

November 3, 2006

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 3617 - May 2005 Customer Credit  
Bonus Depreciation Final True-up**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's ("National Grid" or the "Company") final true-up of the Bonus Depreciation exogenous event benefit for calendar year 2004.

Pursuant to the terms of the Distribution Rate Plan, Second Amended Stipulation and Settlement dated October 15, 2004 (the "Docket 3617 Settlement"), effective November 1, 2004, approved by the Commission in Order No. 18037, the Company began refunding to its distribution customers, over a twelve-month period, a net credit estimated at \$22,769,000 (the "Customer Credit"). This net credit related to customers' share of shared earnings, exogenous event impacts and low-income expansion lost revenue offsets, along with accrued service quality penalties for the years 2000 through 2003. Details of this estimated amount were included in Exhibit 8 of the Docket 3617 Settlement.

On May 1, 2005, the Company filed a report with the Commission reconciling estimated amounts included in the Customer Credit to actual amounts. As detailed in that report, the updated Customer Credit totaled \$27,638,000. One component of the credit resulted from an exogenous event relating to bonus depreciation arising out of provisions of a federal law referred to as "the Job Creation and Worker Assistance Act of 2002." As indicated in the May 1, 2005 reconciling report, a final true-up of the bonus depreciation exogenous event for 2004 was not yet available, and was not expected to materially change that updated amount.

Attached herewith is the final true-up of the Bonus Depreciation revenue requirement benefit for Calendar year 2004. As shown on Page 1 of the attached schedule, the actual 2004 benefit amounted to \$1,190,652, an amount that is \$88,739 less than the estimated benefit of \$1,279,391 as shown on Exhibit 8, pages 5 through 11 of the Docket 3617 Settlement.

Luly E. Massaro, Commission Clerk  
November 3, 2006  
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The disposition of this final true-up will be addressed in the Company's annual rate reconciliation filing to be made later this month.

Thank you for your attention to this transmittal. Please contact me if you have any questions regarding this matter at (401) 784-7667.

Very truly yours,

A handwritten signature in blue ink that reads "Laura S. Olton". The signature is written in a cursive, flowing style.

Laura S. Olton

Enclosures

cc: Docket 3617 Service List

Narragansett Electric Company

Schedule 1

Page 1 of 8

**Exogenous Event - IRC 168(k)  
Final Rev Req Impacts through 12/31/04**

<u>Line</u>	<u>Qualifying Property Class</u>	(1) 2004 Avg Return <u>Final Benefit</u>	(2) 2004 Avg Return <u>Estimate</u>	(3) Final <u>True-up</u>
1)	20 Year Utility Plant Qualifying for 30% Bonus Depreciation	(\$640,796)	(\$668,903)	\$28,107
2)	20 Year Utility Plant Qualifying for 50% Bonus Depreciation	(\$544,882)	(\$604,228)	\$59,346
3)	7 Year Utility Plant Qualifying for 30% Bonus Depreciation	(\$1,567)	(\$334)	(\$1,233)
4)	7 Year Utility Plant Qualifying for 50% Bonus Depreciation	(\$1,849)	(\$689)	(\$1,160)
5)	5 Year Utility Plant Qualifying for 30% Bonus Depreciation	(\$1,559)	(\$1,676)	\$117
6)	5 Year Utility Plant Qualifying for 50% Bonus Depreciation	<u>\$0</u>	<u>(\$3,561)</u>	<u>\$3,561</u>
	Total	<u>(\$1,190,652)</u>	<u>(\$1,279,391)</u>	<u><b>\$88,739</b></u>

Source Notes:

Line 1) From 20 Year, 30% Bonus, CY2004, Column (13)

Line 2) From 20 Year, 50% Bonus, CY2004, Column (13)

Line 3) From 7 Year, 30% Bonus, CY2004, Column (13)

Line 4) From 7 Year, 50% Bonus, CY2004, Column (13)

Line 5) From 5 Year, 30% Bonus, CY2004, Column (13)

Line 6) From 5 Year, 50% Bonus, CY2004, Column (13)

Column (1) As noted above for CY2004

Column (2) Per Docket 3617 Second Amended Stipulation and Settlement dated October 15, 2004, Exhibit 8, Page 5 of 11.

Column (3) Column (1) - Column (2) = True-up amount

## Narragansett Electric Company

## Schedule 1

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**Exogenous Event - IRC 168(k)**  
**Final Rev Req Impact for 20 Year Property @ 30%**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	MACRS Tax Depr Rates	IRC 168(k) Tax Depr Rates	Diff	Addition Year	Qualifying Addition Amount	Add'l Def Tax Provision 2001 Additions	Add'l Def Tax Provision 2002 Additions	Add'l Def Tax Provision 2003 Additions	Add'l Def Tax Provision 2004 Additions	Add'l Def Tax Provision 2005 Additions	Cumul. Add'l Def Tax Prov	Avg Accum Def Tax	NECO 1/ Pre-Tax Return
1	3.75%	32.63%	28.8750%	2001	\$ 2,859,305	\$ 288,969	\$ -	\$ -	\$ -	\$ -	\$ 288,969	\$ 144,484	\$ (17,324)
2	7.22%	5.05%	-2.17%	2002	27,161,705	(21,673)	2,745,030	-	-	-	3,012,325	1,650,647	(197,913)
3	6.68%	4.67%	-2.00%	2003	24,356,425	(20,046)	(205,884)	\$2,461,521	-	-	5,247,916	4,130,120	(495,201)
4	6.18%	4.32%	-1.85%	2004	6,025,252	(18,545)	(190,427)	(184,620)	608,927	-	5,463,250	5,355,583	(640,796)
5	5.71%	4.00%	-1.71%	2005	-	(17,152)	(176,167)	(170,759)	(45,671)	-	5,053,501	5,258,376	(622,592)
6	5.29%	3.70%	-1.59%			(15,867)	(162,934)	(157,972)	(42,242)	-	4,674,487	4,863,994	(575,897)
7	4.89%	3.42%	-1.47%			(14,675)	(150,727)	(146,106)	(39,079)	-	4,323,900	4,499,193	(532,704)
8	4.52%	3.17%	-1.36%			(13,576)	(139,405)	(135,160)	(36,143)	-	3,999,616	4,161,758	(492,752)
9	4.46%	3.12%	-1.34%			(13,396)	(128,966)	(125,007)	(33,436)	-	3,698,810	3,849,213	(455,747)
10	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(115,647)	(30,924)	-	3,411,591	3,555,201	(420,936)
11	4.46%	3.12%	-1.34%			(13,396)	(127,227)	(114,112)	(28,608)	-	3,128,248	3,269,919	(387,158)
12	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(114,087)	(28,229)	-	2,845,283	2,986,766	(353,633)
13	4.46%	3.12%	-1.34%			(13,396)	(127,227)	(114,112)	(28,223)	-	2,562,326	2,703,805	(320,130)
14	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(114,087)	(28,229)	-	2,279,362	2,420,844	(286,628)
15	4.46%	3.12%	-1.34%			(13,396)	(127,227)	(114,112)	(28,223)	-	1,996,404	2,137,883	(253,125)
16	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(114,087)	(28,229)	-	1,713,440	1,854,922	(219,623)
17	4.46%	3.12%	-1.34%			(13,396)	(127,227)	(114,112)	(28,223)	-	1,430,482	1,571,961	(186,120)
18	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(114,087)	(28,229)	-	1,147,518	1,289,000	(152,618)
19	4.46%	3.12%	-1.34%			(13,396)	(127,227)	(114,112)	(28,223)	-	864,560	1,006,039	(119,115)
20	4.46%	3.12%	-1.34%			(13,393)	(127,255)	(114,087)	(28,229)	-	581,596	723,078	(85,612)
21	2.23%	1.56%	-0.67%			(6,698)	(127,227)	(114,112)	(28,223)	-	305,336	443,466	(52,506)
22	0.0%	0.0%	0.00%			-	(63,628)	(114,087)	(28,229)	-	99,393	202,365	(23,960)
23	0.0%	0.0%	0.00%			-	-	(57,056)	(28,223)	-	14,114	56,754	(6,720)
24	0.0%	0.0%	0.00%			-	-	-	(14,114)	-	(0)	7,057	(836)
25	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
26	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
27	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
28	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
29	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
30	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
31	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
32													
33	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -			

Footnotes:

Column (1) MACRS tax depreciation rates for 20 year utility property

Column (2) MACRS rate adjusted for 30% bonus depreciation allowance: Year 1 = ( 30% + (70% x MACRS Year 1 Rate)), Years 2-21 = 70% x MACRS Rate from Column (1)

Column (3) Column (2) minus Column (1)

Column (4) Calendar year of qualifying property addition

Column (5) \$ value of property additions qualifying for the bonus depreciation allowance by calendar year

Column (6) Column (5) Year 1 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

Column (7) Column (5) Year 2 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

Column (8) Column (5) Year 3 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

Column (9) Column (9) prior year plus the sum of Columns (6), (7) &amp; (8)

Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)

1/ Return rate of 11.99% applicable for years 2001, 2002, and 2003 based on the imputed capital structure established in Docket 2930.

A pro-rated return rate of 11.97% was used to determine the 2004 benefit value.

## Narragansett Electric Company

## Schedule 1

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**Exogenous Event - IRC 168(k)**  
**Final Rev Req Impact for 20 Year Property @ 50%**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	MACRS Tax Depr Rates	IRC 168(k) Tax Depr Rates	Diff	Addition Year	Qualifying Addition Amount	Add'l Def Tax Provision 2001 Additions	Add'l Def Tax Provision 2002 Additions	Add'l Def Tax Provision 2003 Additions	Add'l Def Tax Provision 2004 Additions	Add'l Def Tax Provision 2005 Additions	Cumul. Add'l Def Tax Prov	Avg Accum Def Tax	NECO 1/ Pre-Tax Return
1	3.75%	51.88%	48.13%	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	7.22%	3.61%	-3.61%	2002	\$ -	-	-	-	-	-	-	-	-
3	6.68%	3.34%	-3.34%	2003	\$ 15,743,393	-	-	2,651,778	-	-	2,651,778	1,325,889	(158,974)
4	6.18%	3.09%	-3.09%	2004	\$ 23,767,107	-	-	(198,890)	4,003,272	-	6,456,160	4,553,969	(544,882)
5	5.71%	2.86%	-2.86%	2005	\$ -	-	-	(183,958)	(300,256)	-	5,971,946	6,214,053	(735,744)
6	5.29%	2.64%	-2.64%			-	-	(170,182)	(277,713)	-	5,524,051	5,747,999	(680,563)
7	4.89%	2.44%	-2.44%			-	-	(157,399)	(256,916)	-	5,109,736	5,316,894	(629,520)
8	4.52%	2.26%	-2.26%			-	-	(145,607)	(237,618)	-	4,726,512	4,918,124	(582,306)
9	4.46%	2.23%	-2.23%			-	-	(134,669)	(219,816)	-	4,372,027	4,549,270	(538,634)
10	4.46%	2.23%	-2.23%			-	-	(124,585)	(203,304)	-	4,044,138	4,208,082	(498,237)
11	4.46%	2.23%	-2.23%			-	-	(122,932)	(188,081)	-	3,733,125	3,888,631	(460,414)
12	4.46%	2.23%	-2.23%			-	-	(122,905)	(185,585)	-	3,424,634	3,578,879	(423,739)
13	4.46%	2.23%	-2.23%			-	-	(122,932)	(185,544)	-	3,116,158	3,270,396	(387,215)
14	4.46%	2.23%	-2.23%			-	-	(122,905)	(185,585)	-	2,807,668	2,961,913	(350,691)
15	4.46%	2.23%	-2.23%			-	-	(122,932)	(185,544)	-	2,499,192	2,653,430	(314,166)
16	4.46%	2.23%	-2.23%			-	-	(122,905)	(185,585)	-	2,190,702	2,344,947	(277,642)
17	4.46%	2.23%	-2.23%			-	-	(122,932)	(185,544)	-	1,882,226	2,036,464	(241,117)
18	4.46%	2.23%	-2.23%			-	-	(122,905)	(185,585)	-	1,573,735	1,727,980	(204,593)
19	4.46%	2.23%	-2.23%			-	-	(122,932)	(185,544)	-	1,265,259	1,419,497	(168,068)
20	4.46%	2.23%	-2.23%			-	-	(122,905)	(185,585)	-	956,769	1,111,014	(131,544)
21	2.23%	1.12%	-1.12%			-	-	(122,932)	(185,544)	-	648,293	802,531	(95,020)
22	0.0%	0.0%	0.00%			-	-	(122,905)	(185,585)	-	339,803	494,048	(58,495)
23	0.0%	0.0%	0.00%			-	-	(61,466)	(185,544)	-	92,793	216,298	(25,610)
24	0.0%	0.0%	0.00%			-	-	-	(92,793)	-	(0)	46,396	(5,493)
25	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
26	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
27	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
28	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
29	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
30	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
31	0.0%	0.0%	0.00%			-	-	-	-	-	(0)	(0)	0
32													
33	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -	-		

Footnotes:

Column (1) MACRS tax depreciation rates for 20 year utility property

Column (2) MACRS rate adjusted for 50% bonus depreciation allowance: Year 1 = ( 50% + (50% x MACRS Year 1 Rate)), Years 2-21 = 50% x MACRS Rate from Column (1)

Column (3) Column (2) minus Column (1)

Column (4) Calendar year of qualifying property addition

Column (5) \$ value of property additions qualifying for the bonus depreciation allowance by calendar year

Column (6) Column (5) Year 1 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

Column (7) Column (5) Year 2 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

Column (8) Column (5) Year 3 x Column (3) Years 1 thru 21 x 35% (Federal Income Tax Rate)

1/ Return rate of 11.99% applicable for years 2001, 2002, and 2003 based on the imputed capital structure established in Docket 2930.

Column (9) Column (9) prior year plus the sum of Columns (6), (7) &amp; (8)

A pro-rated return rate of 11.97% was used to determine the 2004 benefit value.

Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)

## Narragansett Electric Company

## Schedule 1

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**Exogenous Event - IRC 168(k)**  
**Final Rev Req Impact for 7 year Property @ 30%**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	MACRS Tax Depr Rates	IRC 168(k) Tax Depr Rates	Diff	Addition Year	Qualifying Addition Amount	Add'l Def Tax Provision 2001 Additions	Add'l Def Tax Provision 2002 Additions	Add'l Def Tax Provision 2003 Additions	Add'l Def Tax Provision 2004 Additions	Add'l Def Tax Provision 2005 Additions	Cumul. Add'l Def Tax Prov	Avg Accum Def Tax	NECO 1/ Pre-Tax Return
1	14.29%	40.00%	25.71%	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	24.49%	17.14%	-7.35%	2002	12,059	0	1,085	-	-	-	1,085	543	(65)
3	17.49%	12.24%	-5.25%	2003	130,734	0	(310)	11,766	-	-	12,541	6,813	(817)
4	12.49%	8.74%	-3.75%	2004	52,084	0	(221)	(3,362)	4,687	-	13,645	13,093	(1,567)
5	8.93%	6.25%	-2.68%	2005	-	0	(158)	(2,401)	(1,339)	-	9,746	11,696	(1,385)
6	8.92%	6.24%	-2.68%			0	(113)	(1,715)	(956)	-	6,962	8,354	(989)
7	8.93%	6.25%	-2.68%			0	(113)	(1,226)	(683)	-	4,941	5,951	(705)
8	4.46%	3.12%	-1.34%			0	(113)	(1,224)	(488)	-	3,115	4,028	(477)
9	0.0%	0.0%	0.0%			-	(56)	(1,226)	(488)	-	1,344	2,230	(264)
10	0.0%	0.0%	0.0%			-	-	(612)	(488)	-	244	794	(94)
11	0.0%	0.0%	0.0%			-	-	-	(244)	-	(0)	122	(14)
12	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
13	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
14	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
15	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
16	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
17	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
18	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
19	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
20	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
21	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
22	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
23	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
24	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
25	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
26	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
27	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
28	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
29	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
30	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
31	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
32													
33	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -			

Footnotes:

Column (1) MACRS tax depreciation rates for 7 year utility property

Column (2) MACRS rate adjusted for 30% bonus depreciation allowance: Year 1 = ( 30% + (70% x MACRS Year 1 Rate)), Years 2-8 = 70% x MACRS Rate from Column (1)

Column (3) Column (2) minus Column (1)

Column (4) Calendar year of qualifying property addition

Column (5) \$ value of property additions qualifying for the bonus depreciation allowance by calendar year

Column (6) Column (5) Year 1 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (7) Column (5) Year 2 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (8) Column (5) Year 3 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (9) Column (9) prior year plus the sum of Columns (6), (7) &amp; (8)

Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)

1/ Return rate of 11.99% applicable for years 2001, 2002, and 2003 based on the imputed capital structure established in Docket 2930.  
A pro-rated return rate of 11.97% was used to determine the 2004 benefit value.

Narragansett Electric Company

Schedule 1

Page 5 of 8

Exogenous Event - IRC 168(k)  
Final Rev Req Impact for 7 Year Property @ 50%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
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1	14.29%	57.15%	42.86%	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	24.49%	12.25%	-12.25%	2002	-	-	-	-	-	-	-	-	-
3	17.49%	8.75%	-8.75%	2003	55,944	-	-	8,391	-	-	8,391	4,196	(503)
4	12.49%	6.25%	-6.25%	2004	110,124	-	-	(2,398)	16,518	-	22,511	15,451	(1,849)
5	8.93%	4.47%	-4.47%	2005	-	-	-	(1,712)	(4,720)	-	16,079	19,295	(2,285)
6	8.92%	4.46%	-4.46%			-	-	(1,223)	(3,371)	-	11,486	13,783	(1,632)
7	8.93%	4.47%	-4.47%			-	-	(874)	(2,407)	-	8,205	9,845	(1,166)
8	4.46%	2.23%	-2.23%			-	-	(873)	(1,721)	-	5,610	6,908	(818)
9	0.0%	0.0%	0.0%			-	-	(874)	(1,719)	-	3,017	4,314	(511)
10	0.0%	0.0%	0.0%			-	-	(437)	(1,721)	-	860	1,938	(229)
11	0.0%	0.0%	0.0%			-	-	-	(860)	-	(0)	430	(51)
12	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
13	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
14	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
15	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
16	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
17	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
18	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
19	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
20	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
21	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
22	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
23	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
24	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
25	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
26	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
27	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
28	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
29	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
30	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
31	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
32													
33	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -			

Footnotes:

Column (1) MACRS tax depreciation rates for 7 year utility property

Column (2) MACRS rate adjusted for 50% bonus depreciation allowance: Year 1 = ( 50% + (50% x MACRS Year 1 Rate)), Years 2-8 = 50% x MACRS Rate from Column (1)

Column (3) Column (2) minus Column (1)

Column (4) Calendar year of qualifying property addition

Column (5) \$ value of property additions qualifying for the bonus depreciation allowance by calendar year

Column (6) Column (5) Year 1 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (7) Column (5) Year 2 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (8) Column (5) Year 3 x Column (3) Years 1 thru 8 x 35% (Federal Income Tax Rate)

Column (9) Column (9) prior year plus the sum of Columns (6), (7) & (8)

Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)

1/ Return rate of 11.99% applicable for years 2001, 2002, and 2003 based on the imputed capital structure established in Docket 2930.  
A pro-rated return rate of 11.97% was used to determine the 2004 benefit value.

Narragansett Electric Company

Schedule 1

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Exogenous Event - IRC 168(k)  
Final Rev Req Impact for 5 Year Property @ 30%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	MACRS Tax Depr Rates	IRC 168(k) Tax Depr Rates	Diff	Addition Year	Qualifying Addition Amount	Add'l Def Tax Provision 2001 Additions	Add'l Def Tax Provision 2002 Additions	Add'l Def Tax Provision 2003 Additions	Add'l Def Tax Provision 2004 Additions	Add'l Def Tax Provision 2005 Additions	Cumul. Add'l Def Tax Prov	Avg Accum Def Tax	NECO 1/ Pre-Tax Return
1	20.00%	44.00%	24.00%	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	32.00%	22.40%	-9.60%	2002	79,081	-	6,643	-	-	-	6,643	3,321	(398)
3	19.20%	13.44%	-5.76%	2003	125,762	-	(2,657)	10,564	-	-	14,550	10,596	(1,270)
4	11.52%	8.06%	-3.46%	2004	33,134	-	(1,594)	(4,226)	2,783	-	11,513	13,031	(1,559)
5	11.52%	8.06%	-3.46%	2005	-	-	(957)	(2,535)	(1,113)	-	6,908	9,210	(1,091)
6	5.76%	4.03%	-1.73%			-	(957)	(1,521)	(668)	-	3,762	5,335	(632)
7	0.0%	0.0%	0.0%			-	(478)	(1,521)	(401)	-	1,362	2,562	(303)
8	0.0%	0.0%	0.0%			-	-	(761)	(401)	-	200	781	(92)
9	0.0%	0.0%	0.0%			-	-	-	(200)	-	(0)	100	(12)
10	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
11	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
12	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
13	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
14	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
15	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
16	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
17	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
18	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
19	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
20	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
21	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
22	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
23	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
24	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
25	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
26	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
27	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
28	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
29	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
30	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
31	0.0%	0.0%	0.0%			-	-	-	-	-	(0)	(0)	0
32													
33	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -			

Footnotes:

Column (1) MACRS tax depreciation rates for 7 year utility property

Column (2) MACRS rate adjusted for 50% bonus depreciation allowance: Year 1 = ( 50% + (50% x MACRS Year 1 Rate)), Years 2-8 = 50% x MACRS Rate from Column (1)

Column (3) Column (2) minus Column (1)

Column (4) Calendar year of qualifying property addition

Column (5) \$ value of property additions qualifying for the bonus depreciation allowance by calendar year

Column (6) Column (5) Year 1 x Column (3) Years 1 thru 6 x 35% (Federal Income Tax Rate)

Column (7) Column (5) Year 2 x Column (3) Years 1 thru 6 x 35% (Federal Income Tax Rate)

Column (8) Column (5) Year 3 x Column (3) Years 1 thru 6 x 35% (Federal Income Tax Rate)

1/ Return rate of 11.99% applicable for years 2001, 2002, and 2003 based on the imputed capital structure established in Docket 2930.

Column (9) Column (9) prior year plus the sum of Columns (6), (7) & (8)

A pro-rated return rate of 11.97% was used to determine the 2004 benefit value.

Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)



Narragansett Electric Company

Schedule 1

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Exogenous Event - IRC 168(k)  
Final Rev Req Impact for 5 Year Property @ 50%

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	MACRS Tax Depr Rates	IRC 168(k) Tax Depr Rates	Diff	Addition Year	Qualifying Addition Amount	Add'l Def Tax Provision 2001 Additions	Add'l Def Tax Provision 2002 Additions	Add'l Def Tax Provision 2003 Additions	Add'l Def Tax Provision 2004 Additions	Add'l Def Tax Provision 2005 Additions	Cumul. Add'l Def Tax Prov	Avg Accum Def Tax	NECO 1/ Pre-Tax Return
1	20.00%	60.00%	40.00%	2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	32.00%	16.00%	-16.00%	2002	-	-	-	-	-	-	-	-	-
3	19.20%	9.60%	-9.60%	2003	-	-	-	-	-	-	-	0	0
4	11.52%	5.76%	-5.76%	2004	-	-	-	-	-	-	-	0	0
5	11.52%	5.76%	-5.76%	2005	-	-	-	-	-	-	-	0	0
6	5.76%	2.88%	-2.88%			-	-	-	-	-	-	0	0
7	0.0%	0.0%	0.0%			-	-	-	-	-	-	0	0
8	0.0%	0.0%	0.0%			-	-	-	-	-	-	0	0
9	0.0%	0.0%	0.0%			-	-	-	-	-	-	0	0
10	0.0%	0.0%	0.0%			-	-	-	-	-	-	0	0
11	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
12	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
13	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
14	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
15	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
16	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
17	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
18	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
19	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
20	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
21	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
22	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
23	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
24	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
25	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
26	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
27	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
28	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
29	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
30	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
31	0.0%	0.0%	0.0%			-	-	-	-	-	-	-	0
32													
33													
	100.00%	100.00%	0.00%			\$ -	\$ -	\$ -	\$ -	\$ -	-		

Footnotes:

Column (1) MACRS tax depreciation rates for 7 year utility property

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Column (10) Column (9) current year plus Column (9) prior year divided by 2

Column (11) Column (10) x 11.99% (NECo Pre-Tax Return Rate)

**Narragansett Electric Company**

**Schedule 1**

**Page 8 of 8**

**Cost Of Service  
Capital Structure and Cost of Capital  
(000)**

<u>Line</u>		<u>Capitalization</u>	<u>Cost Rate</u>	<u>Weighted Return</u>	<u>Taxes</u>	<u>Pre-Tax Return</u>
1)	Long Term Debt	45.00%	7.81%	3.51%		3.51%
2)	Preferred Stocks	5.00%	5.20%	0.26%	0.14%	0.40%
3)	Common Equity	<u>50.00%</u>	10.50%	<u>5.25%</u>	<u>2.83%</u>	<u>8.08%</u>
4)	Total Capitalization	100.00%		9.02%	2.97%	11.99%

Source Note:

Above referenced Capital Structure and Rates are based on final Settlement Cost of Service in RIPUC Docket 2930

**Effective November 1st 2004**

<u>Line</u>		<u>Capitalization</u>	<u>Cost Rate</u>	<u>Weighted Return</u>	<u>Taxes</u>	<u>Pre-Tax Return</u>
1)	Long Term Debt	45.00%	7.57%	3.41%		3.41%
2)	Preferred Stocks	5.00%	4.58%	0.23%	0.12%	0.35%
3)	Common Equity	<u>50.00%</u>	10.50%	<u>5.25%</u>	<u>2.83%</u>	<u>8.08%</u>
4)	Total Capitalization	100.00%		8.89%	2.95%	11.84%

Source Note:

Above referenced Capital Structure and Rates are based on final Settlement Cost of Service in RIPUC Docket 3617

**2004 Prorated Return Rate: 11.97%**

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been mailed or hand-delivered to the parties listed below.



\_\_\_\_\_  
Joanne M. Scanlon  
The Narragansett Electric Company

November 3, 2006

Date

**Narragansett Electric Company – Distribution Rate Plan Stipulation & Settlement – Docket 3617 - Service List as of 12/08/04**

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