

November 29, 2005

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3706 – October 2005 Standard Offer Service Rate Filing
Responses to Division Data Requests – Set 1**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of The Narragansett Electric Company's d/b/a National Grid ("Company") responses to the Division's first set of Data Requests issued on November 15, 2005 in above-captioned proceeding.

Thank you for your attention to this filing. If you have any questions, please feel free to contact me (508) 389-2877.

Very truly yours,

/S/

Thomas G. Robinson

Enclosures

cc: Docket 3706 Service List

Division Data Request 1-1

Request:

Does Narragansett Electric's Massachusetts affiliate, the Massachusetts Electric Company, have unrecovered expenses associated with the provision of standard offer service in Massachusetts, which terminated effective after February 28, 2005? If so, please provide the amount of the deferred expense. Also, please briefly describe any plan for recovery of any deferred standard offer expenses in Massachusetts.

Response:

Yes. As of October 2005, Massachusetts Electric Company ("Mass. Electric") has deferred approximately \$46 million, including interest, for recovery until 2010, in accordance with the terms of a retail restructuring settlement agreement that was entered into with various parties in 1996 ("Restructuring Agreement"). However, approximately \$19.3 million is associated with the non-power costs described below and approximately \$2 million is associated with accrued interest. The deferred non-power costs include costs associated with Renewable Portfolio Standards compliance, Generation Information System assessments by the Independent System Operator of New England, and congestion costs incurred under one of Mass. Electric's long-term standard offer service contracts, and post-Standard Market Design costs.

Mass. Electric entered into the Restructuring Settlement with several parties in 1996. Among many other matters, the Restructuring Settlement provided for the treatment of any deferral balance associated with standard offer service both during and at the end of the transition period in Massachusetts (originally December 31, 2004 but revised to February 28, 2005 pursuant to the Massachusetts Electric Utility Restructuring Act). (Section I.B.5(b) of Restructuring Settlement) Pursuant to the Restructuring Settlement, if an under recovery of standard offer service costs remained at the end of the transition period, Mass. Electric would not begin recovery of those costs until 2010 at an annual rate not to exceed \$0.004 per kWh. Such balance would accrue interest at the interest rate on customer deposits.

Regarding the non-power costs, Mass. Electric submitted a request to the Department of Telecommunications and Energy in 2003 for exogenous treatment of these costs under the exogenous factor provision of its merger settlement agreement regarding the merger with the former Eastern Edison Company. Subsequent to that filing, Mass. Electric entered into a comprehensive settlement agreement with the Massachusetts Office of the Attorney General which provided for the recovery of these non-power related costs through the standard offer service reconciliation referred to above. Therefore, these costs have been added into and are reflected in Mass. Electric's deferral balance.

Division Data Request 1-1 (continued)

To put the Mass. Electric deferral in perspective, Mass. Electric's total annual operating revenue as reported on the Company's FERC Form 1 report for December 2004 was \$1,918,556,360. In contrast, Narragansett's total annual operating revenue in 2004 was \$817,095,080. Thus, a deferral for Narragansett that would be proportional to the Mass. Electric deferral would be less than \$20 million.

Prepared by or under the supervision of: Ronald T. Gerwatowski

Division Data Request 1-2

Request:

The futures prices for natural gas and oil as of this writing are somewhat lower than what was used by Narragansett in its filing. Please provide an update of the projected Narragansett deferral balances (similar to the presentation in JAL-1, page 1) based upon updated forecasts of gas and oil prices. Please use data as recent as possible. Based on the updates provided, also please provide calculated standard offer factors for a six-month period and a nine month period beginning on January 1, 2006.

Response:

This information will be provided in the Company's updated filing in this docket on November 30, 2005.

Prepared by or under the supervision of: Michael J. Hager and Jeanne A. Lloyd

Division Data Request 1-3

Request:

For purposes of gauging the relative size of the potential under collection of power costs, as testified to in the Company's filing, please provide the following information:

- a. What was the total distribution revenue requirement that was used as the basis for determining distribution rates in docket 3617?
- b. What was the dollar amount of Narragansett's net income reported to the PUC, after earnings sharing, for calendar year 2004?

Response:

- a. The total revenue requirement, including the Company's share of shared savings, used as the basis for determining distribution rates in docket 3617 was \$220.6 million, as shown on Exhibit 1 of the Distribution Rate Plan, Second Amended Stipulation and Settlement dated October 15, 2004 in Docket 3617 ("Distribution Rate Plan"). The Company estimated \$5 million of other operating revenues which support the Company's overall distribution revenue requirement, consequently, distribution rates were designed to recover \$215.6 million as shown on Exhibit 5 of the Distribution Rate Plan.
- b. As reported in the Company's Earnings Report for the twelve month period ended December 31, 2004, filed on May 2, 2005, the Company's regulated earnings amounted to \$36.4 million. Of that amount, \$2.7 million was shared with customers under the Company's shared earnings provisions resulting in net earnings after the earnings sharing mechanism of \$33.7 million. Please note that these 2004 calendar year net earnings after sharing also include a one-time benefit of \$3.3 million related to the resolution of a long standing property tax dispute with the City of Providence.

Prepared by or under the supervision of: Michael D. Laflamme

Division Data Request 1-4

Request:

Does Narragansett believe that under its standard offer power supply contracts that it will be liable for any LICAP cost that may be imposed in the future?

Response:

The responsibility for LICAP costs is a function of the terms of the standard offer agreements and the applicable market rules regarding the implementation of LICAP. Under the currently proposed LICAP market rules, Narragansett believes that the standard offer contracts make our suppliers responsible for the LICAP costs.

Prepared by or under the supervision of: Michael J. Hager