



State of Rhode Island and Providence Plantations

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Patrick C. Lynch, Attorney General

October 28, 2008

VIA ELECTRONIC AND REGULAR MAIL

Luly E. Massaro
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889-1046

**Re: National Grid – Least Cost Procurement Plan
Docket No. 3931**

Dear Ms. Massaro:

On October 27, 2008, during the course of the technical session held to discuss The Narragansett Electric Company d/b/a National Grid's ("National Grid") Least Cost Procurement Plan, Public Utilities Commission ("Commission") staff asked whether the Division of Public Utilities and Carriers ("Division") supported National Grid's proposed System Reliability Procurement Plan. The Division sought, and was granted, permission to defer its response for 24 hours. This letter is the Division's response.

Over the past several months the Division has been actively involved in discussions with National Grid and other parties concerning National Grid's Least Cost Procurement Plan (filed with the Commission on September 2, 2008). However, there were no substantive discussions involving Division personnel with regards to National Grid's proposed System Reliability Procurement Plan (some of the various elements of the System Reliability Procurement Plan, such as combined heat and power, were discussed, but always within the context of demand-side management/least cost procurement). Informal discussions with some of the other parties involved in development of the Least Cost Procurement Plan suggest that they, too, had not realized that National Grid was viewing System Reliability as a discrete entity requiring a separate funding source outside the parameters settled on for the Least Cost Procurement Plan. Under these circumstances, the Division believes there is insufficient background on the System Reliability Plan to allow parties other than National Grid to formulate well-reasoned positions on the proposed System Reliability Procurement Plan. Certainly, the Division is not prepared to offer such a position to the Commission at this time.

Rather than attempt to resolve any issues with respect to the proposed System Reliability Plan at this late date within the timeframe established for the Least Cost Procurement Plan, and in order to allow all the parties to become more familiar with the proposed System Reliability

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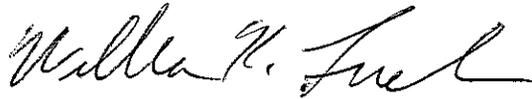
Plan and its implications for ratepayers, the Division recommends that the Commission open a new docket for System Reliability and defer all discussions on the proposed System Reliability Plan to that docket.

Thank you for the opportunity to comment on this matter.

Sincerely,

Thomas Ahern
Administrator
Division of Public Utilities and Carriers

By his Attorney,



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/WKL

cc: Service List Docket No. 3931