

June 16, 2006

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 3739 - The Narragansett Electric Company Standard Offer Filing**

Dear Ms. Massaro:

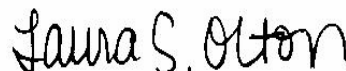
The Narragansett Electric Company, d/b/a National Grid (the "Company") has reviewed the memorandum submitted by the Division to the Commission today and wishes to provide the following comments.

The Company understands that the question regarding whether to lower the standard offer rate at this time is a difficult one. The Division has provided a rational basis for doing so. In particular, it is reasonable to consider lowering the rate in two steps, rather than one. This is especially important in light of the coming hurricane season and predictions of further storms.

Notwithstanding the Division's reasoning, however, the Company would prefer to wait until September 1 to make any changes to the standard offer rate. The Commission's trigger of \$23 million for a rate change has still not been met. The projected over-recovery through the end of June, using the latest index figures, is \$14.1 million. The projections still show the reconciliation balance below the trigger as of the end of August. As the Company stated in its last standard offer reconciliation report, the fuel markets remain volatile. Thus, the Company recommends retaining rate stability and lowering the rate when the numbers approach the Commission's trigger with more certainty.

Having stated this, however, the Company has no strong objection to the Division's proposal. This issue is very much a policy determination by the Commission and the Company is prepared to act in accordance with the Commission's direction on this question.

Sincerely,



Laura S. Olton

cc: Docket 3706 Service List

**3706 - Certificate of Service**

I hereby certify that a copy of the cover letter and accompanying material(s) have been hand-delivered or sent via U.S. mail to the parties listed below.



**Joanne M. Scanlon**  
National Grid

June 16, 2006  
Date

**Narragansett Electric Co. – Standard Offer Rate Filing – Docket No. 3706**  
**Service list as 6/1/2006**

| <b>Name/Address</b>  | <b>E-mail Distribution</b>   | <b>Phone/FAX</b>             |
|--|--|------------------------------|
| Laura S. Olton, Esq.<br>Narragansett Electric Co.<br>280 Melrose St.<br>PO Box 1438<br>Providence, RI 02901-1438   | <a href="mailto:Laura.olton@us.ngrid.com">Laura.olton@us.ngrid.com</a>                   | 401-784-7667                 |
|  | <a href="mailto:Thomas.robinson@us.ngrid.com">Thomas.robinson@us.ngrid.com</a>           | 401-784-4321                 |
|  | <a href="mailto:Ronald.Gerwatowski@us.ngrid.com">Ronald.Gerwatowski@us.ngrid.com</a>     |                              |
|  | <a href="mailto:Joanne.scanlon@us.ngrid.com">Joanne.scanlon@us.ngrid.com</a>             |                              |
| Paul Roberti, Esq.<br>Dept. of Attorney General<br>150 South Main St.<br>Providence, RI 02903  | <a href="mailto:Proberti@riag.ri.gov">Proberti@riag.ri.gov</a>                           | 401-222-2424                 |
|  | <a href="mailto:Steve.scialabba@ripuc.state.ri.us">Steve.scialabba@ripuc.state.ri.us</a> | 401-222-3016                 |
|  | <a href="mailto:RDIMeglio@riag.ri.gov">RDIMeglio@riag.ri.gov</a>                         |                              |
|  | <a href="mailto:David.stearns@ripuc.state.ri.us">David.stearns@ripuc.state.ri.us</a>     |                              |
| William Lueker, Esq.<br>Dept. of Attorney General<br>150 South Main St.<br>Providence, RI 02903  | <a href="mailto:Wlueker@riag.ri.gov">Wlueker@riag.ri.gov</a>                             | 401-222-2424<br>401-222-3016 |
| John Stutz<br>Tellus Institute<br>11 Arlington St.<br>Boston MA 02116-3411   | <a href="mailto:Jstutz@tellus.org">Jstutz@tellus.org</a>                                 |                              |
| <b>Original &amp; nine (9) copies file w/:</b><br>Luly E. Massaro, Commission Clerk<br>Public Utilities Commission<br>89 Jefferson Blvd.<br>Warwick RI 02889 | <a href="mailto:Lmassaro@puc.state.ri.us">Lmassaro@puc.state.ri.us</a>                   | 401-941-4500                 |
|  | <a href="mailto:Cwilson@puc.state.ri.us">Cwilson@puc.state.ri.us</a>                     | 401-941-1691                 |
|  | <a href="mailto:Anault@puc.state.ri.us">Anault@puc.state.ri.us</a>                       |                              |
| W. Mark Russo, Esq.  | <a href="mailto:mrusso@frlawri.com">mrusso@frlawri.com</a>                               |                              |
| Jean Rosiello, Esq.  | <a href="mailto:jeanrosiello@cox.net">jeanrosiello@cox.net</a>                           |                              |
| John Farley  | <a href="mailto:jfarley316@hotmail.com">jfarley316@hotmail.com</a>                       |                              |