

May 31, 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 – May 2006 Standard Offer Reconciliation Report and Request to Withdraw Standard Offer Rate Adjustment Filed March 31, 2006

Dear Ms. Massaro:

Enclosed are ten copies of The Narragansett Electric Company's d/b/a National Grid ("National Grid" or "Company") Standard Offer Reconciliation Report ("Report") through April 2006. Based on this Report and the analysis below, the Company respectfully requests the withdrawal of its proposed Standard Offer Rate Adjustment filing submitted on March 31, 2006.

The enclosed Report provides the Company's most current projection of the Standard Offer reconciliation balance through December 31, 2006 based on actual revenues and expenses through April 2006. As noted in the Report, the actual deferral balance as of April 30, 2006 is an over recovery of \$6.3 million, substantially below the Commission's trigger for changing the rate. The estimated expenses are calculated using estimated fuel index payments based on projected gas and oil futures prices as reported in the *Wall Street Journal* for May 23, 24, and 25, 2006. Based on the current fuel price estimates, the Company is estimating an over-collection of approximately \$24.9 million by the end of September 2006, which is slightly above the trigger of \$23 million. In addition, the Report reflects a projected over-collection of approximately \$48.4 million by the end of December 2006.

The volatility in fuel prices over the past several months has made it difficult to reliably estimate the year-end Standard Offer deferral balance, and thus difficult to determine the appropriate Standard Offer Service rate to charge customers. In the Company's March 31, 2006 filing, the estimated Standard Offer deferral balance as of December 2006 was an over recovery of \$38.6 million based on fuel prices at the end of March. In the three weeks following the filing, crude oil prices reached historically high levels and, in the Company's updated filing on April 21, 2006, the estimated year-end over recovery had dropped to under \$15 million. The table below shows the estimated deferral balance that was reported in some of the Company's reconciliation reports filed since the beginning of the year and further illustrates the effect of fluctuating fuel prices on the Company's projected Standard Offer reconciliation:

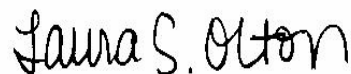
Date of Report	Estimated Deferral @ 12/31/06 (in millions)	Natural Gas and Crude Oil Futures Prices Trading Days
January 11, 2006	(\$25.7)	Dec 23, 27 & 28, 2005
February 13, 2006	(\$.9)	Jan 25, 26 & 27, 2006
March 31, 2006	\$31.9	Mar 27, 28 & 29, 2006
April 21, 2006	\$14.6	Apr 18, 19 & 20, 2006
May 31, 2006	\$48.4	May 23, 24 & 25, 2006

The Company believes that, given the difficulty of predicting the reconciliation balance with a reasonable degree of accuracy by more than two or three months, the best course of action at this time is to maintain a stable Standard Offer Service rate at the current level. We will continue to monitor fuel prices and their affect on both the projected and actual Standard Offer reconciliation balance. In addition, we will continue to consult with the Division of Public Utilities and Carriers to determine the appropriate timing of any future rate adjustment.

Moreover, we will soon be entering the hurricane season. As you may recall, last year two hurricanes substantially affected natural gas and oil prices. This provides another basis for not considering any rate adjustments at this time.

Thank you for your attention to this filing. If you have any questions regarding this report, please do not hesitate to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3706 Service List
Steve Scialabba, RI Division

Attachment 1

The Narragansett Electric Company

**Report to the R.I.P.U.C.
Standard Offer Reconciliation**

**Projected Balance
for the period October 2005 through December 2006**

Submitted: May 31, 2006

Standard Offer Reconciliation
Projected Balance at Year Ending December 31, 2006
Standard Offer Rate of 10 cents per kWh for the period Jan 2006 through December 2006

Section 1. Projected Balance @ September 30, 2006

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(1) Oct-05	(\$14,122,974)	\$15,650,388	\$28,996,088	\$12,308,381	\$41,304,469	(\$25,654,081)	(\$50,502)	(\$39,827,557)	(\$16,787,285)
(1) Nov-05	(\$39,827,557)	\$41,891,403	\$27,904,900	\$13,527,645	\$41,432,545	\$458,858	(\$802,060)	(\$40,170,759)	(\$13,024,805)
(1) Dec-05	(\$40,170,759)	\$49,356,280	\$31,774,975	\$17,134,045	\$48,909,020	\$447,260	(\$1,079,865)	(\$40,803,364)	(\$11,348,117)
(1) Jan-06	(\$40,803,364)	\$53,554,994	\$33,033,210	\$16,282,947	\$49,316,157	\$4,238,837	(\$1,082,390)	(\$37,646,916)	(\$9,198,110)
(1) Feb-06	(\$37,646,916)	\$51,725,103	\$30,414,298	\$15,937,659	\$46,351,957	\$5,373,146	(\$1,097,430)	(\$33,371,201)	(\$1,858,903)
(1) Mar-06	(\$33,371,201)	\$57,295,088	\$31,993,526	\$17,350,530	\$49,344,056	\$7,951,032	(\$1,161,614)	(\$26,581,783)	(\$26,581,783)
(1) Apr-06	(\$26,581,783)	\$49,343,559	\$27,827,903	\$15,399,194	\$43,227,097	\$6,116,462	(\$962,065)	(\$21,427,386)	\$6,316,639
(2) May-06	(\$21,427,386)	\$50,443,683	\$29,978,681	\$16,858,279	\$46,836,959	\$3,606,723	(\$937,754)	(\$18,758,417)	\$11,342,972
(2) Jun-06	(\$18,758,417)	\$54,729,798	\$32,525,919	\$18,454,888	\$50,980,807	\$3,748,991	(\$898,821)	(\$15,908,247)	\$17,852,064
(2) Jul-06	(\$15,908,247)	\$61,382,384	\$36,479,551	\$20,716,555	\$57,196,105	\$4,186,279	(\$872,894)	(\$12,594,862)	\$22,654,190
(2) Aug-06	(\$12,594,862)	\$64,089,187	\$38,088,204	\$21,540,376	\$59,628,580	\$4,460,607	(\$789,694)	(\$8,923,949)	\$24,325,233
(2) Sep-06	(\$8,923,949)	\$60,453,059	\$35,927,253	\$19,520,293	\$55,447,545	\$5,005,513	(\$707,370)	(\$4,625,806)	\$24,635,401
* (2) Oct-06	(\$4,625,806)	\$29,261,207				\$29,261,207		\$24,635,401	
Totals	(\$14,122,974)	\$639,176,131	\$384,944,507	\$205,030,790	\$589,975,297	\$49,200,834	(\$10,442,459)	\$24,635,401	
Interest (3)								\$225,054	
Ending Balance@ September 30, 2006 with Interest								\$24,860,455	

- (1) Actual revenues and expenses
- (2) Estimated revenues and expenses
- (3) Interest expense calculation : $(-14122974+24635401)/2*((4.27\%*5/12)+(4.29\%*7/12))$

* For September usage billed in October

Section 2. Projected Balance @ December 31, 2006

Month	Over(Under) Beginning Balance (a)	Standard Offer Revenue (b)	Standard Offer Base Expense (c)	Fuel Index Payments (d)	Total Standard Offer Expenses (e)	Monthly Over(Under) (f)	Adjustments (g)	Over(Under) Ending Monthly Balance (h)	Monthly Balance Including Unbilled (i)
(2) Oct-06	\$24,860,455	\$23,940,987	\$31,618,064	\$16,019,181	\$47,637,245	(\$23,696,257)	(\$626,525)	\$537,673	\$30,162,095
(2) Nov-06	\$537,673	\$53,862,585	\$32,010,534	\$15,226,953	\$47,237,487	\$6,625,098	(\$622,590)	\$6,540,180	\$39,529,963
(2) Dec-06	\$6,540,180	\$59,981,423	\$35,646,960	\$16,626,851	\$52,273,810	\$7,707,613	(\$720,501)	\$13,527,292	\$47,988,751
* (2) Jan-07	\$13,527,292	\$34,461,459				\$34,461,459		\$47,988,751	
Totals	\$24,860,455	\$172,246,455	\$99,275,559	\$47,872,984	\$147,148,543	\$25,097,912	(\$1,969,617)	\$47,988,751	
Interest (3)								\$390,654	
Ending Balance@ December 31, 2006 with Interest								\$48,379,405	

* For December usage billed in January

- (2) Estimated revenues and expenses
- (3) Interest expense calculation : $(24860455+47988751)/2*(4.29\%)$

Column Notes:

- Column (a) Column (g) from previous row; beginning balance from Page 1.
- Column (b) from Attachment 1, Page 2
- Column (c) from Attachment 1, Page 3
- Column (d) from Attachment 1, Page 3
- Column (e) Column (c) + Column (d)
- Column (f) Column (b) - Column (e)
- Column (g) Includes estimated protest payments made to one of the Company's suppliers and estimated NE_GIS expenses Oct 2005: Last Resort Service reconciliation over recovery of \$631,413 incurred for the period October 2004 through September 2005 transferred to Standard Offer reconciliation per Commission decision in Docket No. 3706
- Column (h) Column (a) + Column (f)
- Column (i) Column (g) + 55% of next month's Column (b)

Standard Offer Reconciliation
Estimated Revenue through December 2006

<u>Month</u>	Estimated Standard Offer <u>Deliveries</u> (a)	Standard Offer <u>Rate</u> (b)	Total Estimated <u>Revenues</u> (c)
Apr-06	-	\$0.10000	
May-06	504,436,826	\$0.10000	\$50,443,683
Jun-06	547,297,979	\$0.10000	\$54,729,798
Jul-06	613,823,839	\$0.10000	\$61,382,384
Aug-06	640,891,869	\$0.10000	\$64,089,187
Sep-06	604,530,587	\$0.10000	\$60,453,059
Oct-06	532,021,944	\$0.10000	\$53,202,194
Nov-06	538,625,853	\$0.10000	\$53,862,585
Dec-06	599,814,234	\$0.10000	\$59,981,423
Jan-07	626,571,974	\$0.10000	\$62,657,197

Column Notes:

- (a) Attachment 1, Page 3, Column (c)
- (b) Per currently effective tariff
- (c) Column (a) x Column (b)

Standard Offer Reconciliation
 Estimated Standard Offer Expenses through December 2006

	Estimated Total Company kWh Deliveries (a)	% of Standard Offer kWhs to Total kWhs (b)	Estimated Standard Offer kWh Deliveries (c)	Estimated Base Standard Offer Charge (d)	Estimated Base Standard Offer Expenses (e)	Estimated Fuel Index Value per kWh (f)	Estimated Fuel Index Payments (g)	Total Estimated Standard Offer Expenses (h)
May-06	583,163,961	86.5%	504,436,826	\$0.05943	\$29,978,681	\$0.03342	\$16,858,279	\$46,836,959
Jun-06	632,714,427	86.5%	547,297,979	\$0.05943	\$32,525,919	\$0.03372	\$18,454,888	\$50,980,807
Jul-06	709,622,935	86.5%	613,823,839	\$0.05943	\$36,479,551	\$0.03375	\$20,716,555	\$57,196,105
Aug-06	740,915,456	86.5%	640,891,869	\$0.05943	\$38,088,204	\$0.03361	\$21,540,376	\$59,628,580
Sep-06	698,879,291	86.5%	604,530,587	\$0.05943	\$35,927,253	\$0.03229	\$19,520,293	\$55,447,545
Oct-06	615,054,271	86.5%	532,021,944	\$0.05943	\$31,618,064	\$0.03011	\$16,019,181	\$47,637,245
Nov-06	622,688,847	86.5%	538,625,853	\$0.05943	\$32,010,534	\$0.02827	\$15,226,953	\$47,237,487
Dec-06	693,426,860	86.5%	599,814,234	\$0.05943	\$35,646,960	\$0.02772	\$16,626,851	\$52,273,810
Total Expected Payments through December 2006							\$144,963,374	\$417,238,539

Column Notes:

- (a) Per Company forecast
- (b) Reflects 12-month average Standard Offer kWh deliveries as a percentage of total kWh deliveries
- (c) Column (a) x Column (b)
- (d) Per standard offer contract (includes estimate for base SO adjustment for contract amendment as approved in RIPUC Docket No. 3496)
- (e) Column (c) x Column (d)
- (f) Attachment 2, Page 3, Column (n)
- (g) Column (c) x Column (f)
- (h) Column (e) + Column (g)

Attachment 2

The Narragansett Electric Company
Report to the R.I.P.U.C.
Standard Offer Reconciliation

Calculation of the Fuel Index Adjustment
through December 2007

Prices published in WSJ on: 23-May-06 24-May-06 25-May-06

DETERMINATION OF MARKET GAS PRICE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
Contract Month	Last Month of Trading	Settlement Prices (\$/mmBtu)			Gas Index	NGrid's Market Gas Price	EUA's Market Gas Price	SOS Delivery Month
		3rd Last	2nd Last	Last				
Jan-05	Dec-04	\$6.668	\$6.160	\$6.213	\$6.347	\$6.103	n/a	Jan-05
Feb-05	Jan-05	\$6.403	\$6.388	\$6.288	\$6.360	\$6.155	n/a	Feb-05
Mar-05	Feb-05	\$6.103	\$6.311	\$6.304	\$6.239	\$6.248	n/a	Mar-05
Apr-05	Mar-05	\$7.062	\$6.999	\$7.323	\$7.128	\$6.395	n/a	Apr-05
May-05	Apr-05	\$7.153	\$7.120	\$6.748	\$7.007	\$6.491	n/a	May-05
Jun-05	May-05	\$6.349	\$6.315	\$6.123	\$6.262	\$6.456	n/a	Jun-05
Jul-05	Jun-05	\$7.360	\$7.138	\$6.976	\$7.158	\$6.525	n/a	Jul-05
Aug-05	Jul-05	\$7.284	\$7.425	\$7.647	\$7.452	\$6.646	n/a	Aug-05
Sep-05	Aug-05	\$9.770	\$9.792	\$10.847	\$10.136	\$7.058	n/a	Sep-05
Oct-05	Sep-05	\$12.440	\$12.656	\$13.907	\$13.001	\$7.687	n/a	Oct-05
Nov-05	Oct-05	\$14.338	\$14.040	\$13.832	\$14.070	\$8.195	n/a	Nov-05
Dec-05	Nov-05	\$11.614	\$11.620	\$11.180	\$11.471	\$8.553	n/a	Dec-05
Jan-06	Dec-05	\$12.283	\$11.022	\$11.431	\$11.579	\$8.989	n/a	Jan-06
Feb-06	Jan-06	\$8.460	\$8.229	\$8.400	\$8.363	\$9.156	n/a	Feb-06
Mar-06	Feb-06	\$7.283	\$7.458	\$7.112	\$7.284	\$9.243	n/a	Mar-06
Apr-06	Mar-06	\$7.067	\$7.214	\$7.233	\$7.171	\$9.246	n/a	Apr-06
May-06	Apr-06	\$7.558	\$7.254	\$7.198	\$7.337	\$9.274	n/a	May-06
Jun-06	May-06	\$6.258	\$5.964	\$5.975	\$6.066	\$9.257	n/a	Jun-06
Jul-06	Jun-06	\$6.502	\$6.170	\$6.114	\$6.262	\$9.183	n/a	Jul-06
Aug-06	Jul-06	\$6.767	\$6.405	\$6.365	\$6.512	\$9.104	n/a	Aug-06
Sep-06	Aug-06	\$7.047	\$6.645	\$6.625	\$6.772	\$8.824	n/a	Sep-06
Oct-06	Sep-06	\$7.407	\$6.980	\$6.980	\$7.122	\$8.334	n/a	Oct-06
Nov-06	Oct-06	\$8.692	\$8.330	\$8.290	\$8.437	\$7.865	n/a	Nov-06
Dec-06	Nov-06	\$9.982	\$9.635	\$9.550	\$9.722	\$7.719	n/a	Dec-06
Jan-07	Dec-06	\$10.732	\$10.350	\$10.240	\$10.441	\$7.624	n/a	Jan-07
Feb-07	Jan-07	\$10.757	\$10.380	\$10.270	\$10.469	\$7.800	n/a	Feb-07
Mar-07	Feb-07	\$10.582	\$10.210	\$10.100	\$10.297	\$8.051	n/a	Mar-07
Apr-07	Mar-07	\$8.972	\$8.745	\$8.510	\$8.742	\$8.182	n/a	Apr-07
May-07	Apr-07	\$8.812	\$8.590	\$8.345	\$8.582	\$8.286	n/a	May-07
Jun-07	May-07	\$8.932	\$8.715	\$8.470	\$8.706	\$8.506	n/a	Jun-07
Jul-07	Jun-07	\$9.072	\$8.850	\$8.605	\$8.842	\$8.721	n/a	Jul-07
Aug-07	Jul-07	\$9.197	\$8.975	\$8.730	\$8.967	\$8.925	n/a	Aug-07
Sep-07	Aug-07	\$9.317	\$9.095	\$8.850	\$9.087	\$9.118	n/a	Sep-07
Oct-07	Sep-07	\$9.512	\$9.290	\$9.045	\$9.282	\$9.298	n/a	Oct-07
Nov-07	Oct-07	\$10.357	\$10.150	\$9.895	\$10.134	\$9.439	n/a	Nov-07
Dec-07	Nov-07	\$11.167	\$10.980	\$10.705	\$10.951	\$9.542	n/a	Dec-07

Notes:

- Col. A - Contract refers to the NYMEX Natural Gas Futures Contract, as approved by the CFTC, for the purchase and sale of natural gas at Henry Hub.
- Col. B - Month that trading for the Contract ends (the month before the delivery month)
- Col. C - Settlement price for the third last trading day as reported in the Wall Street Journal. (Jan-99 - Jun-06)
- Settlement price as reported in the Wall Street Journal on 05-23-06 (Jul-06 - Dec-07)
- Col. D - Settlement price for the second last trading day as reported in the Wall Street Journal. (Jan-99 - Jun-06)
- Settlement price as reported in the Wall Street Journal on 05-24-06 (Jul-06 - Dec-07)
- Col. E - Settlement price for the last trading day as reported in the Wall Street Journal. (Jan-99 - Jun-06)
- Settlement price as reported in the Wall Street Journal on 05-25-06 (Jul-06 - Dec-07)
- Col. F - Average value of Col. C, Col. D and Col. E (=AVERAGE(Col. C.,Col. E))
- Col. G - Average of the most recent twelve months of values in Col. F (including current SOS delivery month)
- Col. H - Average of the most recent six months of values in Col. F (ending month prior to SOS delivery month)
- Col. I - month in which SOS was delivered at wholesale.

DETERMINATION OF MARKET OIL PRICE

(Col. A)	(Col. B)	(Col. HH)	(Col. II)	(Col. JJ)	(Col. KK)	(Col. LL)	(Col. MM)	(Col. NN)	Prices published in WSJ on:				
SOS Delivery Month	Trading Month	Sum of Values	# of Values	Conversion Factor	Oil Index (\$/mmBtu)	NGrid's Market Oil Price	EUA's Market Oil Price	Average	23-May-06	24-May-06	25-May-06		
Jan-05	Jan-05	594.00	20	6.3	4.71	4.43738	n/a	45.6400	45.64	45.64	45.64	<=Jan closing from WSJ on 12/20/04	
Feb-05	Feb-05	584.70	19	6.3	4.88	4.49990	n/a	46.9100	46.91	46.91	46.91	<=Feb closing from WSJ on 01/20/05	
Mar-05	Mar-05	779.75	22	6.3	5.63	4.64430	n/a	51.1500	51.15	51.15	51.15	<=Mar closing from WSJ on 02/22/05	
Apr-05	Apr-05	811.40	21	6.3	6.13	4.81806	n/a	56.6200	56.62	56.62	56.62	<=Apr closing from WSJ on 03/21/05	
May-05	May-05	792.25	21	6.3	5.99	4.91814	n/a	52.4400	52.44	52.44	52.44	<=May closing from WSJ on 04/20/05	
Jun-05	Jun-05	900.25	22	6.3	6.50	5.06936	n/a	46.8000	46.80	46.80	46.80	<=Jun closing from WSJ on 05/20/05	
Jul-05	Jul-05	844.35	20	6.3	6.70	5.26003	n/a	59.3700	59.37	59.37	59.37	<=Jul closing from WSJ on 06/22/05	
Aug-05	Aug-05	1048.35	23	6.3	7.23	5.49487	n/a	57.4600	57.46	57.46	57.46	<=Aug closing from WSJ on 07/20/05	
Sep-05	Sep-05	1064.75	21	6.3	8.05	5.79894	n/a	65.4500	65.45	65.45	65.45	<=Sep closing from WSJ on 08/22/05	
Oct-05	Oct-05	1048.35	21	6.3	7.92	6.02252	n/a	66.2300	66.23	66.23	66.23	<=Oct closing from WSJ on 09/20/05	
Nov-05	Nov-05	919.00	20	6.3	7.29	6.25192	n/a	61.3000	61.30	61.30	61.30	<=Nov closing from WSJ on 10/20/05	
Dec-05	Dec-05	1020.00	21	6.3	7.71	6.56276	n/a	56.1400	56.14	56.14	56.14	<=Dec closing from WSJ on 11/18/05	
Jan-06	Jan-06	948.15	20	6.3	7.53	6.79699	n/a	57.9800	57.98	57.98	57.98	<=Jan closing from WSJ on 12/20/05	
Feb-06	Feb-06	911.50	19	6.3	7.61	7.02450	n/a	68.3500	68.35	68.35	68.35	<=Feb closing from WSJ on 01/20/06	
Mar-06	Mar-06	1086.62	23	6.3	7.50	7.18060	n/a	61.1000	61.10	61.10	61.10	<=Mar closing from WSJ on 02/21/06	
Apr-06	Apr-06	965.29	19	6.3	8.06	7.34154	n/a	60.5700	60.57	60.57	60.57	<=Apr closing from WSJ on 03/21/06	
May-06	May-06	1081.40	22	6.3	7.80	7.49270	n/a	71.9500	71.95	71.95	71.95	<=May closing from WSJ on 04/20/06	
Jun-06	Jun-06	69.23			7.51	7.57704	n/a	69.2300	69.23	69.23	69.23	<=June closing from WSJ on 05/22/06	
Jul-06	Jul-06	70.98			7.70	7.66004	n/a	70.9800	71.76	69.86	71.32		
Aug-06	Aug-06	71.73			7.78	7.70532	n/a	71.7300	72.49	70.61	72.09		
Sep-06	Sep-06	72.32			7.84	7.68816	n/a	72.3167	73.09	71.20	72.66		
Oct-06	Oct-06	72.79			7.89	7.68564	n/a	72.7933	73.59	71.68	73.11		
Nov-06	Nov-06	73.18			7.94	7.73917	n/a	73.1833	74.00	72.07	73.48		
Dec-06	Dec-06	73.49			7.97	7.76083	n/a	73.4933	74.33	72.38	73.77		
Jan-07	Jan-07	73.73			7.99	7.80000	n/a	73.7267	74.57	72.62	73.99		
Feb-07	Feb-07	73.83			8.01	7.83258	n/a	73.8267	74.73	72.62	74.13		
Mar-07	Mar-07	73.83			8.01	7.87480	n/a	73.8267	74.73	72.62	74.13		
Apr-07	Apr-07	73.89			8.01	7.87051	n/a	73.8900	74.83	72.62	74.22		
May-07	May-07	73.97			8.02	7.88879	n/a	73.9733	74.81	72.89	74.22		
Jun-07	Jun-07	73.93			8.02	7.93126	n/a	73.9300	74.81	72.84	74.14		
Jul-07	Jul-07	73.83			8.01	7.95705	n/a	73.8333	74.63	72.84	74.03		
Aug-07	Aug-07	73.83			8.01	7.97605	n/a	73.8333	74.63	72.84	74.03		
Sep-07	Sep-07	73.83			8.01	7.98976	n/a	73.8333	74.63	72.84	74.03		
Oct-07	Oct-07	73.83			8.01	7.99916	n/a	73.8333	74.63	72.84	74.03		
Nov-07	Nov-07	73.83			8.01	8.00503	n/a	73.8333	74.63	72.84	74.03		
Dec-07	Dec-07	73.08			7.92	8.00130	n/a	73.0800	73.88	72.06	73.30		

Notes:

- Col. A - month in which SOS was delivered at wholesale.
- Col. B - month in which oil prices were quoted and delivered.
- Col. C - Col. GG - daily prices as quoted by Platt's MarketScan. (not shown)
- Col. HH - sum of values in Col. C through Col. GG. (Jan-99 - May-06)
 - Jun-06 Final Crude oil contract price as reported in the Wall Street Journal on 22-May-06
 - average of Crude oil contract prices as reported in the Wall Street Journal on 05-23-06, 05-24-06 & 05-25-06
- Col. II - number of non-zero values in Col. C through Col. GG.
- Col. JJ - a fixed factor of 6.3 mmBtu per bbl.
- Col. KK - Col. HH divided by (Col. II x Col. JJ) (Jan-99 - May-06)
 - Current month value Col. HH * May-06 value in Col KK/ 71.95 (May-06 - Dec-07)
 - Where 71.95 represents the May-06 closing value from the WSJ 20-Apr-06
- Col. LL - Average of the most recent twelve months of values in Col. KK (including current SOS delivery month)
- Col. MM - Average of the most recent six months of values in Col. KK (ending month prior to SOS delivery month)

DETERMINATION OF FUEL ADJUSTMENT VALUE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)	(Col. J)	(Col. K)	(Col. L)	(Col. M)	(Col. N)
SOS Delivery Month	NGrid's Market Gas Price	NGrid's Market Oil Price	NGrid's Fuel Value	NGrid's Fuel Trigger	NGrid's Adjustment Value	EUA's Market Gas Price	EUA's Market Oil Price	EUA's Fuel Value	EUA's Fuel Trigger	EUA's Adjustment Value	Ngrid Adjustment €/kWh	EUA Adjustment €/kWh	Weighted Adjustment €/kWh
Jan-05	\$6.1033	\$4.4374	\$10.5407	\$8.48	1.22595	n/a	n/a	n/a	n/a	n/a	1.243	n/a	0.920
Feb-05	\$6.1550	\$4.4999	\$10.6549	\$8.48	1.23848	n/a	n/a	n/a	n/a	n/a	1.312	n/a	0.971
Mar-05	\$6.2484	\$4.6443	\$10.8927	\$8.48	1.26456	n/a	n/a	n/a	n/a	n/a	1.455	n/a	1.077
Apr-05	\$6.3953	\$4.8181	\$11.2134	\$8.48	1.29971	n/a	n/a	n/a	n/a	n/a	1.648	n/a	1.220
May-05	\$6.4911	\$4.9181	\$11.4092	\$8.48	1.32119	n/a	n/a	n/a	n/a	n/a	1.767	n/a	1.307
Jun-05	\$6.4555	\$5.0694	\$11.5249	\$8.48	1.33387	n/a	n/a	n/a	n/a	n/a	1.836	n/a	1.359
Jul-05	\$6.5248	\$5.2600	\$11.7848	\$8.48	1.36237	n/a	n/a	n/a	n/a	n/a	1.993	n/a	1.475
Aug-05	\$6.6460	\$5.4949	\$12.1408	\$8.48	1.40141	n/a	n/a	n/a	n/a	n/a	2.208	n/a	1.634
Sep-05	\$7.0582	\$5.7989	\$12.8571	\$8.48	1.47995	n/a	n/a	n/a	n/a	n/a	2.640	n/a	1.953
Oct-05	\$7.6867	\$6.0225	\$13.7092	\$8.48	1.57338	n/a	n/a	n/a	n/a	n/a	3.154	n/a	2.334
Nov-05	\$8.1948	\$6.2519	\$14.4467	\$8.48	1.65425	n/a	n/a	n/a	n/a	n/a	3.598	n/a	2.663
Dec-05	\$8.5527	\$6.5628	\$15.1154	\$8.48	1.72757	n/a	n/a	n/a	n/a	n/a	4.002	n/a	2.961
Jan-06	\$8.9886	\$6.7970	\$15.7856	\$9.22	1.66589	n/a	n/a	n/a	n/a	n/a	3.929	n/a	2.907
Feb-06	\$9.1556	\$7.0245	\$16.1801	\$9.22	1.70589	n/a	n/a	n/a	n/a	n/a	4.165	n/a	3.082
Mar-06	\$9.2427	\$7.1806	\$16.4233	\$9.22	1.73055	n/a	n/a	n/a	n/a	n/a	4.310	n/a	3.190
Apr-06	\$9.2463	\$7.3415	\$16.5878	\$9.22	1.74724	n/a	n/a	n/a	n/a	n/a	4.409	n/a	3.262
May-06	\$9.2738	\$7.4927	\$16.7665	\$9.22	1.76536	n/a	n/a	n/a	n/a	n/a	4.516	n/a	3.342
Jun-06	\$9.2574	\$7.5770	\$16.8344	\$9.22	1.77225	n/a	n/a	n/a	n/a	n/a	4.556	n/a	3.372
Jul-06	\$9.1827	\$7.6600	\$16.8427	\$9.22	1.77310	n/a	n/a	n/a	n/a	n/a	4.561	n/a	3.375
Aug-06	\$9.1044	\$7.7053	\$16.8097	\$9.22	1.76975	n/a	n/a	n/a	n/a	n/a	4.542	n/a	3.361
Sep-06	\$8.8241	\$7.6882	\$16.5122	\$9.22	1.73958	n/a	n/a	n/a	n/a	n/a	4.363	n/a	3.229
Oct-06	\$8.3342	\$7.6856	\$16.0198	\$9.22	1.68964	n/a	n/a	n/a	n/a	n/a	4.069	n/a	3.011
Nov-06	\$7.8648	\$7.7392	\$15.6040	\$9.22	1.64746	n/a	n/a	n/a	n/a	n/a	3.820	n/a	2.827
Dec-06	\$7.7190	\$7.7608	\$15.4799	\$9.22	1.63487	n/a	n/a	n/a	n/a	n/a	3.746	n/a	2.772
Jan-07	\$7.6242	\$7.8000	\$15.4242	\$9.95	1.51692	n/a	n/a	n/a	n/a	n/a	3.257	n/a	2.410
Feb-07	\$7.7997	\$7.8326	\$15.6323	\$9.95	1.53657	n/a	n/a	n/a	n/a	n/a	3.380	n/a	2.501
Mar-07	\$8.0508	\$7.8748	\$15.9256	\$9.95	1.56427	n/a	n/a	n/a	n/a	n/a	3.555	n/a	2.631
Apr-07	\$8.1817	\$7.8705	\$16.0522	\$9.95	1.57622	n/a	n/a	n/a	n/a	n/a	3.630	n/a	2.686
May-07	\$8.2855	\$7.8888	\$16.1743	\$9.95	1.58775	n/a	n/a	n/a	n/a	n/a	3.703	n/a	2.740
Jun-07	\$8.5055	\$7.9313	\$16.4368	\$9.95	1.61254	n/a	n/a	n/a	n/a	n/a	3.859	n/a	2.856
Jul-07	\$8.7205	\$7.9570	\$16.6776	\$9.95	1.63528	n/a	n/a	n/a	n/a	n/a	4.002	n/a	2.962
Aug-07	\$8.9251	\$7.9761	\$16.9012	\$9.95	1.65639	n/a	n/a	n/a	n/a	n/a	4.135	n/a	3.060
Sep-07	\$9.1180	\$7.9898	\$17.1078	\$9.95	1.67590	n/a	n/a	n/a	n/a	n/a	4.258	n/a	3.151
Oct-07	\$9.2980	\$7.9992	\$17.2972	\$9.95	1.69379	n/a	n/a	n/a	n/a	n/a	4.371	n/a	3.234
Nov-07	\$9.4394	\$8.0050	\$17.4444	\$9.95	1.70769	n/a	n/a	n/a	n/a	n/a	4.458	n/a	3.299
Dec-07	\$9.5418	\$8.0013	\$17.5431	\$9.95	1.71700	n/a	n/a	n/a	n/a	n/a	4.517	n/a	3.343

Notes:

- Col. A - month in which SOS was delivered at wholesale
- Col. B - Average of the values of Gas Index for the most recent 12 months. (Col. G - Determination of Market Gas Price)
- Col. C - Average of the values of Oil Index for the most recent 12 months. (Col. LL - Determination of Market Oil Price)
- Col. D - Col. B + Col. C
- Col. E - Applicable value from the Standard Offer Supply Contracts.
- Col. F - @if(Col. D > Col. E, (Col. B + \$0.60 + Col. C + \$0.04) / (Col. E + \$0.64), 1.000)
- Col. G - Average of the values of Gas Index for the most recent 6 months. (Col. H - Determination of Market Gas Price)
- Col. H - Average of the values of Oil Index for the most recent 6 months. (Col. I - Determination of Market Oil Price)
- Col. I - Col. G + Col. H
- Col. J - Applicable value from the Standard Offer Supply Contracts.
- Col. K - @if(Col. I > Col. J, (Col. G + \$0.60 + Col. H + \$0.04) / (Col. J + \$0.64), 1.000)
- Col. L - (Col. F - 1.0) * Applicable Contract Price from the Standard Offer Supply Contracts.
- Col. M - (Col. K - 1.0) * Applicable Contract Price from the Standard Offer Supply Contracts.
- Col. N - (0.74 * Col. K) + (0.26 * Col. L)

Forecast of fuel prices based on NYMEX futures as reported in the Wall Street Journal on 05-23-06, 05-24-06 & 05-25-06

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 1, 2006
Date

Narragansett Electric Co. – Standard Offer Rate Filing – Docket No. 3706
Service list as 11/03/05

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