STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: NARRAGANSETT ELECTRIC	**:**	
COMPANY d/b/a NATIONAL GRID	**:**	**DOCKET NO. 4065**

RESPONSE OF THE DIVISION TO THE
COMMISSION'S FIFTH DATA REQUEST
(Dated February 1, 2012)

1. Please update the proxy group provided by the Division in Docket 4065 (Schedule MIK-3, page 2 of 2).

Response

Please see the attached update to Schedule MIK-3, page 2 of 2 using the most recent Value Line source docket (November 25, 2011).

Response prepared by Matthew I. Kahal

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RESPONSE OF THE DIVISION TO THE COMMISSION'S FIFTH DATA REQUEST (Dated February 1, 2012)

Response — Continued:

R. I. P. U. C. Docket No. 4065
Schedule MIK-3
Page 2 of 2
February 2012 Update

NARRAGANSETT ELECTRIC COMPANY

Listing of the Electric Utility Distribution Proxy Companies

Company	Safety Rating	Financial Strength	Beta	2011 Common Equity Ratio*
1. CH Energy Group	1	A	0.65	51.5%
2. Central Vt. Public Service	3	B	0.75	58.5
3. Consolidated Ed.	1	A+	0.60	50.5
4. Northeast Utilities	3	B+	0.70	45.0
5. NSTAR	1	A	0.65	45.5
6. PEPCO Holdings, Inc.	3	B	0.80	52.0
7. UIL Holdings	2	B++	0.70	42.0
Average	**2.0**	--	**0.69**	**49.3%**

* The projected 2011 common equity ratio reported by Value Line excludes short-term debt (and current maturities of long-term debt).

Source: *Value Line Investment Survey*, November 25, 2011.

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2. Please develop a capital structure utilizing the theory of double leveraging as discussed on page 12 of the recent Supreme Court decision.

Response

At this time the Division does not have available the current data to develop a capital structure incorporating double leveraging. The Division will attempt to do so at a later date if such data can be obtained from the Company.

Please note that there is some ambiguity with the discussion of double leveraging that begins on page 12 of the Supreme Court decision. That discussion references the use of the parental consolidated capital structure which can differ from a double leverage adjustment to the subsidiary capital structure. It is far more straightforward to merely employ a consolidated capital structure. (See the conceptual discussion in the Division's response to item 3.)

Response prepared by Matthew I. Kahal

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3. Is a capital structure developed using the theory of double leveraging appropriate in this case? Why or why not?

Response

Mr. Kahal believes that as a very general matter a double leveraging adjustment could be an appropriate procedure to be used for setting the ratemaking capital structure. This depends on a number of factual and policy considerations which the Division has not yet had the opportunity to investigate thoroughly in this remand case. An additional practical consideration in this specific case is the highly expedited schedule associated with this remand docket. The concept behind a double leverage adjustment is that, within a holding company corporate structure, the parent company has long-term debt on its balance sheet that it uses to finance a portion of the equity investment in its operating utility (or utilities) on other than a temporary basis. If that is the case, then double leveraging theory would suggest that such debt (or a portion of it) should be allocated to the utility's capital structure for rate setting purposes. One potential issue in this case is whether this arrangement, as described above, is present for National Grid.

Also, please see the response to item 2 to clarify the difference between a double leveraging adjustment and a consolidated capital structure. They are related but different concepts.

Response prepared by Matthew I. Kahal