

August 7, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3701 – Proposed Changes to the Demand Side Management (“DSM”) Filing Process

Dear Ms. Massaro:

National Grid (“National Grid” or the “Company”), with the support of the Rhode Island DSM Collaborative, requests to change the date of the 2007 DSM Program filing and, with it, the traditional DSM filing process.¹ In the Commission’s most recent order approving the Company’s DSM programs for calendar year 2006, the Commission requires that National Grid file its proposed 2007 DSM programs and budget by September 15, 2006, or that the DSM Collaborative parties file a Settlement by September 15, 2006, regarding the proposed 2007 programs and budget. Order No. 18516 (January 26, 2006).

A September filing date takes into account limited information about current year DSM program efforts, spending, and commitments. This limits the Company’s ability to accurately predict program goals for the coming year. The September filing data also relies on kWh sales projections five months in advance as the basis of the DSM budget for the following year. Recognizing these factors, the Company historically has made a “True-up” filing with the Commission by the following May 31. The True-up filing reflects the actual fund balance at the end of the prior year, a new kWh sales forecast if one is available, and other information not available the preceding summer.

Given these issues, the Company proposes the following changes to the current filing process:²

¹ The DSM Collaborative consists of National Grid, the Division of Public Utilities and Carriers (“Division”), The Energy Council of Rhode Island, the Rhode Island State Energy Office, and People’s Power and Light (“PP&L”). Given that PP&L has not had an opportunity to review this matter closely, it abstains from this request.

² The proposed changes describe the process as it would apply to the 2007 DSM programs. If approved by the Commission, National Grid would expect to follow a similar process for subsequent years as well.

1. Move the filing date from September 15 to November 30, 2006.

- This will allow the Company to have a better understanding of expected spending and commitments as it develops a projection of available funding for the coming year. The later date will also enable the Company to include evaluation study results that might not be available when working on a September filing.

2. Allow for DSM program continuation in the event the Commission has not reviewed the filing by year-end.

- The Company recognizes that the Commission may not be able to review a DSM filing made in November before the end of the calendar year. If the parties are able to reach a Settlement regarding proposed DSM programs for the coming year, and the Commission has not had an opportunity to conduct its review by year-end, the Company requests that the Commission allow it to begin implementing the programs with the understanding that changes may be required after the Commission conducts its review early in the year.
- If the Parties are unable to reach a Settlement regarding proposed DSM efforts for the coming year, and the Commission has not been able to conduct its review by year-end, the Company requests that the Commission allow it to continue to implement current year (in this case, 2006) programs pending Commission review of the new programs. This proposed process will allow the on-going programs that have already been reviewed by the Commission to continue, and there will not be a disruption of DSM services to customers.

3. Prepare a True-up filing only when warranted by significant differences in the preceding year-end fund balance.

- Under the existing process, National Grid makes a True-up filing with the Commission by May 31 every year. Currently, if the budget in the True-up filing varies from the budget in the Settlement by more than 20%, the budget change requires Commission approval; if the budget variance is less than 20%, Division approval is required. As part of the proposed change to the schedule, the Company recommends that the True-up filing be prepared by May 31 of each year only if the actual year-end fund balance causes available funding to vary by more than 20% compared to the projected funding included in the November filing. This filing, if necessary, would require Commission approval.
- If the year-end fund balance does not cause the projection of available funding to vary by more than 20%, no action by the Company will be required. Thus, if no

True-up filing is made, the goals established in the November 30 filing will be in place for the entire following year.³ The Company expects that in most years, because of the shorter time period between the filing preparation and year-end, variations will be smaller and a True-up filing will not be triggered.

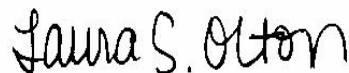
The remainder of the filing process, including adjusting both the goals and actual results reported in the Year-End Report to reflect evaluation findings will remain unchanged.

The Company has identified significant benefits in support of the proposed changes. First, the Company will be able to provide its DSM program managers, implementation staff, and contractors with clear goals that stay in place for the entire year. Efforts will be focused on achieving these goals for the entire year. Second, this change may result in one less DSM filing during the year which will result in some administrative cost savings. Although the Company has not developed an estimate of this cost savings, we anticipate that more funding will then be directed to the direct benefit of customers. Third, a later filing will provide the Collaborative with more time to review proposed goals for the year.

In summary, National Grid, with the support of the DSM Collaborative, respectfully requests the Commission approve these procedural changes. Specifically, National Grid requests the following: file its proposed 2007 DSM programs and budget or Settlement by November 30, 2006; allow for DSM program continuation in the event the Commission has not reviewed the filing by year-end; and, prepare a True-up filing only when warranted by significant differences in the preceding year-end fund balance.

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

Very truly yours,



Laura S. Olton

cc: Docket 3701 Service List
RI Collaborative Members

³ Consistent with the current process, the Company will file its Year-End Report containing 2007 program year efforts with the Commission by May 1, 2008. The Year-End Report will include goals and results that have been restated to reflect current evaluation findings. These goals and results will be used to determine performance under the shareholder incentive mechanism applicable to 2007 program year efforts.