

January 22, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 4111 – Review of Proposed Town of New Shoreham Project
Pursuant to RI General Laws § 39-26.1-7
Responses to Division Data Requests – Set 3**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ responses to Division Data Request 3-4. This transmittal completes the Company's responses to the Division's Third Set of Data Requests 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 (781) 907-2121.

Very truly yours,



Jennifer Brooks Hutchinson

Enclosures

cc: Docket 4111 Service List
Leo Wold, Esq.

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

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail, or hand-delivered to the individuals listed below.



Jennifer Brooks Hutchinson

January 22, 2010
Date

**National Grid – Review of Proposed Town of New Shoreham Project
Docket No. 4111 - Service List Updated 1/14/2010**

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Division Data Request 3-4

Request:

In the cost of service analysis for the Block Island Transmission Cable provided in the testimony and exhibits of Mr. Tufts, property taxes are assumed to decline each year. Please provide the basis for this assumption, and the actual calculation of annual property taxes and to whom these property taxes are paid. Additionally, provide information as to how many other National Grid transmission assets have property taxes that decline each and every year, stating all details supporting this answer.

Response:

Property Taxes on the Block Island Transmission Cable were included in the Company's illustrative revenue requirement to provide a conservative estimate of the cost of the cable. This level of property tax expense was included to approximate the customer bill impact. There is uncertainty as to the taxable status of the undersea portion of the cable due to its location not falling within any city's or town's jurisdiction.

The declining property taxes each year is based on the assumption that there are no additional capital investments made to the Block Island Transmission Cable after the initial investment has been made. Property tax assessments are based on the Company's net book value of installed property. As the property is depreciated, the assessed value of the property will decline each year resulting in a decline in property taxes paid. In actual practice, the assessed value for personal property in Rhode Island will never be less than 30% of the original cost of the property.

Each individual transmission personal property asset has a declining property tax each year due to the net book value of each asset declining from the application of annual depreciation. As stated in the previous paragraph, the assessed value of personal property assets will not decline to a level below 30% of the original cost of the asset. NGRID's transmission related personal property tax assessments, in total, do not necessarily decline each year due to annual capital additions and improvements which more than offset the effects of annual depreciation expense.

Prepared by or under the supervision of: David E. Tufts
