

2 A. Two hundred fifty-one thousand under that
3 example.

4 Q. Does Narragansett have an affiliate that also
5 has a Storm Fund mechanism?

6 A. Massachusetts Electric has proposed in its
7 recent rate case a Storm Fund contingency
8 amount whereby the incremental amount is a
9 million dollars; but once -- as a threshold;
10 but once the threshold is exceeded, they'd be
11 able to recover the entire million dollars. I
12 would like to point out, however, though,
13 Massachusetts is three times the size of
14 Narragansett Electric. So, thereby, if you
15 just divide that back down, you would get to a
16 number that's very similar to the number that
17 I've come up with.

18 Q. You reviewed the testimony of Mr. Bell; did
19 you not?

20 A. Yes, I have.

21 Q. And you reviewed the mechanism or methodology
22 he used to develop his recommended threshold?

23 A. Yes, I have.

24 Q. Did you do any kind of analysis of that

1 methodology?

2 A. Yes, I did.

3 Q. Showing you what will be marked as
4 Narragansett Exhibit --

5 MS. SOUTHGATE: Four.

6 Q. -- 4, can you identify what this document is?

7 A. Yes, in this document I prepared the same
8 analysis that Mr. Bell has proposed in his
9 testimony. However, I would like to call to
10 everyone's attention I broke out -- what I've
11 done is highlighted the largest single item
12 making up the \$8 million.

13 Q. So Mr. Bell's methodology was to take the \$8.
14 million from the FERC Form 1 and apply the 5
15 percent factor, which had him develop the
16 \$446,000 number?

17 A. That's correct. That is correct.

18 Q. And what you've done is you've broken out the
19 \$8.9 million into subcategories?

20 A. Yeah. Well, actually, what this reflects
21 is identical to what is reported in the FERC
22 Form 1.

23 Q. Now you've put a box around one of these. Can
24 you explain why that's there?

1 A. Yes, that is the account of maintenance of
2 overhead lines. It's FERC Account 593; and
3 it's the largest single component making up
4 the \$8.9 million figure.

5 Q. I'm showing you what will be marked as
6 Narragansett's Exhibit 4.

7 MS. SOUTHGATE: Five.

8 Q. Five, I'm sorry.

9 MS. RACINE: You want to move 4
10 first? Let's move this as a full exhibit for
11 Narragansett, the Calculation of 5 Percent
12 Extraordinary Items of Distribution
13 Maintenance. Objection? None. Moved and
14 marked.

15 (WHEREUPON, THE EXHIBIT
16 WAS RECEIVED IN EVIDENCE)

17 MR. GERWATOWSKI: So, Adrienne, I
18 apologize, since I've got my threes and fours
19 in right.

20 MS. SOUTHGATE: The one that just
21 got admitted is Exhibit 4.

22 MR. GERWATOWSKI: And this is four.

23 Q. NEC 5, I asked you to identify what this is on
24 NEC No. 5. Can you explain what that is?

1 A. What this is is this is a further
2 breakdown of the \$6 million number from the
3 previous exhibit breaking it into the major
4 cost components that make up that line item on
5 the FERC Form 1.

6 Q. You also have boxed in, again, another item,
7 one of the second largest there, "Tree
8 Trimming Preventive Maintenance." Can you
9 explain why you have that boxed in there?

10 A. Looking at the entire cost makeup of the
11 \$6 million and taking a very conservative, one
12 item from the company's general ledger is
13 called, "Tree Trimming Preventive
14 Maintenance," these are ongoing nonstorm
15 related costs, in other words, daily, everyday
16 occurrences for tree trimming, preventive.

17 Q. In other words, they don't relate to service
18 restoration?

19 A. That is correct. In fact, they prevent
20 additional outages during a storm.

21 MR. GERWATOWSKI: Could I move NEC
22 No. 5 into the record?

23 MS. RACINE: Yes, NEC 5 is the
24 Detail of Overhead Line Maintenance.

1 Objection? None. So moved and marked.

2 (WHEREUPON, THE EXHIBIT
3 WAS RECEIVED IN EVIDENCE)

4 Q. I'm now showing you what's going to be marked
5 as NEC 6. Could you explain what's going on
6 with NEC 6?

7 A. Yes, in this exhibit the column marked as
8 No. 1 is the same calculation that Mr. Bell
9 provided in his testimony. What I've done in
10 the second column is just taken that one
11 thing, the line item out of the equation, and
12 that again relates to storm-related costs.
13 Having removed that amount, it drops the total
14 distribution and maintenance factor down to
15 6.8 million; and applying Mr. Bell's 5
16 percent, it would drop the storm amount down
17 to approximately \$344,000.

18 MS. RACINE: Move that as a full?

19 MR. GERWATOWSKI: Can I move that as
20 a full exhibit?

21 MS. RACINE: Objection? Moved and
22 marked.

23 (WHEREUPON, THE EXHIBIT
24 WAS RECEIVED IN EVIDENCE)

1 Q. Now showing you what will be marked as NEC No.
2 7, could you explain to me what you've done
3 with NEC 7?

4 A. Yes, again, just taking this, the same
5 numbers that I used in the previous exhibit,
6 we're adjusting them for one more factor. The
7 remaining line items make up that item, Total
8 Distribution Maintenance, in the FERC Form 1.
9 We're removing just 25 percent of those
10 costs. We believe this is a very conservative
11 number. What the 25 percent represents is
12 just that amount of costs that are nonservice
13 restoration related due to storm outages.
14 Having done that, in recalculating the numbers
15 one more time, it drops Mr. Bell's threshold
16 number down to approximately \$310,000, which
17 is \$10,000 below the 320 that we proposed by
18 taking the 200,000 and inflating it.

19 Q. By that exhibit, are you suggesting that only
20 25 percent of all those maintenance items
21 relate to normal everyday activity?

22 A. Again, with this calculation we're giving
23 Mr. Bell's approach every conservative measure
24 we can. I believe that the number of everyday

1 recurring operations costs is actually higher
2 than the 25 percent.

3 MR. GERWATOWSKI: Final exhibit.

4 MS. RACINE: Let's move Narragansett
5 Electric 7 please, "Calculation 5 Percent of
6 Extraordinary Items on Distribution
7 Maintenance Adjusted for Preventive Tree
8 Trimming and Nonstorm Related Recurring
9 Operations." Objections? None. So moved and
10 marked.

11 (WHEREUPON, THE EXHIBIT
12 WAS RECEIVED IN EVIDENCE)

13 Q. Now showing you what will be marked as NEC 8,
14 which is the final one, could you please
15 explain what you've done with NEC 8?

16 A. Again, with NEC 8, what I have done is
17 taken the same methodology as the previous
18 exhibit; but now I'm saying that let's assume
19 that 50 percent or half of those other costs
20 are related to everyday operations, in other
21 words, nonstorm restoration related. By doing
22 that and again applying Mr. Bell's 5 percent,
23 it now drops his threshold down to
24 approximately 276,000, which is, again, far

1 below the 320,000 that I've proposed in my
2 testimony.

3 Q. And what, in your opinion, do these exhibits
4 show about the methodology that Mr. Bell
5 used?

6 A. Mr. Bell's approach or the Division's
7 approach is taking a number that is meant to
8 be applied to one specific number per the FERC
9 rules and blindly applying that to all
10 categories making up the income statement. I
11 don't think this is appropriate; because it's
12 not taking into account the regular
13 run-of-the-mill everyday operations costs.

14 Q. Are there any other problems that you see with
15 using the three year average, that one line
16 item on the FERC form, to do the calculation?

17 A. Yeah, to the extent that the threshold
18 amount or the deductible amount in the Storm
19 Fund is set too high, what it will do is
20 unfairly limit the company to recover all of
21 its incremental storm-related costs. In other
22 words, the next year preceding, to the extent
23 we don't recover these costs through the Storm
24 Fund, it artificially inflates the number that

1 Mr. Bell is applying 5 percent to. Therefore,
2 it keeps increasing the threshold amount.

3 Q. So the last point you're making is that the --
4 having a high threshold has the impact of when
5 you have a storm or increasing the threshold
6 even further for the next year?

7 A. That's correct.

8 MR. GERWATOWSKI: I have no further
9 questions.

10 MS. RACINE: Would you kindly move
11 the exhibit?

12 MR. GERWATOWSKI: I'm sorry. Thank
13 you very much. I really appreciate it. I'd
14 like to move whichever exhibits I haven't
15 already moved of this bunch.

16 MS. RACINE: Narragansett Electric
17 Company 8, "Calculation of 5 Percent
18 Extraordinary Items on Distribution
19 Maintenance Adjusted for Preventive Tree
20 Trimming and Nonstorm Related Recurring
21 Operations." Objections? None. So moved and
22 marked as full.

23 (WHEREUPON, THE EXHIBIT
24 WAS RECEIVED IN EVIDENCE)

1 MS. RACINE: Questions of the
2 witness? Mr. Roberti?

3 MR. ROBERTI: Yeah, I'm just trying
4 to digest all this new information.

5 MS. RACINE: A break has been
6 requested, so we'll take one for five
7 minutes. We'll take a five minute, then we'll
8 come back and discuss lunch, see how far we
9 get.

10 (RECESS)

11 MS. SUUBERG: I'd like to call to
12 the stand the General Manager of Pascoag Fire
13 District, Theodore Garille.

14 THEODORE G. GARILLE (Sworn)

15 DIRECT EXAMINATION BY MS. SUUBERG

16 Q. Would you please state your name and business
17 address?

18 A. Yes. My name is Theodore G. Garille,
19 business address is 55 South Main Street,
20 Pascoag, Rhode Island.

21 Q. And by whom are you employed?

22 A. The Pascoag Fire District.

23 Q. And what do you do?

24 A. I'm the General Manager of the Fire

1 District.

2 Q. Does Pascoag have a Storm Contingency Fund?

3 A. Yes, we do.

4 Q. And when was the fund formally established?

5 A. The fund was formally established at a
6 meeting of the Utility Commissioners on August
7 26th, 1996; and it was formalized by a motion,
8 seconded and voted upon by the commissioners.
9 That action was taken as a direct result of a
10 recommendation from the Division dated May
11 29th, 1996.

12 Q. And at what amount was it established at?

13 A. It was established at \$100,000.

14 Q. When did you become general manager of
15 Pascoag?

16 A. September 9th, 1996.

17 Q. And when did you use the fund and by what
18 procedure?

19 A. The fund has been used since I've gone to
20 Pascoag in December of 1996; and it was used
21 to offset the expenses incurred during a very
22 extraordinary ice storm that occurred on -- at
23 that time.

24 Q. And how much of the fund was used?

1 A. Approximately \$26,000.

2 Q. The Division recommends that the only expenses
3 the investor-owned utilities be allowed to
4 charge against their Storm Contingency Funds
5 are the incremental noncapital storm-related
6 costs. What service restoration costs have
7 been applied by Pascoag against the fund; and
8 why weren't these considered everyday
9 operational and maintenance costs?

10 A. The cost incurred during this particular
11 storm that we are referencing in December of
12 1996, wherein we used approximately \$26,000 of
13 our storm funds was in the, almost exclusively
14 used in the area of restoration of service.
15 Clearly that's not an everyday occurrence in
16 our district or probably in any other
17 district.

18 Also included in that cost was a
19 utilization of the Mutual Aid Agreement with
20 other utilities. We were fortunate enough to
21 have a couple of crews come in from North
22 Attleboro, Massachusetts to assist us in the
23 restoration of service. There were no capital
24 expenditures, no expenditures made that

1 otherwise would have been considered capital
2 in nature under other circumstances.

3 Q. So what would Pascoag propose to be allowed to
4 be charged against the funds in the way of
5 costs?

6 A. We would continue to propose that the same
7 rationale or reasonableness would be applied;
8 and, that is, that the storm would have to be
9 extraordinary in nature and that the charges
10 applied would be predominantly the labor
11 costs, crew costs, and that sort of thing to
12 restore service.

13 Additionally, I might add, Counsel, that
14 in addition to the normal linemen and line
15 crews, that sort of thing, we also were
16 fortunate enough to secure the services of a
17 tree crew during that storm; and those charges
18 are also reflected within the \$26,000.

19 Q. The Division recommends for the investor-owned
20 utilities that a dollar threshold be set at 5
21 percent of the utility's total distribution
22 maintenance costs as a trigger mechanism for
23 the use of storm contingency funds. This
24 would translate into what amount if the 5

1 percent factor were applied to Pascoag's
2 actual distribution maintenance costs for FY
3 95?

4 A. Applying a 5 percent trigger for the
5 Pascoag Fire District on the overhead line
6 maintenance would have triggered a number of
7 approximately \$27,000. By way of comparison,
8 I again reiterate that the total cost for the
9 storm-related damage in December of 1996 was
10 \$26,000. Thereby, none of those charges,
11 using the 5 percent trigger, would have been
12 applicable.

13 Q. So what, if any, threshold has Pascoag
14 proposed, and for what reason?

15 A. We would propose that there not be in fact
16 a threshold, but rather that the reasonability
17 that has been applied in the past would
18 continue to be applied. And that would be
19 that the storm would in fact be extraordinary,
20 it would not in fact be a typical storm, as
21 we've heard testimony before, that just comes
22 through and doesn't cause much, if any,
23 damage. It's a quantitative situation whereby
24 the expertise of management of the district

1 would be called upon to make that decision.

2 Clearly Pascoag is unique; because we are
3 not for profit and we do not collect rates and
4 set them aside for this. We take these funds
5 out of our budget and just set them aside.

6 Q. And do you propose to fund the budget in the
7 same way in the future?

8 A. That's correct. We would recommend that
9 consideration be given and approval be given
10 to a maintenance of the Storm Fund of the
11 Pascoag Fire District in the amount of
12 \$100,000. As those funds are used during the
13 year, we also further would recommend that we
14 be allowed to transfer funds from our cash
15 reserve or our buildups on our deferred
16 capital maintenance budget to keep that at the
17 \$100,000.

18 This would accomplish two things: No. 1,
19 it would cause us to not go back in six months
20 for a true up and ask for more money to
21 augment that. Additionally, it would be
22 living up to the spirit of the Division and
23 their recommendation that we continue to
24 funnel these funds back to the ratepayers of

1 Pascoag.

2 Q. We've heard testimony today that the
3 investor-owned utilities abide by FERC
4 accounting procedures. Are these mandated for
5 Pascoag; or have we abided by them?

6 A. Not in the typical sense as with everyone
7 else. There's only a very limited usage.

8 Q. Does Pascoag's fund accrue interest?

9 A. Yes, it does. We currently have it on
10 deposit. We have separated the \$100,000 even
11 though we're not required to, and we have it
12 in a MUNI account, which is offered by one of
13 the largest banks here in Rhode Island, to, if
14 you will, attain as high an interest rate as
15 possible but yet providing an instant
16 liquidity for those funds without a penalty
17 for early withdrawal.

18 Q. Is the prime rate recommended by the Division
19 appropriate for Pascoag?

20 A. I don't feel it is. However, I would like
21 to place one caveat into the record; and, that
22 is, if someone could get us 8 and a half
23 percent on the hundred thousand dollars, I'd
24 be more than happy to consider that instrument

1 as an investment.

2 Q. Does Pascoag have audit procedures in place
3 for its fund?

4 A. Yes, we do.

5 Q. And what is this procedure?

6 A. We have an independent auditor, a firm, by
7 the way, specializes in MUNI, municipal and
8 quasi-municipal utilities; and they come in
9 and perform an annual audit of all of our
10 budgets, including the Storm Contingency
11 Fund. Reports are then received and reviewed
12 by the Board of Utility Commissioners
13 regarding those funds and the proper use and
14 applicability of those funds.

15 Q. Does Pascoag carry any insurance that would
16 defray the costs associated with storm
17 expenditures?

18 A. No, we do not.

19 Q. Does Pascoag support the Division's
20 recommendation for reporting on Storm Fund
21 expenditures within 90 days after the
22 occurrence of a storm?

23 A. Yes, we do.

24 Q. For filing an annual summary report within 90

1 days of calendar year end?

2 A. Yes, we do support the 90 -- the yearly or
3 annual reporting 90 days within calendar year
4 end. The only exception we would be looking
5 for is to make note that our fiscal year ends
6 on October 31st of each year; and we would
7 like to have consideration of the 90 day
8 period or window of opportunity starting on
9 November 1st of each year to be coincidental
10 with our fiscal year.

11 Q. And what amount of storm contingency funds is
12 appropriate for Pascoag and how have you
13 determined this?

14 A. It would be my professional testimony that
15 the \$100,000 is sufficient. It has proven
16 sufficient so far, since being formally
17 established. And I took the liberty of
18 looking back at the District over the last
19 five years; and \$100,000 has been very
20 sufficient for a district our size.

21 Additionally, I'd like to mention that,
22 although I'm somewhat hesitant to say it, I've
23 been in the utility business now for in excess
24 of 30 years; and having been a District

1 Manager on both coasts of the United States in
2 a very similar size district, this is not an
3 unusual number. \$100,000 appears to be a very
4 appropriate number.

5 MS. SUUBERG: Your witness.

6 MS. RACINE: Thank you, Ms.

7 Suuberg. Mr. Roberti?

8 MR. ROBERTI: Thank you.

9 CROSS-EXAMINATION BY MR. ROBERTI

10 Q. Mr. Garille, is it correct to say that Pascoag
11 does not have an allowance in rates to
12 establish a Storm Fund?

13 A. That's correct.

14 Q. So your situation is a lot different than the
15 other utilities here?

16 A. Absolutely.

17 Q. And I also hear you testify that you would use
18 excess earnings to defray the cost of an
19 extraordinary storm?

20 A. Yes, sir, we would keep the -- any moneys
21 which are taken out of the Storm Fund would
22 pay for the storm, would then be replaced out
23 of other funds that have built up in the
24 district, cash reserves and/or interest off of

1 other savings accounts and/or dollars in our
2 deferred capital budget.

3 Q. And you also testified that you, the company,
4 would use its discretion in determining what
5 is an extraordinary storm?

6 A. That's correct, sir.

7 Q. And how would you, in your opinion, describe
8 an extraordinary storm?

9 A. I think the best way I could describe it,
10 Mr. Roberti, is by way of an example. In the
11 most recent storm, which I consider to be
12 extraordinary, the total 4,000 customers of
13 Pascoag Fire District were without power for
14 approximately eight hours because we had lost
15 our source lines from the neighboring
16 utility. Additionally, we worked round the
17 clock for approximately three additional
18 days. That is, in my opinion, very
19 extraordinary. The ice storm was so severe in
20 the Pascoag district that one only had to
21 stand out and listen literally to the trees
22 breaking and watch the blue flashes on the
23 horizon. To me that's extraordinary. I have
24 worked a lot of extraordinary storms from

1 Santa Anna winds to earthquakes, which I
2 consider to be very extraordinary in
3 California. So our fondest hope would be the
4 expertise of District management would be
5 taken into consideration.

6 Q. And if I told you -- would it sound
7 extraordinary if 2.5 percent of a utility's
8 customers were out of service for, say, less
9 than a day, would that sound extraordinary to
10 you?

11 A. I think it would probably -- if you're
12 asking my opinion, I think that would hinge
13 upon the number of customers that the utility
14 might serve. Two and a half percent of our
15 4,000 to me would not be extraordinary. I'm
16 not in any way suggesting that it's
17 acceptable, but it's not extraordinary.
18 However, 2 and a half percent of someone who
19 has 50,000 customers I think would be quite
20 extraordinary.

21 MR. ROBERTI: Thank you. No further
22 questions.

23 MS. RACINE: Mr. Gerwatowski, any
24 questions of this witness? Mr. McElroy? Mr.

1 Ezickson?

2 MR. McELROY: No, thank you.

3 MS. RACINE: Mr. Massaro?

4 EXAMINATION BY MR. MASSARO

5 Q. Mr. Garille, you said in reviewing the
6 appropriateness of the Storm Fund's level you
7 looked back at activity over the last five
8 years or so. If you recall, can you tell us
9 what the most significant storm incidence was
10 in the past five years in terms of cost to the
11 district?

12 A. Yes, Mr. Massaro. I would only qualify my
13 comments that a Storm Fund had not been
14 formally established in the district, so what
15 I tried to do is reconstruct as best I could
16 from the records available to me; and it
17 appears to me that the most extraordinary
18 storm over the last five years was the one we
19 suffered or endured in December of 1996.

20 MR. MASSARO: Thank you. I have no
21 other questions.

22 MS. RACINE: Chairman Malachowski?

23 THE CHAIRMAN: No questions.

24 MS. RACINE: I have none. Thank

1 you, Mr. Garille, for your testimony.

2 THE WITNESS: Thank you very much;
3 and again, thanks for the accommodation.

4 MS. RACINE: Thanks to the attorneys
5 for being so cooperative.

6 DAVID M. WEBSTER (Previously sworn)

7 CROSS-EXAMINATION BY MR. ROBERTI

8 MS. RACINE: You may resume your
9 seat, sir. And, Mr. Roberti, you may begin
10 your questioning of the witness.

11 MR. ROBERTI: Good afternoon, Mr.
12 Webster.

13 THE WITNESS: Good afternoon.

14 Q. Turning to page 14 of your testimony, would
15 you describe for me what is the GNP price
16 deflator?

17 A. The GNP price deflator is very similar to
18 the Consumer Price Index. It's just the
19 government measuring inflation. The reason
20 why I used that inflator rather than the CPI
21 index is that was the same inflator that was
22 used in Docket 1938, which was the last time
23 that we increased our annual funding level.

24 Q. And between the CPI and the GNP price

1 deflator, what was the GNP price deflator that
2 you used?

3 A. I'm sorry. Could you reask that?

4 Q. What was the figure -- what percent figure was
5 the GNP price deflator that you used, what
6 number?

7 THE WITNESS: I'm sorry, as a
8 percent of the CPI?

9 MR. ROBERTI: No, just as -- let me
10 withdraw that question.

11 Q. Is there a difference between the CPI and the
12 GNP price deflator?

13 A. There is; but I believe it's a very small
14 one.

15 Q. Is one normally higher than the other?

16 A. I haven't done enough research to
17 accurately answer that question.

18 Q. Did you in your -- in the company's PBR filing
19 pursuant to the Utility Restructuring Act, the
20 company used the CPI; is that right?

21 A. I believe that is correct. I haven't
22 checked the record to see which one was
23 actually used.

24 Q. Did you have any role in that?

1 A. No, I didn't. I was assigned to my
2 current responsibility after that.

3 Q. Who were you employed by?

4 A. New England Power Service Company.

5 Q. If you had used the CPI, would you have
6 computed a higher threshold?

7 A. That's a reasonable assumption. Although,
8 I don't believe it would go significantly
9 higher. I would be happy to take a record
10 request to recompute based on the CPI.

11 MS. RACINE: Please do so, sir.

12 Thank you.

13 (DATA REQUEST)

14 MS. SOUTHGATE: Could we have it,
15 though, utilized in -- the same CPI that was
16 utilized in the PBR dockets, just for
17 consistency purposes? I think that was all.

18 MR. GERWATOWSKI: Sure.

19 THE WITNESS: One question. Would
20 you also -- just on the incremental threshold
21 calculation is the one you want me to
22 recompute?

23 MR. ROBERTI: Yes. Yes. Starting
24 with the 200,000.

1 Q. Now, you started with a benchmark of 200,000
2 when you computed your threshold?

3 A. That's correct.

4 Q. And what analysis did you conduct to determine
5 whether the \$200,000 benchmark was
6 reasonable?

7 A. If you're asking me did I go back and try
8 to recalculate the 200,000, the answer to that
9 was no. I followed what was approved in the
10 docket establishing the Storm Funds and
11 escalating forward from that.

12 Q. And you don't know what basis the \$200,000
13 figure was presented to the Commission, what
14 the basis behind that was in Docket 1591?

15 A. No. According to the records, I couldn't
16 find any -- anything regarding how that basis
17 was actually determined.

18 Q. And you didn't compute it in Docket 1591?

19 A. No, I applied -- I didn't.

20 Q. Don't you think you should have checked and
21 insured that that was a reasonable starting
22 figure?

23 A. Well, again, I would assume that was a
24 reasonable starting figure seeing it was

1 accepted by the Commission and all parties at
2 that time, including the Division.

3 Q. Did you do an analysis over the last 15 years
4 in terms of storms that hit the service
5 territory to determine whether or not the
6 \$200,000 did reflect a reasonable starting
7 point?

8 A. No, I did not. I followed the Commission
9 docket rulings.

10 Q. And in terms of extraordinary, do you think
11 it's extraordinary that something happened
12 once a year, once every two years, once every
13 seven years?

14 A. I'm not an expert as to determining the
15 frequency of weather events. Just looking at
16 our record as displayed in DMW-1, you can see
17 that over the last 15 years the fund has been
18 accessed for two hurricanes and several other
19 smaller storms. Now, I would imagine we had
20 greater frequency of other storms that fell
21 below the threshold and, therefore, were not
22 included.

23 Q. And those access points were the storm charges
24 that ranged between Hurricane Gloria and

1 Hurricane Bob approximately five to \$7
2 million?

3 A. Between the two hurricanes alone, that's
4 correct.

5 Q. And that was the individual cost of each
6 storm?

7 A. As displayed in DMW-1, I have laid out
8 there what the incremental charge to the Storm
9 Fund was for each of the storms, approximately
10 4.8 million for Hurricane Gloria after
11 deductible; and for Hurricane Bob
12 approximately 6.4 million after the deductible
13 and reimbursement from the insurance company.

14 Q. And that December storm, that December storm
15 in 1992, was 1.227 million total cost;
16 correct?

17 THE WITNESS: Could you direct me to
18 what you're looking at please?

19 MR. ROBERTI: I'm looking at DMW-1,
20 page 1 of 2.

21 A. Page 1 of 2 is only containing the two
22 hurricanes. If you turn to page 2 of 2 --

23 MR. ROBERTI: Okay. Okay, thanks.
24 I thought it was.

1 Q. And since that time, did it -- how did it
2 impact you that Narragansett accessed its
3 Storm Fund four times in the last year?

4 A. Again, we were following Commission rules
5 currently in place.

6 Q. But that doesn't impact you in terms of
7 establishing the appropriate benchmark that
8 the company accessed the fund four times in
9 1996?

10 A. Again, previous rate decisions to the
11 Storm Fund has been in each one since its
12 inception; and the motion to increase the
13 threshold has never been made.

14 Secondly, we're bound to follow what the
15 Commission's order in place is at that time.
16 It's not really up to my personal discretion.

17 Q. But we're here today to establish a new
18 threshold; and what I'm asking you is, isn't
19 it unreasonable to simply increase a threshold
20 by inflation that's been accessed -- when the
21 fund's been accessed four times in the last
22 year?

23 A. I think our point is that we're not
24 disagreeing that the threshold should be

1 raised. It is that developing a base that is
2 consistent that everybody can follow to
3 increase that threshold amount. As shown in
4 Mr. Bell's and the Division's testimony, he's
5 basing it on costs that occur, not clearly
6 measurable costs, let's put it that way. You
7 can't identify clearly what's day-to-day
8 operations versus service restoration costs;
9 because we're coming out to essentially the
10 same place using an inflator. It's a lot
11 simpler calculation to make; and it takes all
12 the discretion out of the fund.

13 Q. Now, in determining what is an extraordinary
14 storm and how often extraordinary storms
15 occur, did you rely on the methodology that
16 Narragansett presented to the Commission 14
17 years ago about a seven year amortization
18 period to identify a reasonable period between
19 storms?

20 A. Again, I took -- in doing my analysis I
21 took the two largest storms applied to the
22 fund and the entire history, not just the last
23 seven years as one way to do it. That showed
24 that we would actually decrease our annual

1 contribution levels.

2 However, my proposal is just based on the
3 last hurricane, Hurricane Bob; and that was
4 inflated so that if it happened today it would
5 reflect 1997 dollars.

6 Q. You did it reflecting inflation?

7 A. That's correct.

8 Q. On that 14 year old benchmark?

9 A. That is -- I would also like to point out
10 that is also the methodology approved by the
11 Commission in Docket 1938.

12 Q. And you didn't take into account a seven year
13 amortization period that was premised in
14 Docket 1591?

15 A. After taking Hurricane Bob costs and
16 inflating them up to 1997 dollars, identify
17 the seven year precedent that was established
18 in that docket.

19 Q. And you didn't factor in -- you didn't factor
20 in anything to account for Narragansett
21 accessing it four times in the last year?

22 A. No, I didn't; because those storms were
23 more minor in nature.

24 Q. You were here earlier when Mr. Bell was

1 examined by Mr. Gerwatowski about the
2 assumption of two \$500,000 -- \$500,000 storms
3 hitting in one year?

4 A. That's correct.

5 Q. It actually was \$451,000.

6 A. Uh-huh. Uh-huh.

7 Q. And the company would have to incur \$900,000
8 associated with those storms. Now, you are
9 recommending a threshold and deductible of
10 320,000; correct?

11 A. That is correct.

12 Q. So what happens, I'll ask you the same
13 question, what if we have three storms at
14 \$319,000 a year -- three incidents, \$319,000
15 per storm, what happens?

16 A. Under my methodology they would not be
17 entitled to be collected through the Storm
18 Fund; and they would be rolled into a base
19 rate figure in future rate proceedings.

20 Q. Would that force you to file a rate case?

21 A. It wouldn't be my determination if I would
22 file a rate case or not. That would be up to
23 the discretion of the company. I would assume
24 under business practices, though, if you have

1 that much money, a million dollars, against
2 your earnings figure, that may warrant the
3 company to go ahead and move for a temporary
4 surcharge or some type of rate relief.

5 Q. So the determination would be earnings then to
6 whether or not you would file a rate case?

7 A. I'm not saying that earnings is the
8 determination for filing a rate case. All I'm
9 simply stating is the cost, you'd have a
10 million dollars worth of extraordinary costs
11 into the base rate calculation; and,
12 therefore, as it becomes part of base rates,
13 the customers would be paying that amount for
14 a longer period of time.

15 Q. But you yourself are not involved in
16 Narragansett's decision on whether or not to
17 file rate cases?

18 A. That is correct.

19 Q. And you don't have familiarity or enough
20 familiarity to determine whether or not a
21 million dollar impact would force Narragansett
22 in for a rate case given its current financial
23 condition?

24 A. No, I don't have that expertise. I would

1 like to make one point, if I may, in the case
2 of Mr. Bell's method of coming up with a
3 threshold. Let's take your example of the
4 \$300,000 storms, okay, let's just say they're
5 regular 300,000, that would add an extra \$9
6 million to the number Mr. Bell is applying his
7 5 percent to create the threshold, therefore,
8 additionally raising and unfairly penalizing
9 the utility because the threshold would be
10 even higher.

11 Q. Assuming it was rolled into base rates?

12 A. That's correct.

13 Q. And would it be correct to say that if this
14 situation occurred in the last 14 years where
15 the company had systematically been hit with
16 \$195,000 storm events, say five of them in one
17 year, what would happen in that -- under the
18 existing threshold today?

19 A. Under the -- okay, could you repeat that?

20 Q. Under the existing threshold today, which is
21 \$200,000, what happens if the company gets hit
22 with five storm events under that, were
23 \$199,000 each particular storm event within
24 one year?

1 A. I would assume that if it happened in a
2 particular year that was a test year for a
3 rate case, that would be examined in the rate
4 base proceeding.

5 Q. So it's factored into base rates at --

6 A. If it's allowed by the Commission. Now,
7 typically under base rates you're not suppose
8 to have nonrecurring expenses in there, so,
9 therefore, you'd be -- it would be a
10 discretionary item.

11 Q. But if a storm -- if the situation where a
12 number of storms slightly below the threshold
13 have hit in a particular year and eroded the
14 company's revenues enough and a rate case
15 followed, that impact would be placed in the
16 test year; would it not?

17 A. The impact would -- could be handled
18 either one or two ways. I'm not an expert to
19 say which way it would be handled. The one of
20 two ways is the, yes, it could be rolled into
21 the base rate amount; or, secondly, the
22 company could ask for a surcharge for a period
23 of years to recover those costs.

24 Q. If I told you there was no surcharge for a

1 storm since 1978, would that limit the
2 options?

3 A. Well, actually, I think to answer that
4 properly you have to look back to what the
5 intent of the Storm Fund was to do. It was to
6 stabilize electric rates to the customers,
7 it's not to provide a slush fund; but to the
8 extent you have extraordinary costs like you
9 described, ten of them at 195,000, obviously
10 we would have to do something for rate relief
11 with the Storm Fund. And the sole purpose of
12 the Storm Fund is to stabilize the electric
13 rates to the customers.

14 Q. I understand that. But what happens when we
15 have a systematic -- a few storm events that
16 fall under the threshold, your testimony is
17 that the company does what's necessary in a
18 future rate case?

19 A. That's correct. That would --

20 Q. And there have been rate cases by Narragansett
21 Electric and rate increases by this Commission
22 ordered over the last 14 years; have there
23 not?

24 A. Oh, there definitely has been.

1 Q. So when we talk about bad luck in terms of
2 having storm events slightly under the
3 threshold occurring, a lot of that's already
4 factored into base rates; isn't it?

5 A. Again, yes, without going back and
6 actually looking through each of the cost of
7 service to see what was in there, I would say
8 it's unusual.

9 Q. And those base rates obviously reflect
10 inflation?

11 A. But, again, our base rates are approved by
12 the authority of the Commission.

13 Q. And the Commission has been known to order
14 adjustments in rates due to inflation?

15 A. That's correct.

16 Q. Let's just talk about the issue of
17 reoccurring -- recurring expenditures.
18 Something that happens once every seven years,
19 would you agree with me that that's not
20 reoccurring?

21 A. Yes, I would.

22 Q. Once every five years is not reoccurring?

23 A. Yes, I would.

24 Q. Once every year is reoccurring?

1 A. If it was -- if it was known to happen
2 every year and could be predicted as to happen
3 every year, I would agree with you that that
4 would be called reoccurring. However, in a
5 case like a weather system, I don't think
6 anybody can accurately predict what's going to
7 happen from year to year.

8 Q. And four times a year, reoccurring?

9 A. Again, it would depend on the situation.
10 I'm not an expert in this area.

11 Q. And there was access to 1978, was the big
12 storm, you're aware of that?

13 A. Ice storm of 1978.

14 Q. 1985, Hurricane Gloria?

15 A. Uh-huh.

16 Q. 1991, Hurricane Bob?

17 A. Uh-huh.

18 Q. 1992 winter storm?

19 A. Uh-huh.

20 Q. 1994 two storms?

21 A. Uh-huh.

22 Q. 1996 four storms?

23 A. Uh-huh.

24 Q. Is the weather getting a lot worse in this

1 region of the world?

2 A. Again, I'm not a meteorologist, and I'm
3 not an expert to answer that question.

4 Q. Looking at your Narragansett Exhibits 6, 7 and
5 8, what you did here was you broke down what
6 you thought were relevant items that would be
7 impacted by storm?

8 THE WITNESS: I'm sorry, which
9 exhibit are you on first?

10 MR. ROBERTI: I'm looking at six,
11 seven and eight.

12 THE WITNESS: Okay, not from my
13 direct testimony?

14 MR. ROBERTI: Not from your direct
15 testimony. The ones we received today.

16 MR. GERWATOWSKI: Could you repeat
17 the question or have it read back?

18 Q. Looking at Exhibits 6, 7 and 8, whether or not
19 this is -- would you just tell me again what
20 these exhibits represent?

21 A. Basically what we're doing is taking a
22 very conservative approach and stripping out
23 the recurring nonstorm, service-related costs
24 out of the number used by Mr. Bell in the

1 Division's testimony and redeveloping a
2 threshold, what we feel conservatively
3 reflects what would be incremental costs. And
4 I have to stress that even at the 50 percent
5 factor, although we don't have any precise way
6 of calculating that, we would have to make
7 that assumption that at least 50 percent of
8 those are just day-to-day operations, not
9 related to storm restoration.

10 Q. And you did some additional -- you did some
11 illustrative purposes adjustments on NEC 7?

12 A. NEC 7.

13 Q. The footnote down there?

14 A. Right, the 25 percent allocation factor is
15 just what I just mentioned. It's for
16 illustrative purposes only. There's no
17 scientific data to back that up.

18 Q. And you didn't allow in any allowances here
19 what would happen to the benefit of the
20 company in terms of the effect on distribution
21 costs; did you?

22 A. I took the actual costs as reported in the
23 FERC Form 1 the same as Mr. Bell did.

24 Q. And this is kind of a worst case scenario then

1 on the impact on distribution costs as they
2 would be affected by the storm?

3 MR. GERWATOWSKI: Can you read the
4 question back?

5 Q. It's a worst case scenario on the impact of a
6 storm on distribution costs, the volatility of
7 distribution costs in relation to a storm?

8 A. If your question is have I given Mr.
9 Bell's method every conservative approach I
10 could, I believe the answer to that is yes.

11 Q. And Mr. Bell actually took somewhat of a
12 conservative approach when he did his
13 calculation too, didn't he, when he looked at
14 your total operating income, which was looking
15 at Narragansett's operating income from the
16 FERC Form 1 of 42,424,000?

17 A. The problem with that number as I see it,
18 Mr. Bell used net utility operating income.
19 If you look at what the FERC standard calls
20 for, it's off of net income, which is a
21 different figure altogether.

22 Q. Do you know what that figure is, net income?

23 A. I don't have that figure, the precise
24 figure with me. I think it's -- it's

1 obviously much lower than the 42 million that
2 he provides. I'd be happy to take a data
3 response and respond to what the actual net
4 income is.

5 MR. ROBERTI: That's okay.

6 Q. But he took a 5 percent threshold. Now, even
7 if it's somewhat lower than 42 million, a 5
8 percent fluctuation in net income wouldn't
9 necessarily drive Narragansett in for a rate
10 case; would it?

11 A. I'm not an expert to answer that
12 question.

13 Q. And by reducing or using a figure of
14 distribution costs, Mr. Bell was conservative
15 too in some respects; wasn't he?

16 A. He was in some respects. I think what Mr.
17 Bell needs to do or the Division's testimony
18 needs to do is kind of get behind that
19 number. He's blindly applying a 5 percent net
20 income factor to one line item in the FERC
21 Form 1 not relating to what the expenditures
22 are making that up, if they're fair, and just
23 to use that as a basis.

24 Q. But he's using 5 percent of maintenance and

1 distribution expenses --

2 A. That's correct.

3 Q. -- for his threshold?

4 A. That's correct.

5 Q. And he's not using a 5 percent net income?

6 A. Five percent is a very relative number.

7 If you're applying 5 percent to a hundred

8 million, that's certainly a lot more

9 significant than 5 percent to a million.

10 MR. ROBERTI: That's right.

11 A. So you need to look at the items that go

12 behind what the 5 percent is being applied

13 to.

14 Q. So one could say that a standard -- one
15 standard might be 5 percent of your net
16 income, which that figure we do not have here;
17 isn't that true?

18 A. I believe the FERC rule is not intending
19 that to apply to storm funds. That's to
20 describe the materiality of an accounting
21 event.

22 Q. An extraordinary impact on a -- on a line
23 item?

24 A. It's an accounting event that I believe

1 that rule is applying to, not a weather event.

2 Q. But you still, as you sit here, can't testify
3 that a 5 percent fluctuation in income alone
4 would necessarily drive the utility in to file
5 a rate increase?

6 A. That's correct.

7 MR. ROBERTI: Could I just have a
8 moment, please?

9 MS. RACINE: Certainly.

10 (BRIEF PAUSE)

11 Q. So if I understand the difference between your
12 threshold, Narragansett's threshold that you
13 recommend, and Mr. Bell's is we're off by
14 \$150,000?

15 A. If you approximate Mr. Bell's up to
16 \$450,000, yes.

17 Q. Approximately 150,000 per storm event; and if
18 three of these events occurred, say, in a year
19 in which the storms were either slightly over
20 or slightly under 450,000 or 460,000, you mean
21 to tell me the total impact of the utility
22 between what you're recommending and what Mr.
23 Bell's recommending is less than \$500,000?

24 A. That is correct.

1 Q. And that assumes that -- that assumes that
2 three storm events occur that are slightly
3 above or below the threshold that Mr. Bell's
4 recommending?

5 A. The major difference between my
6 recommendation and Mr. Bell's, however,
7 though, is mine is tied to a Consumer Price
8 Index or inflationary trend of actual dollars
9 spent in one year versus another. Mr. Bell's
10 is relying blindly on expenses to charge.

11 On one line item in FERC Form 1, for
12 example, if we were under Commission order to
13 do some type of maintenance, that artificially
14 inflates that number. Mr. Bell's methodology
15 would also penalize the company as far as the
16 threshold for storm funds.

17 Q. Penalize? Mr. Webster, you're relying blindly
18 on a 14 year old benchmark; aren't you?

19 A. I would consider a benchmark that was set
20 by the Division and approved by the Commission
21 one to be rational at the time.

22 Q. You don't know what the Division's position
23 was in that docket; do you?

24 A. I believe if you look at my testimony --

1 and give me one second and I will find the
2 attachment.

3 (BRIEF PAUSE)

4 A. Restating my position on that, in
5 Attachment No. 3, page 46, it was the
6 Commission who was in agreement or approved
7 the company's position. I can't state what
8 the Division's position was other than the
9 first line, and I'm sorry this isn't numbered,
10 under, "Storm Contingency," says, "The
11 Division and the company agree the Commission
12 should permit the establishment of a fund upon
13 which the company could draw in order to
14 defray costs of future storm damage." So I
15 would assume if they came in agreement with
16 the company they also agreed upon the
17 rationale of the \$200,000 threshold amount
18 also.

19 Q. But we don't know --

20 A. We don't know for certain, that is
21 correct.

22 Q. Shouldn't you increase the threshold, the
23 existing threshold by inflation or by the GNP
24 deflator? Shouldn't the threshold -- is it

1 your testimony that the threshold shouldn't
2 track inflation?

3 A. The threshold is, if I understand your
4 question, that inflation is tracking -- I'm
5 sorry, that threshold number that I propose is
6 tracking the effects of inflation.

7 Q. As of 1997; but what about 1998?

8 A. Again, relying on exhibits approved in
9 Docket 1938, I followed the same methodology.
10 I can't project into the future what inflation
11 will be. We have to use history as our guide.

12 Q. Let me say, if the Division's concern today is
13 to make sure we don't revisit this issue in 14
14 years and have a static benchmark, would you
15 agree with me that even what you propose ought
16 to track inflation to avoid that?

17 A. I guess it's the company's position that,
18 you know, we should be inflating this each and
19 every year for inflationary trends. We're not
20 in denial of that.

21 Q. But you haven't proposed that in this case?

22 A. No, I've done it just for this point in
23 time.

24 Q. And it hasn't occurred in the last 14 years?

1 A. That's correct.

2 Q. And maybe one of the reasons why the company
3 is accessing the storm funds four times a
4 year --

5 A. Again, the company is following the
6 precedent in place at that time.

7 Q. Let me read a response to Commission data
8 request 1-8. Question is, "Are the storm
9 funds set aside in a separate bank account?
10 If not, how are they accounted for?" The
11 company's response is, "No, the company does
12 not set aside funds in a separate bank account
13 for the Storm Fund. The objective of the
14 Storm Fund is to stabilize electric rates by
15 reducing or eliminating the likelihood that
16 major storm events would cause periodic
17 surcharges in rates. The purpose is not to
18 provide security for service restoration costs
19 in the event of financial hardship of the
20 company. The company has the financial
21 strength, necessary cash flow to pay the costs
22 of major storms when they occur." Do I
23 understand that testimony to mean that even
24 without a Storm Fund the company could incur

1 the cost of a storm through its financial
2 strength?

3 A. The intent of that response is to mean
4 this is not a traditional escrow account that
5 you find that is segregated in a separate bank
6 account. This isn't put aside or we're not
7 required to put these funds aside to make sure
8 we're solvent to pay these bills. This is
9 just stating we don't, as Mr. Bell has
10 testified, carry it in a separate account as
11 commingled with our funds and it's accounted
12 for like the other programs that the
13 Commission has approved.

14 Q. Mr. Webster, you've made no provision -- what
15 if Narragansett Electric overearns in a
16 particular year that they get hit by a storm?

17 A. I'm sorry, I don't understand the
18 question.

19 Q. Do you think any excess earnings ought to be
20 applied to extraordinary storm costs prior to
21 accessing the funds?

22 A. I'm not familiar with the PBR part of the
23 State Restructuring Act; but I guess I would
24 have to remand that question over to the

1 lawyers.

2 Q. Let me ask you this: Don't you think it would
3 be fair to ratepayers -- if ratepayers are
4 funding these costs for extraordinary storms
5 up front to insure the utility's financial
6 stability, don't you think it would be fair
7 that excess earnings be used to offset
8 extraordinary storm costs prior to the utility
9 accessing this ratepayer fund?

10 A. But the customer contributions are not
11 being used to secure any of the company's debt
12 borrowings or anything like that, so I don't
13 think you can make that rationale.

14 Q. It's your testimony then on a year in which
15 the major storm hits, the utility ought to be
16 able to make excess profits or earnings above
17 its authorized rate of return even though the
18 Storm Contingency Fund account is decimated?

19 MR. GERWATOWSKI: Objection, no
20 foundation.

21 MS. RACINE: Mr. Roberti?

22 MR. ROBERTI: I think it's a fair
23 question. I think he should answer it.

24 MS. RACINE: I'll sustain the

1 objection.

2 MR. ROBERTI: I'll ask it a
3 different way.

4 Q. Your testimony is that a utility ought to be
5 able to over -- potentially overearn in a year
6 under what you're recommending here and under
7 what's been in place for 14 years, the utility
8 has the ability to overearn even when it gets
9 hit by an extraordinary storm as long as there
10 are funds in that account?

11 A. I'm sorry, I'm just having difficulty
12 understanding the concept. These would be --
13 these are expenses charged away from -- how do
14 I want to say that? These are incremental
15 costs associated with an extraordinary storm
16 that are being charged to the Storm Fund,
17 which is the purpose of -- the reason why the
18 Storm Fund exists.

19 Q. Sure. But should a utility overearn in a
20 particular year in which there's an
21 extraordinary storm? Is that fair?

22 MR. GERWATOWSKI: Objection, no
23 foundation for the premise that you've made in
24 any of his testimony.

1 MR. ROBERTI: It's a hypothetical.

2 MS. RACINE: I'll sustain Mr.
3 Gerwatowski. Mr. Roberti, kindly stay on the
4 testimony that we have in front of us with Mr.
5 Webster please.

6 MR. ROBERTI: I have no further
7 questions.

8 MS. RACINE: Mr. McElroy, any
9 questions of the witness?

10 MR. McELROY: Believe it or not, I
11 would. I have a couple; and if I could ask
12 the Commission and the parties' indulgence. I
13 have an appointment at 1 o'clock, I would like
14 to briefly state Block Island's position and
15 ask to be excused, if that would be all
16 right.

17 CROSS-EXAMINATION BY MR. McELROY

18 Q. Mr. Webster, your approach is specific to
19 Narragansett Electric; is that correct?

20 A. That is correct.

21 Q. And you know this is a generic docket;
22 correct?

23 A. Yes, I do.

24 Q. And your approach would have no applicability

1 to a small company like Block Island Power
2 Company or Pascoag or any other company; is
3 that correct?

4 A. That's correct. I've only done the
5 calculation for Narragansett Electric.

6 Q. In fact, you couldn't take your approach and
7 apply it generically to Block Island or
8 Pascoag; could you?

9 A. I think that would be beyond the scope of
10 my calculation.

11 Q. Your approach also, I think as Mr. Roberti
12 pointed out, is not a rolling approach as Mr.
13 Bell's is in the sense that yours has got a
14 static number. I think you testified that you
15 would agree to have it inflated, but you don't
16 actually in testimony state that; correct?

17 A. That is correct.

18 Q. All right. And you would agree that Mr.
19 Bell's approach is a generic approach that
20 could be applied to all utilities and is also
21 a rolling approach that would be adjusted
22 every year; correct?

23 A. I believe both -- in looking at it that
24 way, both methodologies could be applied to

1 all the companies. I guess the question is,
2 do I think Mr. Bell's is fair. No, it isn't,
3 unless you take into account what's actually
4 in the number that he's applying the 5 percent
5 to.

6 Q. I just don't see how your approach could be
7 applied to determine a threshold for Block
8 Island Power Company; because your approach
9 starts from the \$200,000 previously approved
10 in an earlier docket, whereas, Block Island
11 Power Company has no threshold approved by the
12 Commission, nor do any other companies at this
13 point have a Commission approved threshold.
14 So I don't see how your approach could be
15 used. Am I incorrect?

16 A. Again, my approach applies specifically to
17 Narragansett Electric.

18 Q. All right. Could you just stay with me for
19 just a minute. Now, I know you don't agree
20 with Mr. Bell because you feel his threshold
21 is too high; correct?

22 A. That's correct.

23 Q. And he used a figure of 5 percent that he
24 applied against the particular account from

1 the FERC level; correct?

2 A. That's correct.

3 Q. All right. And --

4 A. Actually, a correction to that is he
5 applied it to a particular category in the
6 FERC Form 1, not a specific account.

7 Q. Distribution maintenance expense?

8 A. Correct.

9 Q. Now, you then took the 200,000 number and
10 using an inflator came up with a number that
11 is roughly what, three --

12 A. Three hundred twenty.

13 Q. Three hundred twenty. What if instead of 5
14 percent Mr. Bell had used a figure of 3 and a
15 half percent, and subject to check, would you
16 agree that that figure would be approximately
17 \$312,000?

18 A. If that's what the calculation works out
19 to; but my main objection to doing something
20 like that is, again, what you're basing his
21 allocating percentage on, whether it be 5
22 percent, 3 and a half percent, what have you,
23 you need to look at the number you're applying
24 that against and what's included in that line

1 item.

2 Q. My point is that by reducing his percentage he
3 would then be backing out in a slightly
4 different way the figures that you backed out
5 but come up with the same number; wouldn't he?

6 A. But with that percentage, from year to
7 year, following that method, wouldn't that
8 percentage also fluctuate? You'd have to do
9 some kind of study to get to what the actual
10 number should be just to include storm
11 restoration costs.

12 Q. The point I'm making is if you took 3 and a
13 half percent instead of five, you'd come up
14 with a number that for Narragansett Electric,
15 which is the largest utility and has clearly
16 the most distribution maintenance costs of
17 anyone spread out over the entire state, you
18 come up with a number that's roughly equal to
19 yours; correct?

20 A. Uh-huh.

21 Q. And that number that you have is one that
22 appears to me anyway to have been properly
23 inflated from what the Commission earlier
24 established for this large utility. So at

1 least as a snapshot today, in 1997, we have a
2 number that is inflated that was reached in
3 two different ways. You inflated the
4 Commission's number; but a 3 and a half
5 percent number would also come up with the
6 same number, at least today?

7 A. It would seem to me that you're just
8 backing into an arbitrary percentage by, you
9 know, saying, well, what would a percent and a
10 half below Mr. Bell's testimony yield for a
11 threshold number. At least mine is tied to
12 government, you know, released statistics.

13 Q. I think you could look at it a different way,
14 couldn't you? Let's assume your number is
15 correct, and a good way to do it, start with a
16 Commission approved number, inflate it for
17 CPI, but then figure out what is that number
18 as a percent of this particular account,
19 distribution maintenance; and it works out to
20 3 and a half percent; and then say for all
21 utilities we'll establish a 3 and a half
22 percent figure. Do you see that as being
23 inherently unfair?

24 MR. GERWATOWSKI: I object to the

1 question. He didn't testifying for Block
2 Island Power. They haven't put their own
3 witness on. I've let it go quite a while. I
4 think he's attempting to use my witness to
5 testify on behalf of Block Island Power. I
6 don't think that's fair; because that wasn't
7 his purpose for offering his opinion. I think
8 I just kind of let it go a little too long
9 before I raised an objection; but I guess I
10 object at this point.

11 MR. McELROY: It's really my last
12 question; and then I'm prepared to state our
13 position. Actually, I'm sorry, I have one
14 more. I'm not trying to make him my witness.
15 I'm asking him if he would think that
16 procedure is unfair and comes up with the same
17 number he has.

18 MS. RACINE: I'll be honest with
19 you, Mr. Gerwatowski, I was listening to his
20 question very closely. If you want me to
21 sustain, I can.

22 MR. GERWATOWSKI: If that's his last
23 question, I'll let it go.

24 MS. RACINE: Continue, Mr. McElroy.

1 Q. Do you think it's fair to look at it that way?

2 A. To be honest with you, I don't know;
3 because I think you're just applying -- you're
4 mixing, to me, at least in my mind, two unlike
5 items. In other words, you're coming up with
6 a -- you are backing into what a percentage
7 would be; and you're going to hold that
8 percentage constant. What I'm trying to do
9 is, I said, look, this is what a dollar bought
10 you back in 1981, and this is what -- this is
11 how much you would need today to buy that same
12 dollar's worth. That's where I'm coming out.

13 Q. I understand. Let me just move on to one
14 other area. One concern that you have about
15 Mr. Bell's testimony is that the company could
16 in a sense be penalized every time those
17 figures fall just below the threshold; because
18 when you put that back into this account and
19 you use that rolling average approach, that
20 rolling average will start rolling higher and
21 higher every year; correct?

22 A. That's correct.

23 Q. Let me ask you one other question. What if
24 you were instead to take those years when you

1 exceeded whatever threshold the Commission
2 established for a particular storm and instead
3 of using from the Storm Fund only the excess
4 over the threshold you in fact were able when
5 you exceeded the threshold to use the entire
6 amount of dollars, so that, if you're
7 following me, so that in the years -- in the
8 storms in which you exceed the threshold you
9 get to use all the dollars; but in the storms
10 in which you don't exceed the threshold they
11 go back into the number. Wouldn't that
12 balance out this unbalanced approach that
13 would in your opinion result in, and I think
14 you're right from an accounting standpoint,
15 result in an ever growing threshold?
16 A. I can only refer back to what the
17 precedent has been in previous cases. I know
18 that from reading through the dockets, the
19 previous dockets regarding this, the threshold
20 is to establish or was set to establish that
21 only truly incremental costs associated with
22 service restoration costs were applied to the
23 fund. What you're suggesting is a change in
24 the entire methodology of the existing fund

1 similar to what we've proposed in Mass.
2 Electric where once you cross it you've got
3 everything excluding a deduction. At this
4 time, without further analysis, I can't
5 accurately portray whether that would be
6 acceptable to the company or not.

7 Q. No, I'm not asking if it's acceptable to the
8 company. What I'm asking you is from an
9 accounting standpoint if that would even out
10 this growth.

11 A. I guess you still have to go back to
12 looking at the line items that make up the
13 amount of distribution maintenance in a
14 particular year. To the extent you have
15 maintenance, ongoing maintenance jobs that
16 have -- just to upgrade your system or what
17 have you, all those costs are being charged
18 under that line item in the FERC Form 1. So,
19 again, it comes really back to the basis
20 you're applying whatever percentage you
21 detect. I guess I'd still feel more
22 comfortable if you tie a threshold into an
23 actual dollar escalation, you're holding
24 things constant, this is what a dollar buys

1 you today, this is what a dollar buys you back
2 then. At least you have some kind of a basis
3 to look at it.

4 MR. McELROY: Thank you. I'd just
5 like to make a short statement. I've got to
6 apologize; because I have not had the
7 opportunity to review Block Island Power
8 Company's position with the owners of Block
9 Island Power Company because of the short time
10 frame in which this testimony was presented to
11 us. But the statement I'm going to give then
12 is going to be my statement as the attorney
13 for the company; but I want to caution you on
14 the record that I haven't had the opportunity
15 to get the approval from my client for this.

16 But based on what I've heard, our feeling
17 from Block Island Power Company is that we do
18 not have a Storm Contingency Fund. We would
19 like to give serious consideration to
20 establishing one; and we would hope that the
21 order that the Commission would issue in this
22 docket would be a generic order that would be
23 allowed to be applied by all of the utilities
24 in Rhode Island so that they could know

1 exactly how to set up a Storm Contingency
2 Fund, what would be allowable expenses. And
3 if there's going to be a threshold where we
4 start and then if it's going to change every
5 year, what the new number is going to be every
6 year.

7 For that reason I believe you really need
8 two formulas. You need a formula to establish
9 the funds in the first instance; and then, B,
10 I think in fairness, so that we don't have
11 another 14 years or however many years go by
12 before that number gets revisited, the order
13 should establish a formula that the company
14 needs to use every year to recalculate the
15 threshold.

16 And it's for that reason that we in
17 general would support the approach of the
18 Division with certain qualifications. I
19 believe that if you look -- if you assume that
20 the Commission properly established a \$200,000
21 figure in the Narragansett case the first time
22 around, and if you -- if we all agree that
23 Narragansett is clearly the largest company,
24 has the most amount of experience and would be

1 more of an averaged approach, that you then
2 work that up based on a CPI figure, which I
3 think Mr. Webster has properly done. I think
4 Mr. Webster has a good figure for Narragansett
5 Electric. And then I think if you look at
6 that as a percentage of the distribution
7 maintenance expense account that Mr. Bell is
8 recommending, it's 3 and a half percent rather
9 than 5 percent.

10 And, so, my recommendation would be that
11 the Commission rule that an electric utility
12 can establish a fund with a base amount of 3
13 and a half percent of the distribution
14 maintenance expenses and that the
15 Commission -- that the company in later years
16 would recalculate it again based on 3 and a
17 half percent of the rolling three year average
18 that Mr. Bell has proposed.

19 There is one problem, however, that has
20 been pointed out at the hearings about using
21 this approach; and, that is, that when you
22 have these storms that walk just below the
23 threshold, that rolling average is going to
24 grow and grow and grow on a regular basis and

1 may result in some problem. The suggestion I
2 have for trying to even out that problem is
3 what I was discussing with Mr. Webster, which
4 is in those years in which the threshold is
5 exceeded -- in those storms in which the
6 threshold is exceeded, the utility should be
7 allowed to deduct from the fund all of the
8 expenses right down to zero. However, in
9 those years in which the threshold -- in those
10 storms within which the threshold is not
11 exceeded, then it goes back into the
12 calculation. And I think that would even out
13 over the long run or probably eliminate this
14 creep in the threshold amount.

15 And that is the position I would put
16 forth on behalf of Block Island Power Company;
17 and I thank you for your indulgence and
18 allowing me to speak out of turn.

19 THE CHAIRMAN: Mr. McElroy, just one
20 question. To the extent, if any, that the
21 principals of the company disagree with the
22 statements you've made here on the record,
23 could you let us know?

24 MR. McELROY: I will notify the

1 Commission. I'll put this is writing to them
2 and get back to you as soon as I can if they
3 have any disagreement.

4 MS. RACINE: Thank you, Mr.
5 McElroy. Mr. Ezickson?

6 MR. ERICKSON: No questions for this
7 witness.

8 MS. RACINE: Ms. Southgate?

9 (BENCH CONFERENCE)

10 EXAMINATION BY MS. SOUTHGATE

11 Q. Good afternoon, Mr. Webster. I have just a
12 couple of things. The first was that on the
13 additional exhibits that you submitted in
14 which you backed out certain figures from Mr.
15 Bell's 5 percent accounting category, the
16 attempt here was to fairly approximate what
17 expenditures were actually normal
18 expenditures, not storm-related expenditures;
19 but I note that in each case the exhibit is
20 premised on a FERC Form 1 for the year ended
21 December 31, 1995. And referring to your
22 Exhibit DMW-1 as part of your testimony, I see
23 that there were no storms in the entire
24 calendar year of 1995 were chargeable storms.

1 So would it not be accurate to say that during
2 the year of 1995 at least all \$8,923,254 of
3 expenditures were nonstorm related
4 expenditures?

5 A. No, because if you look at the particular
6 line item that I detailed, I apologize, I
7 forget what number of exhibit it is, but it's
8 the one that details the six million two, and
9 just looking at those costs, there's one
10 single line item that we do every single year;
11 and that's preventive maintenance, tree
12 trimming. I guess the premise of my argument
13 is you can't blindly just take this number
14 right off Form 1 and say this is what it
15 should be. What you need to do is look at
16 that and take normal day-to-day operations out
17 of the equation. It would be unfair to apply
18 this threshold to a figure that included
19 day-to-day recurring operations.

20 Q. But I think you missed my point. In the year
21 1995 all of those numbers were normal
22 day-to-day operations; because you had no
23 chargeable storms in that year?

24 A. Well, actually, if you refer back to the

1 same exhibit that I was just referring to that
2 details the six million two, you have one line
3 item in there that's called "Overhead Line
4 Trouble Maintenance."

5 MS. SOUTHGATE: Right.

6 A. And that would be from the smaller storms,
7 not extraordinary storms.

8 Q. That's right, those are storms that are
9 considered part of the normal weather pattern
10 for which you recover in base rates some
11 quantum of money that's expected to address
12 that; is that right? And what we're talking
13 about here is not that sort of thing. We're
14 talking about an extraordinary storm?

15 A. I guess the way we need to look at this is
16 what the Storm Fund's intended to do; and
17 that's the assumption that I followed, is to
18 look at storm service restoration costs, not
19 daily ongoing recurring operations. And
20 that's what my attempt in this illustration is
21 to do.

22 Q. But what I'm trying to get to is, even a 50
23 percent allocation factor is extremely
24 conservative; because in at least one year

1 essentially 100 percent of the expenditures
2 were nonextraordinary storm related. I said
3 it backwards to confuse you. Never mind. The
4 other factor that I wanted to bring out is
5 that there has been some talk about the fact
6 that the Storm Fund was accessed four times in
7 1996; but I think we had some earlier
8 agreement on the fact that hurricanes
9 generally, and certainly Hurricane Bob and
10 Hurricane Gloria, qualified as extraordinary
11 storms sort of ipso facto. Is it not the case
12 that two of the storms listed in 1996 were in
13 fact hurricanes? The July 1996 storm was
14 Hurricane Bertha; and Hurricane Luis came
15 through in September 1996.

16 A. Again, it's not so much tying, as Mr. Bell
17 had testified, the track of a hurricane or --

18 Q. But those did happen to be hurricanes; did
19 they not?

20 A. Right. That thankfully missed us and
21 didn't cause a great amount of destruction.

22 Q. But they caused some destruction. Also, is it
23 not accurate to state you may not be aware of,
24 because I don't think you're a Rhode Islander,

1 but certainly there is some common consensus
2 that the winter of 1996 had exceeded all
3 snowfall records for the previous century or
4 some such thing. So there were two large
5 storms in February and March of 1996. It
6 certainly wasn't -- those storms didn't have
7 anything to do with the company creating
8 them. They just were the luck of Mother
9 Nature's blessing us with a great deal of
10 snow. So the fact that the company accessed
11 the Storm Fund four times during 1996 was in
12 essence extraordinarily bad luck on the one
13 hand and extraordinarily good luck that we
14 didn't wind up getting hit harder than we did?
15 A. That's correct. And under our proposal,
16 by escalating by the rate of inflation each
17 and every one of those storms, there would
18 have been nothing applied to the Storm
19 Contingency Fund.

20 MS. SOUTHGATE: Thank you. No
21 further questions.

22 MS. RACINE: Chairman Malachowski?

23

24 EXAMINATION BY CHAIRMAN MALACHOWSKI

1 Q. Mr. Webster, what is your current title?

2 A. My current title is an analyst in the Rate
3 Department providing revenue requirement
4 analysis of ongoing retail rate matters.

5 Q. And on page 3 of your testimony, line 12, your
6 statement there is that the annual
7 contribution of \$641,000 does not have to be
8 changed, that's your position?

9 A. That's correct.

10 Q. And that amount comes from rates, that's built
11 into the rates that currently exist?

12 A. That is correct, amount in rates, that's
13 correct.

14 Q. And if we decide to increase that amount to
15 order that an amount higher than that go into
16 the Storm Fund, would the company then have an
17 argument that they would have to increase
18 rates to provide for that?

19 A. I'm not an expert on the PBR standards;
20 but from reading through it, it's my
21 understanding that to the extent there's an
22 accounting change, which I would assume the
23 company would take that position, we would be
24 allowed to file and ask for recovery of that

1 increase. Again, that's one for the lawyers.

2 Q. I wanted to turn to the data request response
3 specifically -- excuse me for one minute.

4 (BRIEF PAUSE)

5 Q. I believe that same document exists in your
6 testimony as an exhibit, DMW-3. If you could
7 turn to that, please. This is a schedule
8 which shows a summary of the Storm Fund from
9 April '92 to January '97; is that correct?

10 A. That is correct.

11 Q. And what would your description of the ending
12 balance of this account be for the period
13 shown on the schedule?

14 A. That description would include, as I've
15 noted under footnote 3 in the adjustment
16 notes, a pending Commission order that we
17 believe would move \$6 million, approximately
18 \$6 million from the DSM, the current DSM fund
19 over into the Storm Fund, restoring it from a
20 deficit position of approximately 3.3 million
21 to approximately 3.8 million.

22 Q. I understand that. That's on the schedule.
23 What I was asking you, though, if someone
24 asked you to describe how this account was

1 going, what kind of reaction would you have
2 looking at the ending balances that are shown
3 in the schedule for the years shown?

4 A. Given the track record, I would make the
5 assumption that there were a lot of storm
6 activity costs that the company has paid for
7 that has yet to have been collected through
8 rates.

9 Q. And that's because in most of the years the
10 storm account has had a negative balance; is
11 that not correct?

12 A. That is correct.

13 Q. And if I look at the period 1996 and go back
14 for 12 years to 1985 inclusive, of those 12
15 years there has been a negative balance in all
16 the years but three; is that correct?

17 A. That is correct.

18 Q. And of those, three years where there was not
19 a negative balance, the years 1988, '89 and
20 '90; is that correct?

21 A. That is correct.

22 Q. And is there a particular reason why there was
23 not a negative balance in those three years?

24 A. Essentially it's because in the 1988 rate

1 settlement, as a stipulation to that agreement
2 the company -- in the settlement the company
3 agreed to a write-off. That's an expense of
4 an accumulated deficit through the year 1988.
5 In other words, we wrote off 2.5 million to
6 expense to restore the balance back to zero.

7 Q. When you say you wrote it off to expense, what
8 do you mean by that?

9 A. We literally even charged it as an expense
10 item on our income statement.

11 Q. Did you still collect that money from
12 ratepayers?

13 A. I believe not. I believe the stipulation
14 agreement, and I'd have to check on this,
15 under that rate case there was a decrease in
16 rates; and that was part of the stipulation.

17 Q. So that was a write-off by the company in the
18 normal acceptable accounting definition of a
19 write-off?

20 A. That's correct.

21 Q. And that was an unusual occurrence for this
22 account; was it not?

23 A. I would assume it was, yes.

24 Q. And it's only because of that adjustment that

1 this account had -- this account had something
2 other than a negative balance for the last 12
3 years; is that correct?

4 A. That's correct.

5 Q. I'd like to turn to the column marked
6 "Interest"; and I'm looking at the period
7 1992 through 1996 inclusively. That was
8 interest that the company earned because of
9 the negative balance on this account; is that
10 correct?

11 A. That's correct. It's essentially
12 compensating the company for cost of money out
13 of pocket.

14 Q. And that for those years, the five years, the
15 interest expense was \$883,598 subject to
16 check?

17 A. I would agree with that subject to check.

18 Q. And that is interest that the ratepayers had
19 to pay for; correct?

20 A. That is correct.

21 Q. And if I go back further, we just describe the
22 three years that the account had a positive
23 balance or something other than a negative
24 balance, the ratepayers were paid interest; is

1 that correct?

2 A. That is correct.

3 Q. And that was approximately just over \$76,000
4 in interest the ratepayers earned?

5 A. Just for the years 1989 through 1991.

6 THE CHAIRMAN: Correct.

7 A. I would approximate that subject to check.

8 Q. And that was, again, due to the unusual
9 adjustment that was made with the write-off
10 because of a settlement which involved quite a
11 number of other matters?

12 A. That's correct.

13 Q. If I continue to go back then, the three years
14 prior to that, '86, '87 and '88, there was
15 also interest that the ratepayer has paid
16 because of the negative balance; is that
17 correct?

18 A. That's correct.

19 Q. And that was in excess of a half a million
20 dollars; is that correct?

21 A. Subject to check, that's correct.

22 Q. So for this 12 year period ratepayers have
23 paid interest, by my calculation, is something
24 around just below \$1.4 million in interest?

1 A. Subject to check, I would agree with
2 that.

3 Q. Now, putting aside the recent decision of the
4 Commission to allocate money into this account
5 that you describe here on adjustment No. 3,
6 this is the 96-97 decision, it clearly appears
7 that the revenue going into this account has
8 not supported the expenses drawn from the
9 account; is that correct?

10 A. Just based on that, that's correct.

11 Q. So it appears the \$641,100 annual contribution
12 is not enough to support the number and
13 magnitude of storm expenses that we've
14 received over the last 12 years; would you
15 agree with that?

16 A. Given the number of storms that we have
17 been hit with, yes, I would.

18 Q. But your testimony is that the \$641,000 annual
19 contribution does not have to be changed. Why
20 do you take that position?

21 A. Because I'm including the \$6 million
22 adjustment that's noted in footnote 3 as my
23 starting point.

24 Q. If we did not have that \$6 million adjustment.

1 would your position on the adequacy of the
2 \$641,000 annual contribution be different?

3 A. My assumption is that that number would
4 have to go up.

5 Q. And that may result in a rate increase as
6 well?

7 A. According to the, and, again, I'm not an
8 expert on it, but according to the PBR filing,
9 I would assume that will qualify.

10 Q. So when the Commission was looking at this
11 account, it had limited ways to handle this
12 difficult situation that was continuing with
13 negative balances and continuing with
14 ratepayer expense for interest. One was to
15 increase the annual contribution; and the
16 other was to look for other sources of
17 funding; is that correct?

18 A. That's correct.

19 Q. Can you think of any other way to handle this
20 continued deficit situation?

21 A. Not given the parameters that exist for,
22 you know, the operation of the Storm Fund.

23 Q. So do you believe that the Commission's
24 decision to allocate the \$6 million to this

1 storm account was a good decision?

2 A. Not being a party to that decision, I
3 would assume so. I'm just starting with the
4 assumption balance that you see here, working
5 forward.

6 Q. Well, you've argued against increasing the
7 annual contribution, 641, have you not?

8 A. That's right, including assets, Mr.
9 Chairman.

10 Q. And you've told me there are two ways to
11 handle this situation: One is increasing the
12 annual contribution, which I argued against;
13 the other is to find other funding sources,
14 which the Commission has. So would you object
15 to the Commission's decision?

16 A. The purpose of this, again, not being an
17 expert, no.

18 Q. In regard to footnote 8, I asked Mr. Bell
19 earlier, there are some charges to the account
20 that are, in the magnitude of the numbers of
21 schedules, relatively small. One is a
22 February 6th storm in the amount of \$1,956.
23 Do you see that?

24 A. Yes, I do.

1 Q. And is that the amount over \$200,000 that was
2 the expense of this storm?

3 A. Yes, that was the incremental charge above
4 200,000.

5 Q. And that's the same for the other two or three
6 storm charges identified here on this footnote
7 8; is that correct?

8 A. That is correct.

9 Q. What has been the target balance in this
10 account?

11 A. Existing today the target balance was
12 approximately 5 million -- 5.8 million.

13 Q. And have we ever come close to having that
14 kind of money in this account?

15 A. According to the summary, no.

16 Q. And, in fact, if not for the write-off in 1998
17 and if not for the recent decision to put \$6
18 million into this account, there would never
19 have been a positive balance in the last 12
20 years; is that correct?

21 A. No, there would not have been.

22 Q. So what I said was correct?

23 A. Yes.

24 Q. The negative balances in this account in some

1 cases have exceeded \$5 million; is that
2 correct?

3 A. Yes. An example of that would be 1992.

4 Q. And that's happened more than once; correct?

5 A. Yes, it has.

6 Q. In the cost of just one hurricane, Hurricane
7 Bob, that would be calculated by adding note 3
8 and 4; is that correct?

9 A. That's correct.

10 Q. So the cost of that one storm was \$7,837,000
11 approximately?

12 A. Approximately. But that was before an
13 insurance reimbursement check of a million
14 three. Net charge of the fund was
15 approximately 6.4 million.

16 Q. So after insurance, that one hurricane cost in
17 excess of \$6 million?

18 A. That's correct.

19 Q. And if we continue to run a negative balance
20 in this account, how would we pay for that
21 expense?

22 A. One of two ways. It would be an increase
23 in the customers' rates; or there would be
24 some determination at some point, and I'm not

1 advocating this, that the fund would be halted
2 and that just attrition over the years set the
3 current rate. The deficit would be
4 eradicated; but, again, you'd be accumulating
5 interest on the fund at all times.

6 Q. The purpose of this fund is to build up an
7 account, a surplus balance for which to handle
8 the extraordinary storms; is that not
9 correct?

10 A. That's correct.

11 Q. And if the account continually has a negative
12 balance, then you're not achieving your stated
13 goal; is that correct?

14 A. No, it -- it isn't achieving the stated
15 goals. The way it was, however, it did serve
16 to stabilize rates by not having the rates
17 jump up or down to collect the storm funds in
18 a short amount of time.

19 Q. I'll accept that as a correction to the stated
20 goals, that it was, one, to have a positive
21 balance to handle storms; and, secondly, as
22 you state, to stabilize rates. Without the
23 decision for the write-off in '88, the recent
24 decision to allocate money to this account, do

1 you think that this account left untouched
2 could have achieved those two goals?

3 A. Left untouched, no; but, again, it would
4 have to depend on the frequency of
5 extraordinary storms tracked against the
6 fund. And the reason why I bring that up is,
7 I think it was previously stated that, during
8 this hearing that previous to 1985, Hurricane
9 Gloria, the hurricane before that was some
10 time in the mid '50s.

11 Q. Hurricane Gloria was in 1985?

12 A. That's correct.

13 Q. And the cost of that storm was almost \$5
14 million; is that correct?

15 A. That's correct, 4.8 million was charged to
16 the fund after deductible.

17 Q. So if we had a hurricane in 1985 that had an
18 expense of less than but close to \$5 million,
19 and then another hurricane in 1991 that cost
20 almost \$8 million, that experience results in
21 approximately \$13 million of hurricane-related
22 expenses over a six year period; is that not
23 correct?

24 A. That's correct. Given that those are the

1 gross numbers of costs out of pocket.

2 Q. If I recall, that last year that there was an
3 unusually high number of hurricanes that were
4 tracked by the Weather Service. We were
5 fortunate that none of those hit us directly.
6 But do you know if the number of hurricanes
7 that were tracked last year broke any kind of
8 record in terms of the high number or high
9 volume of them?

10 A. I can't say if they broke any records; but
11 I do know there was an inordinate amount of
12 them.

13 THE CHAIRMAN: Thank you. I have no
14 further questions.

15 MS. RACINE: Thank you, Chairman.
16 Mr. Massaro?

17 MR. MASSARO: Thank you. I just
18 have a couple of questions.

19 EXAMINATION BY MR. MASSARO

20 Q. Do you have Narragansett Exhibit 4?

21 A. Yes, I do.

22 Q. I was trying to determine if the total of 8.9
23 million for maintenance was regular
24 maintenance or included any extraordinary

1 storm charges. So I looked to DMW-3, which
2 we've been reviewing. On DMW-3 it indicates
3 that in 1995 \$586,000 approximately of storm
4 charges. However, the footnote No. 7 states
5 that these were December storm charges, but
6 yet they were recorded in March of '95. So
7 it's not clear to me -- can you tell me if the
8 8.9 million includes the 586,000 or does not
9 include it?

10 A. No, it does not include that amount.
11 Basically the way the actual charges flow into
12 the fund depends on a lag. When you have a
13 storm event of this magnitude, in most cases
14 you're forced to bring in a lot of outside
15 crews; and just by the time you process
16 payments and actually record the expenses,
17 there's a normal lag that follows.

18 Q. I did correct it to say does not include the
19 586.

20 A. That's correct.

21 Q. So these are all normal maintenance costs,
22 they're not reflective of any extraordinary
23 storm charges?

24 A. Extraordinary storm charges, that's

1 correct.

2 Q. For this particular year anyways?

3 A. Right. And by "extraordinary storm
4 costs," again, ones that incrementally were
5 over the \$200,000 threshold.

6 Q. The Division, Mr. Bell, in his testimony on
7 page 8 and 9, he lays out a number of
8 accounting entries and procedures that he
9 would follow, accounts to charge and accounts
10 that would be used to record the balances,
11 positive and negative. Do you have any, or
12 does Narragansett object to any of the
13 accounting that he recommends in this docket?

14 A. No. In fact, that's the same accounting
15 we currently follow.

16 Q. Would Narragansett prefer to continue using
17 the 30 day CD rate to determine interest on
18 the funds; or do you -- or would you prefer to
19 adopt a prime rate, as Mr. Bell recommends?

20 A. The company would not be opposed to a
21 change in the interest rate providing that it
22 was a reasonable rate.

23 Q. Does the company feel the prime rate is
24 reasonable?

1 A. Yeah, I would assume any rate tied to, you
2 know, a market or some real world index would
3 be acceptable.

4 MR. MASSARO: Thank you. I have no
5 other questions.

6 MS. RACINE: Thank you, Mr.
7 Massaro. I have no questions of this
8 witness. Thank you, sir. Any further
9 questions of Mr. Webster?

10 MR. GERWATOWSKI: I do not.

11 MS. RACINE: Mr. Roberti, do you
12 have any further questions of this witness?

13 MR. ROBERTI: One moment. I may
14 have one question.

15 (BRIEF PAUSE)

16 FURTHER CROSS-EXAMINATION BY MR. ROBERTI

17 Q. Could you just explain to me why you used the
18 GNP?

19 A. The GNP is the same inflator that was used
20 in a previous rate case, so I felt where there
21 was precedent set I would follow that. The
22 GNP is important to notice the, also the
23 broadest based government price inflator this
24 is.

1 Q. And you did not review actual cost increases
2 to restore service over the years; did you?

3 A. No, I did not.

4 MR. ROBERTI: Thank you.

5 MS. RACINE: Thank you, Mr.

6 Webster.

7 I'm going to go to Mr. Ezickson now for
8 BVE; and ask you to call your witness please.

9 MR. ERICKSON: We'll call Mr. Camara
10 please.

11 AUGUSTINE CAMARA (Sworn)

12 MS. RACINE: Mr. Ezickson, I'm going
13 to ask you with courtesy to just qualify the
14 witness. The Chairman has a meeting. I'd
15 like him to have the opportunity to cross this
16 witness or question this witness.

17 DIRECT EXAMINATION BY MR. EZICKSON

18 Q. Mr. Camara, could you state your name for the
19 record?

20 A. My name is Augustine Camara.

21 Q. And your current business address?

22 A. 750 West Center Street, West Bridgewater,
23 Massachusetts.

24 Q. And what is your position?

1 A. I'm comptroller of EUA Service Company.

2 Q. Are you familiar with the testimony that was
3 prefiled in this matter by you?

4 A. Yes, I am.

5 Q. And have you reviewed that testimony?

6 A. Yes, I have.

7 Q. Are there any changes to that testimony?

8 A. No, there are none.

9 MR. ERICKSON: I offer the witness.

10 THE CHAIRMAN: Mr. Roberti, I'll beg
11 your indulgence and others, if I could go out
12 of turn here.

13 MR. ROBERTI: Absolutely.

14 EXAMINATION BY CHAIRMAN MALACHOWSKI

15 Q. I was looking at the responses to the data
16 requests. I think it's marked BVE/Newport 1.
17 Does the witness have a copy of that?

18 A. Yes, I do.

19 Q. And I wanted to turn first to item COMM 1-6.
20 The pages aren't numbered.

21 THE WITNESS: For which company,
22 Blackstone?

23 THE CHAIRMAN: Excuse me. For
24 Newport.

1 A. For Newport.

2 Q. Are you there?

3 A. Yes.

4 Q. In the response, the lower part, charges to
5 the storm account, are you saying here that
6 it's \$73,587 in March 13th and 14th, 1993,
7 those were the expenses relative to Hurricane
8 Gloria?

9 A. Yes. These were some residual charges
10 remaining from Hurricane Gloria which were
11 incorporated into Newport's rate proceeding
12 that was in process at that time. It was
13 agreed to transfer those unamortized charges
14 to Newport's Storm Reserve Fund. Newport had
15 previously received permission from the
16 Commission to amortize storms -- storm costs
17 related to Hurricane Gloria over I don't
18 recall the specific number of years. So this
19 was the remaining balance at that given point
20 in time.

21 Q. Okay. And the next number there, the
22 \$109,610.46 for December 23rd, 24th, what
23 storm is that relating to?

24 THE WITNESS: One hundred

1 eighty-three thousand dollars?

2 THE CHAIRMAN: One hundred nine
3 thousand six hundred ten. Is that a storm of
4 March, 1993?

5 THE WITNESS: The 109,610?

6 THE CHAIRMAN: Yes.

7 A. Yes, that's the storm of March 13th and
8 14th of 1993.

9 Q. And this next number on here, 51,196.75, I
10 don't believe that that is dated, is that a
11 storm of December '94?

12 A. This storm happened on December 23rd and
13 24th, 1994.

14 Q. Okay. When I turn to COMM 1-13, you're taking
15 the actual cost of storms over an eight year
16 period; and that actual column does not
17 include the 73,587?

18 A. No, the 73,000's related to Hurricane
19 Gloria.

20 Q. Even though it was charged during that eight
21 year period that was you just testified
22 charged in 1993?

23 A. That's correct.

24 Q. It was from a storm that happened earlier, in

1 fact, Hurricane Gloria; is that correct?

2 A. It happened, as I recall, in 1985.

3 Q. Okay, thanks. I wanted to turn to Attachment
4 A on this data request, it's the Schedule of
5 the Storm Contingency Fund Annual Funding for
6 Newport Electric from '87 to '96.

7 A. Yes.

8 Q. Do you have that?

9 A. Yes, sir.

10 Q. And if I look at the bottom line here, the
11 cumulative total, and I move all the way to
12 the right under the column "1996," the number
13 I find is \$717,662.34?

14 A. That's correct.

15 Q. Does that represent a positive or negative
16 balance in the storm account?

17 A. This represents a negative balance in the
18 storm account.

19 Q. Because of the way this is presented, that
20 entire line at the bottom, the cumulative
21 total, if it's in brackets it's a positive
22 number, a positive balance in the storm
23 account; if it is unbracketed, it represents a
24 negative balance in the storm account; is that

1 correct?

2 A. That's correct.

3 Q. So if I look back over the last five years,
4 1992 to 1996 inclusive, the Newport storm
5 account has had a negative balance; is that
6 correct?

7 A. That's correct.

8 Q. And in at least three of those years that
9 negative balance has been in excess of \$1
10 million; is that correct?

11 A. That's correct.

12 Q. If I move up a few rows to "Total Interest,"
13 in 1998 the number is bracket, \$3,187.35,
14 close bracket?

15 A. Yes.

16 Q. And does that represent the interest, total
17 interest in this account?

18 A. It represents interest credited to the
19 account.

20 Q. And if, again, if it's a bracketed number
21 here, it represents the fact that ratepayers
22 have earned interest because there was a
23 positive balance in the account; is that
24 correct?

1 A. That's correct. It's a benefit to the
2 account.

3 Q. If I move then down to 1993, from that point
4 on, the number appearing here does not have
5 brackets, so that would represent that the
6 ratepayers had to pay interest of that amount?

7 A. That's right. It isn't charged to the
8 account.

9 Q. So if looking at the last four years, 1993
10 through '96 inclusive, ratepayers have had to
11 pay interest because of negative balances; is
12 that correct?

13 A. That's correct.

14 Q. And subject to check, those four numbers add
15 up to 378,303; would you accept that subject
16 to check?

17 A. Subject to check.

18 Q. What is the target level for this account in
19 terms of its cumulative balance total?

20 A. As I recall, the target level was
21 discussed in Newport's last rate proceeding to
22 be in the vicinity of approximately \$500,000.

23 Q. And has this account at any time from 1988 as
24 shown on this schedule ever had a balance of a

1 half a million dollars?

2 A. No, it has not. The highest balance it
3 has ever attained was \$206,000; and that
4 happened in 1991.

5 Q. Would you agree that the goal of this account
6 was twofold: First of all, to provide a
7 supply of money from which to pay for unusual
8 storm events; and, secondly, to stabilize
9 rates?

10 A. Generally speaking, yes, I would agree
11 with you.

12 Q. And looking at the record of the cumulative
13 total in this account, do you think that it
14 has achieved one prong of the goal, and that
15 being having a balance of funds from which to
16 pay for unusual storm accounts?

17 A. Certainly the fund has been deficient for
18 several years; but the level that is reflected
19 in the recovery from ratepayers has not
20 changed since the last rate proceeding in
21 which the annual provision was changed from I
22 believe \$40,000 a year to \$240,000 per year.

23 Q. And what year did the annual contribution
24 change to 240,000 per year?

1 A. In 1992.

2 Q. So the first year that there should have been
3 240,000 put in the account was 1993?

4 A. The first full year would have been in
5 1993, exactly.

6 Q. And how much did the company put into this
7 account from rates in 1993?

8 A. 1993 the company would have contributed a
9 net of \$83,000. And what makes the -- 82,948,
10 is the 240,000 which we're currently
11 recovering in rates less the interest which
12 the company calculated for use of funds in the
13 amount of \$157,000.

14 Q. And so because of the negative balance the
15 fund did not grow by the intended \$240,000
16 amount; is that correct?

17 A. That's correct.

18 Q. And in 1994 how much did the company
19 contribute from rates to the fund?

20 A. Again, the company contributed \$240,000,
21 less \$75,000 of interest on the deficiency
22 level. The net contribution or the net growth
23 in the account amounted to 164,540.

24 Q. And 1995 I have a number of 158,000 and for

1 '96 a number of 176,000, both approximate
2 numbers; is that correct?

3 A. That's correct.

4 Q. So in the last four years, because of the
5 negative balance, this account has not been
6 growing by the \$240,000 amount that was
7 intended; is that correct?

8 A. Yes, it is.

9 Q. And Hurricane Bob in 1991, that resulted in
10 \$1,358,155 worth of expense to the utilities
11 that they charged to this account; is that
12 correct?

13 A. That's correct.

14 Q. Do you believe this account is being
15 adequately funded?

16 A. At the current level, I believe it's being
17 reasonably funded. It's just that inordinate
18 circumstances hit Newport's service territory
19 in 1991.

20 Q. And if I turn for a moment to BVE, the annual
21 contribution there is \$160,000; is that
22 correct?

23 A. That's correct.

24 Q. And because that account is in a positive

1 balance, you're recording from rates the 160
2 plus the interest earned; is that correct?

3 A. That's correct.

4 Q. That's why for the years 1988 to 1996, in your
5 answer to the data request when you list how
6 much was put in from rates, it's an amount
7 above 160,000?

8 A. That's correct.

9 Q. And the BVE storm account has had a positive
10 balance in every year going back to 1985?

11 A. Yes, it has.

12 Q. What is the target amount for this account?

13 A. In the case of Blackstone, I don't recall
14 if a targeted level was ever discussed in the
15 rate proceeding.

16 Q. The company is suggesting a targeted amount at
17 this point?

18 A. No, we're not recommending a target
19 amount. It has been the company's policy to
20 continue funding a Storm Contingency Fund even
21 though it may have exceeded a targeted
22 amount. The company feels that the purpose of
23 the Storm Fund is to shield ratepayers from
24 inordinate costs attributed to storm

1 restoration.

2 Q. I have a schedule prepared by staff, so I'm
3 not sure where in the record, if any, the
4 number comes from; but it indicates a \$1.8
5 million Storm Contingency Fund reserve amount
6 that is being recommended. Is that the
7 company's recommendation; or is that coming
8 from somewhere else?

9 A. It's not really the company's
10 recommendation. It's --

11 MS. SOUTHGATE: Yes, it is. It sure
12 is the company's recommendation.

13 MS. RACINE: It's the company's
14 recommendation.

15 Q. Could I turn to COMM 1-13 for Blackstone
16 Valley Electric? It's the very last -- very
17 last page of the data request. Are you there?

18 A. Yes, I have it.

19 Q. And in your reply there you -- read the first
20 sentence of the reply.

21 A. Yeah, I was wrong.

22 Q. Could you just read that out loud?

23 A. "Based on recent history, 1989 to date,
24 the reasonable Storm Fund for the company

1 would be approximately \$1.8 million."

2 THE CHAIRMAN: Thank you.

3 Q. And I'll refer to Newport's data request COMM
4 1-13, the identical sentence appears there; is
5 that correct?

6 A. Yes, it is correct.

7 Q. Do you know what the annual revenue
8 requirement for Newport Electric is?

9 A. No, I do not.

10 Q. Is BVE and Newport the same size company in
11 terms of annual revenues?

12 A. No, they're not.

13 Q. BVE is larger?

14 A. Twice, approximately twice the size of
15 Newport.

16 Q. Approximately twice the size; but you're
17 recommending a storm account of a similar
18 amount, 1.8; and do you know why that is the
19 case?

20 A. Again, Hurricane Bob was an inordinate
21 event. Newport, being located on the coast
22 line, is certainly more susceptible to storm
23 damage by hurricanes.

24 Q. So it's because of the geography, because

1 Newport's service territory is along the
2 water, it's more exposed to storms?

3 A. Storms, flooding, etcetera.

4 THE CHAIRMAN: Thank you very much.
5 I have no further questions. And I thank
6 everyone for the opportunity to go out of
7 turn.

8 MS. RACINE: Thanks, Chairman.

9 MS. RACINE: We will resume and go
10 back to the witness. Mr. Roberti, do you have
11 any questions of this witness?

12 MR. ROBERTI: Just one or two
13 questions.

14 CROSS-EXAMINATION BY MR. ROBERTI

15 Q. Mr. Camara, would you agree with me then,
16 based on your testimony, that the threshold
17 Mr. Bell came up with is rather reasonable and
18 easily quantifiable in your own words?

19 A. I would agree with that.

20 Q. And it's your testimony that it has a causal
21 relationship to the types of functions
22 performed in repairing damage to distribution
23 facilities?

24 A. That's correct.

1 MR. ROBERTI: Thank you. I have
2 nothing further.

3 MS. RACINE: Mr. Gerwatowski?

4 MR. GERWATOWSKI: No questions.

5 MS. RACINE: Attorney Southgate?

6 MS. SOUTHGATE: No questions.

7 MS. RACINE: Mr. Massaro?

8 MR. MASSARO: Yes, just one
9 question.

10 EXAMINATION BY MR. MASSARO

11 Q. Mr. Camara, do you agree with the accounting
12 process outlined by Mr. Bell on page 7 and 8
13 of his testimony?

14 A. Yes, I do.

15 Q. And neither company would have a problem
16 following that accounting?

17 A. I am recommending that we make a change in
18 the classification of the storm provision
19 amounts for Newport Electric just to make it
20 consistent with other utilities.

21 MR. MASSARO: Thank you. I have no
22 other questions.

23 MS. RACINE: I have no further
24 questions, Mr. Camara. Anything further from

1 the attorneys? Thank you, sir.

2 Any other matters to come before the
3 Commission at this time?

4 MR. GERWATOWSKI: Could I just ask a
5 procedural question? In the context of a
6 decision occurring in this docket, will there
7 be a comment period? I'm just confused about
8 how --

9 MS. RACINE: I was going to get to
10 that; because we can do that several ways. If
11 you want to brief it, if each wants to brief
12 as to where they're now summarizing for the
13 Commission what you agree with in terms of the
14 Division and the agreement of BVE and Newport
15 with the Division and where Narragansett
16 remains. It seems to me there's probably only
17 one issue where you differ.

18 MR. GERWATOWSKI: I would like the
19 opportunity to do something short, not
20 something lengthy, just a position of where we
21 are.

22 MS. RACINE: I would grant that with
23 no problem; and those who didn't feel it was
24 necessary, probably wouldn't have to avail

1 themselves of the opportunity. I don't hear
2 any objection to it. Mr. Roberti, are you
3 comfortable with it from the Division's side,
4 that one more time before the Commission --

5 MR. ROBERTI: Well, I'm comfortable
6 with making a closing statement right now; or
7 if --

8 MS. RACINE: You can do both if you
9 want or either/or. If you'd rather wait and
10 pull it altogether with your witness, Mr.
11 Bell, and place it before the Commission and
12 crystallize it, that's fine with me as well,
13 once you've reviewed everything, spoken with
14 each other, and then want to put those
15 concerns before the Commission. We do have I
16 think two data requests that are still out on
17 that CPI issue for the company. I don't know
18 whether it would make a difference; but you
19 may want to argue a little bit more.

20 MR. ROBERTI: What would be the time
21 frame for submitting written comments?
22 Because I am under a lot of pressure in some
23 other major matters right now.

24 MS. RACINE: The Commission is as

1 well, Mr. Roberti, with two commissioners.

2 MS. SOUTHGATE: I would expect that
3 maybe three weeks from now, if the company
4 could file in three weeks and you file a week
5 after that -- would a week be sufficient for
6 you to review Narragansett's comments and file
7 your closing in a letter form perhaps?

8 MR. ROBERTI: Okay.

9 MR. ERICKSON: Procedurally will
10 there be an opportunity to respond either to
11 Narragansett's proposal, also the Block Island
12 proposal will be put in writing subject to
13 confirmation by the ownership, for a short
14 period for response?

15 MS. RACINE: I would think so, that
16 all of you respond within that month, you
17 know, time frame. I wouldn't want to see it
18 just go on; because then we're going to be
19 debating for months here back and forth. I
20 think it's a courtesy that we would offer. I
21 would offer 30 days from today to have them
22 here before us with any comment you want to
23 make; and those who wish to waive their right
24 to it, that's fine.

1 MR. ROBERTI: I see no need for
2 rebuttal on necessarily briefs. I mean, we've
3 done enough of that today. If there's one day
4 you want to set in which everybody files their
5 statement, that would be fine with me.

6 MS. SOUTHGATE: You don't want to
7 take the opportunity to respond to
8 Narragansett? That's what we're trying to
9 provide.

10 MR. GERWATOWSKI: I'll file
11 something short to summarize where we are; and
12 a day or two later you can write a one-page
13 letter stating, "We disagree." It helps if
14 people understand what the issues are. I
15 don't expect it to be rebuttal, do rebuttal,
16 something that makes sense. And obviously if
17 it gets out of hand, Adrienne can call us up
18 and say it's going out in a couple of weeks,
19 if we can send something in summary form.

20 MS. RACINE: Are you comfortable
21 with that?

22 MR. ROBERTI: That's fine.

23 MS. RACINE: I have no idea when we
24 are going to have a new commissioner; and if

1 one walks in and we are ever at an impasse
2 between the Chairman and myself, anything we
3 have in writing. I'm not saying that we have
4 one. I don't know what we will do if we have
5 an impasse. I guess we will send word to the
6 Governor that we have reached that point. I
7 thought any briefing materials further might
8 help them if in fact they were called in to
9 sit in at that point in time. So two weeks or
10 a month?

11 MS. SOUTHGATE: Well, the transcript
12 doesn't come in for two weeks, so that was why
13 I was suggesting --

14 MS. RACINE: So, therefore, it is a
15 month from today. I guess this would conclude
16 our hearing. I wish to thank you all for your
17 participation, certainly your accommodation
18 for the other utilities that sought the
19 relief. You were all very supportive of that;
20 and I appreciate it. Thank you.

21 (ADJOURNED AT 1:45 P.M.)
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C E R T I F I C A T E

I hereby certify that the foregoing is a
true and accurate transcript of the hearing
taken before the Public Utilities Commission,
Kate Racine, Commissioner presiding, on
February 28, 1997, at 10:00 a.m.


DONNA E. DUMONT, RPR/CSR
Notary Public, State of Rhode Island



Thomas R. Teehan
Senior Counsel
Rhode Island

August 14, 2008

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 2509 – Storm Contingency Fund
November 3-4, 2007 Storm Costs**

Dear Ms. Massaro:

In accordance with Order No. 15360 (August 19, 1997) and paragraph 4(b) of the Settlement approved by the Commission in the above-captioned docket, enclosed please find ten (10) copies of National Grid's¹ report detailing the final costs of the November 3 - 4, 2007 storm for inclusion in the Company's Storm Contingency Fund.

On February 4, 2008, the Company filed a letter notice describing the storm with the Commission; however, until recently, the Company did not have a final accounting of all costs associated with the storm. The attached report details both the total costs and the incremental restoration costs incurred as a direct result of that storm.

Thank you for your attention to this filing. Please feel free to contact me if you have any questions concerning this matter at (401) 784-7667.

Very truly yours,

A handwritten signature in blue ink that reads "T. R. Teehan".

Thomas R. Teehan

Enclosure

cc: Paul Roberti, Esq.
Steve Scialabba, RI Division
John Bell, RI Division

¹ Filed by The Narragansett Electric Company, d/b/a National Grid ("Company").

Narragansett Electric Company
d/b/a National Grid
Storm Fund Report
November 3 - 4, 2007 Major Storm
RIPUC No. 2509

Attachment 1
Page 1 of 2

The Narragansett Electric Company
d/b/a National Grid
November 3 - 4, 2007 Storm Total O&M Restoration Costs
Between Normal and Incremental Costs

	<u>Total Restoration Costs</u>	<u>Normal Costs</u>	<u>Incremental Costs (1)</u>
Payroll charges excluding payroll overheads for Narragansett employees	\$457,679.53	\$44,025.60	\$413,653.93
Charges for Transportation on Narragansett Vehicles	\$38,020.70	\$38,020.70	\$0.00
Charges from outside companies	\$651,839.11	\$0.00	\$651,839.11
Charges for materials and supplies (2)	\$791.79	\$76.16	\$715.63
Charges for employee expenses	\$2,372.41	\$0.00	\$2,372.41
Total	<u>\$1,150,703.54</u>	<u>\$82,122.46</u>	<u>\$1,068,581.08</u>

(1) Incremental costs are defined as the costs which Narragansett incurred as a direct result of the storm which were over and above Narragansett's normal cost of doing business.

(2) Materials and supplies were allocated between normal costs and incremental costs using the ratio of incremental payroll to total payroll.

The Narragansett Electric Company
d/b/a National Grid
Incremental Costs associated with Storm of November 3 - 4, 2007

<u>Outside Companies</u>	<u>Amount</u>	<u>Nov-2007</u>	<u>Dec-2007</u>	<u>Jan-2008</u>	<u>Feb-2008</u>	<u>Mar-2008</u>	<u>Apr-2008</u>
D&D Power, Inc.	\$14,867		\$14,867				
Lewis Tree Service	\$46,408	\$10,209	\$36,199				
McDonough Electric Const Corp.	\$29,187		\$29,187				
Northeast Line Construction Corp.	\$34,639		\$34,639				
On Target Utility Services	\$20,517						\$20,517
The Davey Tree Expert Company	\$47,576	\$25,531	\$22,045				
Thiro USA, Inc.	\$343,761			\$173,921	\$169,840		
National Grid USA Service Co.	\$80,481	\$53,238	\$7,430	\$6,017	\$11,763	\$2,033	
Items under \$10,000	<u>\$34,403</u>	<u>\$13,819</u>	<u>\$16,139</u>	<u>\$1,736</u>	<u>\$2,709</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Outside Companies	\$651,839	\$102,797	\$160,506	\$181,674	\$184,312	\$2,033	\$20,517
Incremental Company Payroll	\$413,654	\$404,756	\$8,898	\$0	\$0	\$0	\$0
Incremental Materials & Supplies	\$716	\$716	\$0	\$0	\$0	\$0	\$0
Incremental Employee Expenses	<u>\$2,372</u>	<u>\$1,443</u>	<u>\$818</u>	<u>\$111</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Incremental Costs	\$1,068,581	\$509,711	\$170,222	\$181,785	\$184,312	\$2,033	\$20,517
Less Deductible	<u>(\$375,000)</u>	<u>(\$375,000)</u>					
Amount Charged to Storm Fund	<u>\$693,581</u>	<u>\$134,711</u>	<u>\$170,222</u>	<u>\$181,785</u>	<u>\$184,312</u>	<u>\$2,033</u>	<u>\$20,517</u>