

October 4, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3765 – Renewable Energy Standard (“RES”) Charge Filing

Dear Ms. Massaro:

Enclosed are ten copies of The Narragansett Electric Company’s d/b/a National Grid (“National Grid” or “Company”) response to the memorandum filed by the Division of Public Utilities & Carriers on September 27, 2006 in the above referenced docket.

The Division has made two recommendations regarding the Company’s filing. First, the Division recommends that the Company perform a separate reconciliation of the annual revenue and expense associated with the RES. Second, the Division recommends that the Company be required to present the RES charge as a separate line item on customers’ bills, along with a footnote on the bill to better explain the charge.

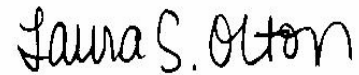
In response to the first recommendation, the Company has no objection to separately reconciling RES revenue and the cost associated with purchasing renewable energy certificates (“RECs”) and/or making alternative compliance payments in both the Standard Offer and Last Resort Service annual reconciliations. The resulting over or under collection, including interest, can be calculated and the method of collecting or refunding the balance will be proposed for Commission approval each year in the Company’s annual reconciliation filing.

With regard to the presentation of the RES charge on customers’ bills, the Company had originally anticipated combining the RES charge with the Standard Offer and Last Resort Service charges, respectively. However, if the Commission requires the charge to be set forth separately, the Company does not object to identifying the RES charge as a separate line item in the Commodity Services section on customers’ bills. Implementation of the separate line will require modifications to the Company’s billing system in order to accommodate the billing and presentation of an additional charge on a customer’s bill. If the separately itemized charge could not be implemented by the proposed effective date of January 1, 2007, the Company would propose, in the interim, to roll the RES charge into the Standard Offer and/or Last Resort Services charges until the billing system change is implemented, along with a short footnote referencing the RES charge embedded in the rate (subject to system limitations regarding the length of the footnote).

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

Very truly yours,

A handwritten signature in black ink that reads "Laura S. Olton". The signature is written in a cursive, slightly slanted style.

Laura S. Olton

cc: Docket 3765 Service List
Steve Scialabba, RI Division