

June 1, 2009

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

Re: Application of The Narragansett Electric Company d/b/a National Grid for Approval of a Change in Electric Base Distribution Rates Pursuant to R.I.G.L. §§ 39-3-10 and 39-3-11

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“Company”), I have enclosed an original and nine copies of an Application for a Change in Electric Base Distribution Rates Pursuant to R.I.G.L. §39-3-10 and §39-3-11.

As described in the filing, the Company is seeking an increase in electric distribution rates to recover the costs it needs to operate a safe and reliable electric distribution system. In accordance with Commission Rule 2.5(a) and (b), the Company’s complete direct case is hereby submitted in the form of prepared written testimony and schedules, along with the Company’s current and proposed tariffs. Also, in accordance with Commission Rule 2.5(e), the Company has included all supporting information and records required under Rule 2.4 through 2.10. Lastly, pursuant to Rule 2.6(a), the Company has based its revenue-deficiency analysis on a test year ending December 31, 2008.

Summary of Key Elements of the Filing

The Company’s proposals in this case are necessary for the Company to meet its critical public service obligation. That obligation requires the Company to provide safe, reliable, and efficient energy delivery to customers, while also working to address other important public policy issues, such as providing protections and programs for customers who find themselves financially at risk and implementing economic development programs that support local businesses and create and retain jobs in Rhode Island. The Company’s filing furthers these goals through a number of proposals, including those that would promote energy efficiency, economic development, low-income advocacy and the timely recovery of both the Company’s operating costs and the costs associated with ongoing capital investments.

The Company is requesting approval of an increase in base distribution revenue of approximately \$75.3 million as compared to the revenues generated at the Company’s current rates. The Company’s request is based on an overall annual distribution revenue requirement of approximately \$298.5 million. The proposed rates would result in an increase of 11.2% on a 500 kWh typical residential standard offer service customer’s monthly bill.

National Grid is acutely aware that the enclosed filing will result in an increase in customer bills at a time when the economy is in a downturn. However, in 2008, the Company's regulated rate of return on common equity for its electric delivery operations was just 1.18 percent. This rate of return is not sufficient for the Company to maintain and reinforce the electric delivery infrastructure so that electric service is available to Rhode Island customers on a safe and reliable basis. Despite a declining rate of return, no increase to base distribution rates has taken effect in many years. In fact, the Company's base distribution revenues were reduced twice over the past several years, with a \$12.4 million reduction taking place in 2000 in relation to the Company's merger with the former Blackstone Valley Electric Company and Newport Electric Corporation, and a further reduction of \$10.2 million taking effect in 2004 as a result of a follow-up rate plan. The Company has operated its business within this lower level of revenue despite substantial increases in the costs that are incurred to provide service to customers, including labor, materials and the cost of borrowing money to fund utility operations. As a result, the Company finds itself in need of rate relief at an unfortunate point in time. The rate relief is necessary for the Company to continue maintaining and replacing aging infrastructure and to otherwise procure the resources required to meet the Company's public service obligations.

In addition to the request for a change in base distribution rates, the Company's filing contains a proposal to implement a revenue-decoupling ratemaking plan. In the interests of customers, National Grid is taking a much more aggressive role in energy efficiency and conservation activities than in the past. The Company's efforts benefit customers because the availability of energy efficiency measures will help customers lower their overall energy bills, reduce the overall cost of energy in the state's economy, and lead to more sustainable energy production and use. The Company's revenue decoupling ratemaking plan is designed to eliminate the financial barriers that currently exist to achieving those goals and places the Company in a more stable financial position to fully engage in the implementation of these important public policy initiatives.

Lastly, the Company's rate filing also includes proposals associated with (1) recovery of commodity-related uncollectible accounts and administrative expense, consistent with Commission treatment for the Company's Rhode Island gas affiliate, (2) adjustment of base distribution rates for significant changes in delivery-related uncollectible accounts that occur because of factors beyond the Company's control, (3) cost recovery for incremental costs associated with the Company's new inspection and maintenance strategy designed to enhance the reliability of its distribution system, (4) a pilot economic development program designed to assist new and expanding businesses in the Company's service area, and (5) a discreet recovery mechanism for pension and other post-retirement benefit plan expenses associated with the Company's work force.

Effective Date of New Rates

Consistent with the provisions of R.I.G.L. § 39-3-11 and §1.3(e) of the Commission's Rules of Practice and Procedure, the enclosed proposed tariffs have an effective date of July 1, 2009, which is 30 days following the date of the Company's filing. As the Commission is aware, the Company is currently operating pursuant to the terms of a rate plan approved by the Commission in

Docket No. 3617 (2004) (“Rate Plan Settlement”), which expires as of December 31, 2009. The Company prepared its case with the expectation that, within 30 days after the filing date, the Commission would suspend the proposed rate changes for a period of six months so that the rate changes would take effect on January 1, 2010 to coincide with the expiration of the term of the Rate Plan Settlement.

Description of Volumes Included with Filing

In support of the petition, I am enclosing nine volumes of supporting materials as follows:

Volume 1

- a. Testimony of Thomas King, President of National Grid USA regarding National Grid’s vision and policy objectives as they relate to the Company’s rate filing;
- b. Testimony and schedules of John Pettigrew, Executive Vice President and Chief Operating Officer of Electric Distribution Operations of National Grid, describing the Company’s capital additions, its inspection and maintenance strategy, cost savings initiatives, and facilities consolidation efforts; and
- c. Testimony and schedules of Rudolph Wynter, Senior Vice President, Strategy, Marketing and Energy Efficiency of National Grid, describing the Company’s uncollectible accounts expense and related proposals.

Volume 2

- a. Testimony and schedules of Susan Tierney, Ph.D., Managing Principal of Analysis Group, Inc., discussing the Company’s proposed revenue decoupling plan; and
- b. Testimony of Timothy Stout, Vice President of Efficiency Strategy and Planning for National Grid, discussing the Company’s energy efficiency activities in Rhode Island.

Volume 3

Testimony and schedules of Paul R. Moul, Managing Consultant of P. Moul & Associates, in support of the Company’s proposed return on equity and capital structure.

Volume 4

- a. Testimony and schedules of William F. Dowd, Senior Vice President of U.S. Labor Relations for National Grid, describing compensation and benefits; and
- b. Testimony and schedules of Kimbugwe A. Kateregga, Vice President and Consultant of Foster Associates, Inc., presenting the Company's depreciation study and proposed depreciation rates for ratemaking purposes.

Volume 5

Testimony and schedules of Robert L. O'Brien, Senior Advisor with of Black & Veatch, describing the Company's proposed Revenue Requirement.

Volume 6

Testimony and schedules of Howard S. Gorman, Principal of Black & Veatch, describing the Company's proposed Allocated Cost of Service, Rate Design, and related studies.

Volume 7

Proposed Retail Delivery Service Tariffs and provisions, clean and marked to show changes from those currently in effect, which are an exhibit of Mr. Gorman.

Volume 8

- a. Testimony and schedules of Alfred P. Morrissey, Lead Analyst in Electric Load Forecasting in the Energy Portfolio Management Department of National Grid, presenting the Company's sales forecast;
- b. Testimony and schedules of John E. Walter, Manager – Outdoor Lighting for National Grid, discussing changes to the Company's Outdoor Lighting tariff provisions; and
- c. Testimony and schedules of Carmen Fields, Director-Community Relations/Economic Development NE for National Grid, in support of the Company's economic development program.

Volume 9

Revenue Requirements workpapers of Mr. O'Brien and allocated cost of service and rate design workpapers of Mr. Gorman.

Luly E. Massaro, Clerk

June 1, 2009

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Enclosed is a Formal Application Formal Application for Rate Change pursuant to Rules 1.5(a) and 1.9 of the Commission's Rules on Practice and Procedure. Also enclosed is the Attestation of the Company's Chief Financial Officer pursuant to Rule 2.7 of the Commission's Rules of Practice and Procedure. Please note that formal correspondence regarding this proceeding should be directed to the Company's representatives identified therein.

Also, please acknowledge receipt of this filing by date-stamping the enclosed copy of this letter and returning it to me in the enclosed envelope.

Thank you very much for your time and attention to this matter.

Very truly yours,



Thomas R. Teehan, Esq.

cc: Leo Wold, Esq., Office of the Attorney General
Thomas Ahern, Administrator, Division of Public Utilities & Carriers
Steve Scialabba, Division of Public Utilities & Carriers

Formal Application for
Rate Change Pursuant to Section 1.5(a) and 1.9
of the Commission's Rules on Practice and Procedure

I, Thomas R. Teehan, on behalf of The Narragansett Electric Company d/b/a National Grid, do hereby make application to the Public Utilities Commission pursuant to Rhode Island General Laws §§39-3-10 and 39-3-11 for new rates and tariffs designed to increase annual distribution revenue by approximately \$75.3 million with a proposed effective date of July 1, 2009, and state as follows:

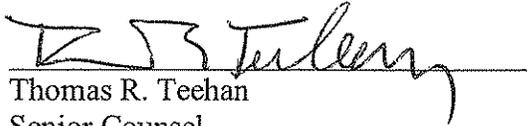
1. The exact legal name of the applicant is The Narragansett Electric Company d/b/a National Grid ("National Grid").
2. National Grid is incorporated under Rhode Island General Laws and is authorized to do business in Rhode Island.
3. Its principal place of business is located at 280 Melrose Street, Providence, Rhode Island 02907.
4. National Grid's request for an increase in base distribution rates and for approval of related proposals applies only to its electric delivery service and not to its natural gas service.
5. All correspondence in connection with the rate application should be addressed to the following representatives of the Company:

Thomas Teehan, Esq.
Senior Counsel
c/o The Narragansett Electric Company
280 Melrose Street
Providence, RI 02907

Cheryl M. Kimball
Keegan Werlin LLP
265 Franklin Street
Boston, MA 02110
(R.I. BBO #6458)

6. Signed and executed on this 1st day of June, 2009, by:

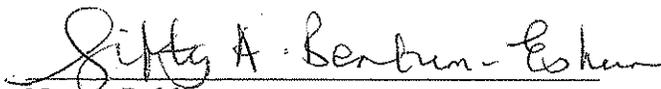
Thomas Teehan, Esq.
Senior Counsel
c/o The Narragansett Electric Company
280 Melrose Street
Providence, Rhode Island 02907

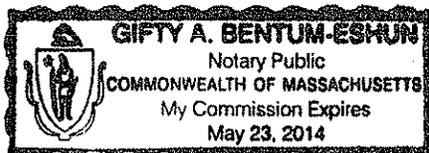

Thomas R. Teehan
Senior Counsel
National Grid

STATE OF MASSACHUSETTS

COUNTY OF MIDDLESEX

In Waltham on this 1st day of June, 2009, before me personally appeared Thomas R. Teehan, Senior Counsel of The Narragansett Electric Company d/b/a National Grid, to me known and known by me to be the party so executing the foregoing instrument and he acknowledged said instrument, by him so executed, to be his free act and deed in said capacity and the free act and deed of said National Grid.


Notary Public
My Commission Expires: May 23, 2014



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 individuals listed below.



Joanne M. Scanlon

June 1, 2009
Date

Narragansett Electric Company – Distribution Rate Plan Stipulation & Settlement – Docket 3617 – Service List as of 5/11/07

Name	E-mail	Phone/FAX
Thomas Ahern, Administrator RI Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02888	tahern@ripuc.state.ri.us	401-780-2115
Stephen Scialabba, Chief Accountant RI Division of Public Utilities & Carriers 89 Jefferson Boulevard Warwick, RI 02	sscialabba@ripuc.state.ri.us	401-780-2140
The Honorable Patrick Lynch, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	Lwold@riag.ri.gov	401-222-2424
	Sscialabba@ripuc.state.ri.us	
	Dsteams@ripuc.state.ri.us	
Leo Wold, Assistant Attorney General Dept. of Attorney General 150 South Main St. Providence RI 02903	Proberti@riag.ri.gov	401-222-2424 ext. 2231
	RDiMeglio@riag.ri.gov	

Attestation of Linda Ryan

I, Linda Ryan, do hereby attest that to the best of my knowledge, information, and belief, the cost and revenue statements and the supporting data submitted, which purport to reflect the books of the Company, do in fact set forth the results shown by such books and the results of operations, and all differences between the books and the test year data, and any changes in the manner of recording an item on the Company's books during the test year, have been expressly noted.



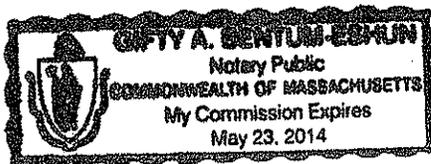
Linda Ryan
Chief Financial Officer
Electric Distribution & Generation Finance

Subscribed and attested to before me
this 29th day of May, 2009



Notary Public

My Commission Expires: May 23, 2014



NOTICE OF FILING AND CHANGE IN RATE SCHEDULES

On June 1, 2009, pursuant to the Rhode Island General Laws Sections 39-3-10 and 39-3-11, The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”) submitted a comprehensive filing with the Rhode Island Public Utilities Commission (the “Commission”) to increase base distribution rates for its electric distribution operations in Rhode Island. The Company’s request does not relate to rates for gas service.

Along with its request for a change in base distribution rates, the Company is requesting approval of certain ratemaking proposals designed to recover the costs of serving customers. These proposals include recovery of costs for employee pension and post-retirement benefits other than pensions, recovery of uncollectible amounts associated with commodity sales, recovery of the costs to replace and upgrade aging infrastructure and approval of a revenue decoupling proposal to facilitate the Company’s provision of energy efficiency and conservation services in its service territory. The Company is currently operating under the terms of the Rate Settlement approved by the Commission in The Narragansett Electric Company, Docket No. 3617 (2000).

The proposed rates would increase annual operating revenue by \$75.3 million or 33.9 percent, with varying impacts on individual customer bills. Generally, the total monthly bill impact for a typical residential customers using 500 kilowatt-hours per month would be 11.2 percent or \$8.95 per month. Commercial and industrial customers would experience total monthly bill impacts ranging from a decrease of approximately 7 percent to an increase of approximately 10 percent.

National Grid has requested that the new rate schedules take effect on July 1, 2009. However, no rate change will take effect until the Commission has conducted a full investigation on the proposed base-distribution increase and related proposals. Through the course of proceedings, it is possible that the Commission will revise and modify the Company’s proposal. The Commission will publish a notice of the hearing dates when those dates are scheduled. At that time, customers can comment on the Company’s proposal.

A copy of the filing is available at the offices of The Narragansett Electric Company, 280 Melrose Street, Providence, RI 02907, and at the office of the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888, for review by the public during business hours. This notice is given pursuant to the Commission’s Rules of Practice and Procedure effective May 1, 1998.

The Narragansett Electric Company d/b/a National Grid