

September 3, 2008

**VIA HAND DELIVERY & ELECTRONIC MAIL**

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

**RE: Docket 3943 – National Grid Request for Change of Gas Distribution Rates  
National Grid Request to Withdraw Revenue Decoupling**

Dear Ms. Massaro:

National Grid<sup>1</sup> is filing this letter to request permission to withdraw its proposal to implement revenue decoupling in this docket. While National Grid firmly believes that revenue decoupling, as a matter of public policy, is important to the advancement of energy efficiency and should eventually be adopted by the Commission, the Company is very concerned that the tight schedule of this docket and the other strict procedural constraints in this contested case make this particular proceeding a less than ideal forum for a balanced consideration of the pros and perceived cons of decoupling. For that reason, National Grid is proposing, instead, that the policy question of decoupling either be taken up in a generic rulemaking-type docket or in the context of the Company's applicable gas and electric efficiency program dockets to be filed later this year.

This rate case docket is on a very tight schedule in which the Commission must consider the evidence on a number of contentious issues. There is limited amount of time remaining in this case due to the statutory deadline for an order to be issued. Thus, the schedule itself is not conducive to a process that assures all of the issues can be given full and complete review. Further, the form of this contested case, where the Commission is constrained by the rules to have witnesses appear in a formal litigation setting, with cross examination, may not provide the best environment through which the Commission can hear all points of view and take the time needed to reach a thoughtful conclusion. In another general docket, the Commission could have a freer hand to schedule technical sessions for presentations from decoupling experts and comments filed by parties. The process in such case would make it much easier for the Commission to be assured that it has a complete understanding of the issues relating to this complicated, but important, public policy matter.

In other states in which National Grid does business, the commissions have opened generic rulemaking dockets. That is what happened in Massachusetts and New York. In addition, New Hampshire has such a docket now open. Alternatively, another forum that could be used to take up the issue of decoupling could be in the context of considering the actual gas and electric efficiency programs. In such context, the Commission can see the actual programs being proposed,

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<sup>1</sup> Submitted on behalf of The Narragansett Electric Company d/b/a National Grid ("Company").

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determine the actual revenue losses associated with them, and take into account the interaction of incentives with the proposed decoupling mechanism. In either case, whether done generically, or done in the context of the efficiency programs themselves, those forums are far more flexible for consideration of decoupling. Most important, there would be no time deadlines to constrain the Commission.

Admittedly, when the Company introduced its decoupling proposal in its filing, it did not anticipate the opposition it would receive from other parties. When the opening statements were made in this case, however, it became very apparent that there are some strong opinions about the perceived effects of decoupling. In fact, we believe that the policy is being misunderstood by some. It appears to the Company that this misunderstanding also may be driving some of the negative reaction and, as a consequence, is resulting in some inadvertent distortion of its purposes and effects. For this reason, as well, the Company urges the Commission to accept the Company's request.

Finally, the Company acknowledges that the Commission has complete and full authority to retain the issue of decoupling in this case and rule on the question. If, despite the Company's concerns and this request, the Commission chooses to retain it in the case, the Company is prepared to move forward with its witnesses on this policy question. Having said this, however, the Company nevertheless urges the Commission to stay its hand on this issue for this docket and, instead, take it up separately as proposed in this request.

Respectfully submitted,



Ronald T. Gerwatowski  
Deputy General Counsel

cc: Docket 3943 Service List