

January 30, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: FY 2013 Gas Infrastructure, Safety, and Reliability Plan
Docket No. 4306**

Dear Ms. Massaro:

Enclosed for filing in the above-referenced docket is a Settlement Agreement entered into between National Grid¹ and the Division of Public Utilities and Carriers (“Division”) relative to the calculation of property taxes expense in the proposed FY 2013 Gas Infrastructure, Safety, and Reliability Plan.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Steve Scialabba
Leo Wold, Esq.

¹ The Narragansett Electric Company d/b/a National Grid, hereinafter referred to as “National Grid” or the “Company.”

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION

FY 2013 Gas Infrastructure, Safety and Reliability Plan

Docket No. 4306

This Settlement Agreement (“Agreement”) is entered into this ~~30~~³¹th day of January 2012, between The Narragansett Electric Company d/b/a National Grid (the “Company”) and the Rhode Island Division of Public Utilities and Carriers (“Division”) (collectively the “Parties”).

WHEREAS, On December 29, 2011, the Company submitted its proposed Fiscal Year (“FY”) 2013 Gas Infrastructure, Safety, and Reliability (“ISR”) Plan to the Rhode Island Public Utilities Commission (“Commission”) for review and approval pursuant to the provisions of R.I.G.L. §39-1-27.7.1(c)(2);

WHEREAS, the parties differ on the appropriate approach to the calculation of the property tax expense recoverable through the Gas ISR Plan for the Fiscal Year 2013;

WHEREAS, the Company calculates FY 2013 property taxes recoverable through the Gas ISR Plan for the Fiscal Year 2013 by applying a composite property tax rate to the net amount of FY 2012 ISR Plan plant investment (including cost of removal) less the prior year cumulative depreciation expense on that investment (“FY 2012 Net Investment”), while the Division believes that the Company should calculate FY 2013 property taxes recoverable through the Gas ISR Plan for the Fiscal Year 2013 by applying a composite property tax rate to the net growth in FY 2012 ISR Plan plant

investment (including an offset for growth in accumulated depreciation on embedded plant)

WHEREAS, the Parties have engaged in a series of discussions and negotiations regarding the calculation of property tax expense for the FY 2013 Gas ISR Plan;

WHEREAS the Parties wish to resolve the property tax calculation issue as it applies to the proposed FY 2013 Gas ISR Plan;

NOW THEREFORE, the Parties agree as follows:

1. The revenue requirement applicable to the FY 2013 Gas ISR Plan on FY 2012 Net Investment will be reduced by \$260,000.
2. The parties agree that this adjustment to the revenue requirement for the FY 2013 Gas ISR Plan will not be viewed as precedent and the parties retain the ability to maintain their differing positions relative to the proper method of calculating property tax expense in future ISR Plan filings.
3. The parties agree that this Agreement and the terms and provisions contained herein shall not establish any precedent regarding the appropriate method for calculating property tax expense for future ISR Plan filings, and that this Agreement does not preclude either of the Parties from proposing any alternative method of calculating property tax expense in future ISR Plan filings.
4. All prior discussions and agreements between the parties with respect to the subject matter hereof are merged in this Agreement, which alone constitutes the entire agreement between the Parties as to its subject matter. This Agreement

may not be amended, modified or terminated except by a written agreement signed by all the Parties.

[SIGNATURE PAGE FOLLOWS]

The Narragansett Electric Company
d/b/a National Grid

By: Thomas R. Teehan
Name: Thomas R. Teehan
Title: Senior Counsel

Rhode Island Division of Public Utilities
and Carriers

By: Leo J. Wold
Name: Leo J. Wold
Title: Assistant Attorney General