nationalgrid

Thomas R. Teehan
Senior Counsel

May 1, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4041 - Accelerated Procurement Plan
<u>Responses to Record Requests</u>

Dear Ms. Massaro:

Enclosed please find National Grid's[1] responses to the Record Requests that were issued at the evidentiary hearing held on April 28, 2009 in the above-captioned proceeding.

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: Docket 4041 Service List
Steve Scialabba, Division

[1]The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

Record Request 1

Request:

With regard to one-way and two-way margining, does one present more risk to ratepayers than others?

Response:

One-way margining allows the Company to receive collateral from its contract counterparty if prices increase and the Mark-to-Market is positive. In addition, with one-way margining, the Company is not required to post collateral if prices decrease and the Mark-to-Market is negative. The one-way margining is the National Grid corporate credit policy. There is minimal financial risk to ratepayers with regards to one-way margining.

With regard to two-way margining, the financial risk to ratepayers would be the potential cost of posting a letter of credit if prices decrease and the Mark-to-Market is negative.

Prepared by or under the supervision of: Alan P. Smithling

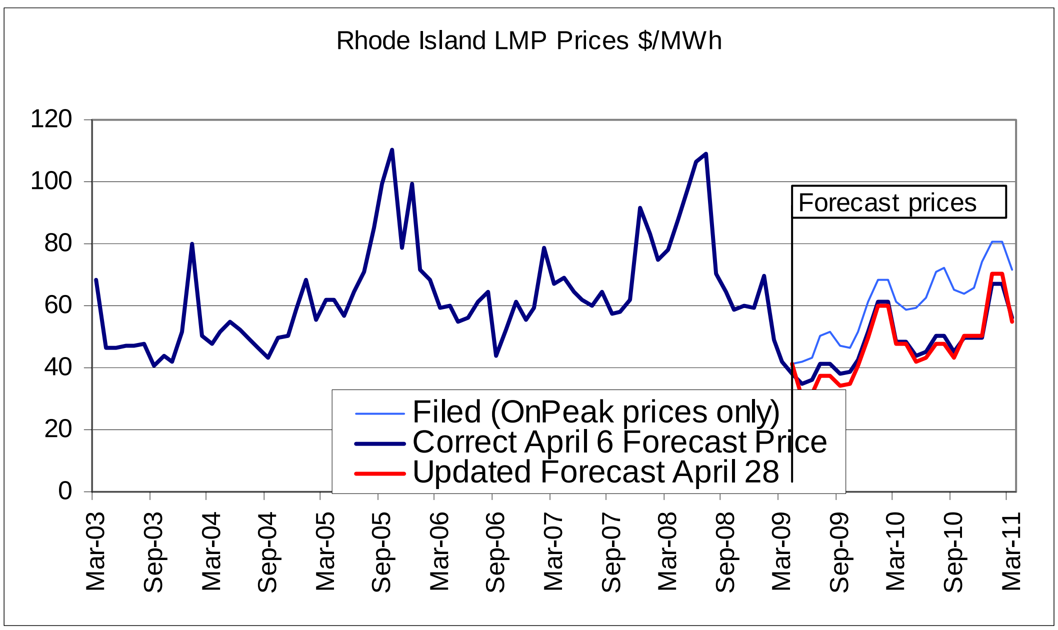
Record Request 2

Request:

Please update Attachment 1 of the Accelerated Procurement Plan.

Response:

Attached is the update of forward market prices of ISO-NE Internal Hub for May 2009 through March 2011. The updated graph demonstrates that the forward price curve has decreased slightly (1.2% for the period January through September 2010) since the original graph was filed in Attachment 1 of the APP on April 9, 2009. Please note that the original graph inadvertently depicted for the period April 2009 through April 2011 the on-peak future prices as opposed to the average of monthly future prices. The revised graph provides that corrected information (in dark blue). This does not change any of the Company's calculations, conclusions or recommendations in this matter.



Prepared by or under the supervision of: Alan P. Smithling

Record Request 3

Request:

How do financial swap contracts affect the Company's balance sheet as compared to an FRS contract?

Response:

Financial Swaps

a. Under US-GAAP, financial swaps are treated as derivatives and as such are marked to market each quarter. They are reflected on the balance sheet with an offset to regulatory. There is no profit and loss impact. Settlements are received by the Company as an accounts receivable or accounts payable and flowed back to the cost of goods sold.
b. Under IFRS, financial swaps are treated as derivatives and as such are marked to market each quarter. They are reflected on the balance sheet with an offset to below the line profit and loss.

FRS Contracts

a. Under US-GAAP, these are not reflected on the balance sheet. Settlements are received by the Company as an accounts receivable or accounts payable and flowed back to cost of goods sold.

b. Under IFRS, these are not reflected on the balance sheet. Settlements are received by the Company as an accounts receivable or accounts payable and flowed back to the cost of goods.

The FRS contracts would not be considered a derivative and does not impact the balance sheet.

Prepared by or under the supervision of: Alan P. Smithling