

March 17, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3982 – Gas Cost Recovery (GCR)
Deviation from the Gas Purchase Incentive Plan**

Dear Ms. Massaro:

The purpose of this letter is to inform the Commission of the Company's plan to deviate from the existing Gas Purchase Incentive Plan ("Plan")¹ and to make additional purchases of natural gas futures to accelerate 50% of the mandatory purchases under the Plan for March 2011 at this time and continue to accelerate 50% of mandatory purchases for the month two years hence as long as favorable purchasing conditions continue.

Gas prices continue to remain well below the levels embedded in hedging purchases and current GCR rates. The Company is continuing discussions with the Division of Public Utilities and Carriers ("Division") and its consultant, Bruce Oliver, to determine how to best take advantage of the weakness in prices.

The Company and the Division agree that it makes sense at this time for the Company to accelerate approximately one-half of the mandatory purchases for March 2011 at this time, as it has done for the other winter months, November 2010 through February 2011. In addition, the Division and the Company agree that in the future the Company should hedge 50% of the scheduled mandatory amount each month for the month two years ahead. Thus, in early April, under this plan the Company will put in place hedges for 50% of the April 2011 mandatory quantity, and so on, continuing this strategy until the Company and the Division agree that it should end. Like any hedges, these will not guarantee that commodity prices to customers next winter will be lower than if the Company simply continued the mandatory plan. However, in the judgment of the Division's consultant and the Company, locking in more commodity purchases at the prevailing prices being seen today is perceived by the Division and the Company as a reasonable hedging strategy at this time and an action that will help significantly to create the potential for future reductions in the gas cost recovery rate over that time period.

¹ The Plan was approved by the Commission in Order No. 18273 (June 16, 2005), with minor modifications approved at the Open Meeting on October 31, 2006, in the above-captioned docket.

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The Company and the Division also have agreed to exclude these purchases from the calculation of the benchmark used to determine the incentive or penalty under the Plan. As such, the actions taken would have no impact on the incentive/penalty results for these months.

Given the Commission's prior Orders and precedent, it is the Company's understanding that it is unnecessary to obtain formal Commission approval of this transaction. Thus, unless the Company hears otherwise from the Commission by close of business Tuesday, March 24th, the Company will proceed to accelerate mandatory purchases as described above.

If you have any questions, please feel free to contact Gary Beland at (401) 784-7156.

Very truly yours,



Thomas R. Teehan

cc: Docket 3982 Service List
Paul Roberti, Esq.
Steve Scialabba, Division