

December 17, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
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**

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's¹ responses to the Commission's Second Set of Data Requests issued on December 7, 2009, in the above-captioned proceeding.

Please be advised that the Company is seeking protective treatment of a confidential attachment, identified as Attachment COMM 2-1, as permitted by Commission Rule 1.2(g) and by R.I.G.L. § 38-2-2(4)(i)(B). The Company has submitted a Motion for Protective Treatment along with a copy of confidential Attachment COMM 2-1 to the Commission pending a determination on the Company's Motion.

Thank you for your attention to this transmittal. If you have any question, please feel free to contact me at (781) 907-1820

Very truly yours,



Jennifer Brooks Hutchinson

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 foregoing documents accompanying this certificate was electronically submitted to the individuals listed below.



Joanne M. Scanlon

December 17, 2009

Date

**National Grid – Review of Proposed Town of New Shoreham Project
Docket No. 4111 - Service List Updated 12/15/2009**

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION

**Review of Proposed Town of
New Shoreham Project
Pursuant to R.I.G.L. § 39-26.1-7**

Docket No. 4111

**NATIONAL GRID’S REQUEST
FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION**

National Grid¹ hereby requests that the Rhode Island Public Utilities Commission (“Commission”) provide confidential treatment and grant protection from public disclosure of certain confidential, competitively sensitive, and proprietary information submitted in this proceeding, as permitted by Commission Rule 1.2(g) and R.I.G.L. § 38-2-2(4)(i)(B). National Grid also hereby requests that, pending entry of that finding, the Commission preliminarily grant National Grid’s request for confidential treatment pursuant to Rule 1.2 (g)(2).

I. BACKGROUND

On December 17, 2009, National Grid is filing with the Commission its responses to the Commission’s Second Set of Data Requests. Specifically, National Grid is filing its response to the Commission’s Data Request 2-1. In support of its response to Data Request 2-1, National Grid is attaching redacted and un-redacted versions of a table, identified as Attachment COMM 2-1. This table shows, among other things, the contract

¹ The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”).

cost of bundled energy and the financial remuneration year over year. The un-redacted version of Attachment COMM 2-1 also shows the estimated market value of the products, which is derived from the long-term price projections for capacity, energy and renewable energy certificates set forth in a confidential report prepared by Energy Security Analysis, Inc. (“ESAI”). This ESAI forecast is contained in Exhibit 5 to the testimony of one of National Grid’s witnesses, Mr. Madison N. Milhous, Jr., filed with the Commission on December 9, 2009, for which National Grid simultaneously filed a Motion for Protective Treatment.

As set forth in National Grid’s December 9, 2009 Motion for Protective Treatment, ESAI prepared the above-referenced report acting as consultant to National Grid and at National Grid’s request. Under National Grid’s arrangement with ESAI, the energy, capacity and REC forecasts are considered proprietary. Therefore, National Grid requests that the Commission give the un-redacted version of Attachment COMM 2-1, which contains information derived from the ESAI report, confidential treatment.

II. LEGAL STANDARD

The Commission’s Rule 1.2(g) provides that access to public records shall be granted in accordance with the Access to Public Records Act (“APRA”), R.I.G.L. §38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a “public record,” unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I.G.L. §38-2-2(4). Therefore, to the extent that information provided to the Commission falls within one of the designated exceptions to the public records law, the Commission has the authority under the terms of APRA to

deem such information to be confidential and to protect that information from public disclosure.

In that regard, R.I.G.L. §38-2-2(4)(i)(B) provides that the following types of records shall not be deemed public:

Trade secrets and commercial or financial information obtained from a person, firm, or corporation which is of a privileged or confidential nature.

The Rhode Island Supreme Court has held that this confidential information exemption applies where disclosure of information would be likely either (1) to impair the Government's ability to obtain necessary information in the future; or (2) to cause substantial harm to the competitive position of the person from whom the information was obtained. Providence Journal Company v. Convention Center Authority, 774 A.2d 40 (R.I.2001).

The first prong of the test is satisfied when information is voluntarily provided to the governmental agency and that information is of a kind that would customarily not be released to the public by the person from whom it was obtained. Providence Journal, 774 A.2d at 47.

In addition, the Court has held that the agencies making determinations as to the disclosure of information under APRA may apply the balancing test established in Providence Journal v. Kane, 577 A.2d 661 (R.I.1990). Under that balancing test, the Commission may protect information from public disclosure if the benefit of such protection outweighs the public interest inherent in disclosure of information pending before regulatory agencies.

II. BASIS FOR CONFIDENTIALITY

The information regarding the estimated market value of the products contained in the un-redacted version of Attachment COMM 2-1 is derived from the ESAI report contained in Exhibit 5. As was stated in National Grid's December 9, 2009 Motion for Protective Treatment in connection with Exhibit 5, the information was developed by ESAI through its proprietary methods of analysis and was provided to National Grid on a confidential basis. The ESAI report contains information that is not publicly available. National Grid is providing the un-redacted version of Attachment COMM 2-1 to the Commission on a voluntary basis to assist the Commission with its decision-making in this proceeding. Disclosure of this information would directly reveal the ESAI forecast values, which were treated as confidential in National Grid's December 9, 2009 filing. As was further stated in National Grid's December 9, 2009 Motion for Protective Treatment, such disclosure could adversely affect ESAI's competitive position and would tend to make it less likely that such information would be provided voluntarily in the future. Moreover, such disclosure would impede National Grid's future ability to obtain this type of proprietary information from third-party consultants or would increase the cost at which that information could be obtained.

III. CONCLUSION

Accordingly, the Company requests that the Commission grant protective treatment to the un-redacted version of Attachment COMM 2-1.

WHEREFORE, the Company respectfully requests that the Commission grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

NATIONAL GRID

By its attorney,

A handwritten signature in black ink, appearing to read "Jennifer Brooks Hutchinson", written over a horizontal line.

Jennifer Brooks Hutchinson (RI Bar #6176)
National Grid
40 Sylvan Road
Waltham, MA 02451
(781) 907-2121

Dated: December 17, 2009

Commission Data Request 2-1

Request:

For the following questions, please assume that the price per kWh is 25.3 cents in the first year, escalating by 3% each year thereafter.

- (a) Based on the assumptions above, please provide the projected cost of each product purchased for each year of the contract based on forecasted market prices for each product. Please show the break-out of the financial remuneration.
- (b) Based on the assumptions above and assuming further that NGrid sells all of the products that it purchases from Deepwater Wind, please provide the net cost of each product purchased for each year of the contract based on forecasted market prices for each product. Please show the break-out of the financial remuneration.

Response:

To be more current, this response is based on the pricing schedule in the Power Purchase Agreement (“PPA”) filed with the Commission on December 9, 2009, which has a rate of \$235.75/MWh in 2012, escalating at 3.5% per year. This is a rate of 24.4 cents per kWh in 2013, the anticipated first full year of operation.

The pricing in the PPA is for bundled renewable energy, which is comprised of energy, capacity, and attributes. The products are not priced separately; however, for settlement purposes, the value of capacity and attributes are determined as the ISO-NE Forward Capacity Market (FCM) clearing price, and the Alternative Compliance Payment (“ACP”), respectively. This is relevant in the following respects. Deepwater would be the lead market participant in the ISO-NE FCM, and the monthly capacity revenue would be netted from the monthly payment for bundled energy. In the event of non-delivery of attributes into the NEPOOL GIS account, the ACP would be used to value attributes in settlement as necessary. The attached table shows the contract cost of bundled energy and the financial remuneration by year.

The estimated market value of the products, based on the ESAI forecast, is also shown in the attached table, as well as the estimated above market cost of the PPA. This information is identical to that in Exhibit 9 in the testimony of Madison N. Milhous, Jr. filed on December 9, 2009, except that the value of the products is not shown separately in that exhibit. The annual market value of individual products is being provided only to

Commission Data Request 2-1 (cont.)

the Commission, since this would directly reveal the ESAI forecast values, which were treated as confidential in that filing. Exhibit 9 also provides estimated above market costs, based on the Synapse forecast, which are very similar in magnitude.

Deepwater PPA for 8 WTG Project 28.8 MW; 40% CF; 28% CF for ISONE FCM									
	<i>Delivered Energy MWh</i>	<i>Bundled Energy Rate \$/MWh</i>	<i>Contract Cost</i>	<i>Financial Remuneration</i>	<i>Estimated Market Value of Energy</i>	<i>Estimated Market Value of RECs</i>	<i>Estimated Market Value of Capacity</i>	<i>Total Estimated Market Value</i>	<i>Estimated Above Market Cost</i>
2012	17660	\$235.75							
2013	100915	\$244.00	\$ 24,623,040	\$ 677,134				\$ 12,245,902	\$ 12,377,137
2014	100915	\$252.54	\$ 25,484,846	\$ 700,833				\$ 11,753,220	\$ 13,731,626
2015	100915	\$261.38	\$ 26,376,816	\$ 725,362				\$ 12,651,815	\$ 13,725,001
2016	100915	\$270.52	\$ 27,300,004	\$ 750,750				\$ 13,881,179	\$ 13,418,825
2017	100915	\$279.99	\$ 28,255,504	\$ 777,026				\$ 14,634,613	\$ 13,620,891
2018	100915	\$289.79	\$ 29,244,447	\$ 804,222				\$ 15,296,323	\$ 13,948,124
2019	100915	\$299.94	\$ 30,268,003	\$ 832,370				\$ 15,965,079	\$ 14,302,924
2020	100915	\$310.43	\$ 31,327,383	\$ 861,503				\$ 16,522,803	\$ 14,804,580
2021	100915	\$321.30	\$ 32,423,841	\$ 891,656				\$ 16,445,116	\$ 15,978,725
2022	100915	\$332.54	\$ 33,558,675	\$ 922,864				\$ 16,499,046	\$ 17,059,630
2023	100915	\$344.18	\$ 34,733,229	\$ 955,164				\$ 16,376,285	\$ 18,356,944
2024	100915	\$356.23	\$ 35,948,892	\$ 988,595				\$ 15,949,944	\$ 19,998,948
2025	100915	\$368.70	\$ 37,207,103	\$ 1,023,195				\$ 15,441,118	\$ 21,765,986
2026	100915	\$381.60	\$ 38,509,352	\$ 1,059,007				\$ 15,190,740	\$ 23,318,612
2027	100915	\$394.96	\$ 39,857,179	\$ 1,096,072				\$ 15,566,433	\$ 24,290,747
2028	100915	\$408.78	\$ 41,252,181	\$ 1,134,435				\$ 15,942,405	\$ 25,309,776
2029	100915	\$423.09	\$ 42,696,007	\$ 1,174,140				\$ 16,317,826	\$ 26,378,181
2030	100915	\$437.90	\$ 44,190,367	\$ 1,215,235				\$ 16,691,781	\$ 27,498,586
2031	100915	\$453.22	\$ 45,737,030	\$ 1,257,768				\$ 17,043,994	\$ 28,693,036
2032	100915	\$469.09	\$ 47,337,826	\$ 1,301,790				\$ 17,391,099	\$ 29,946,727

Commission Data Request 2-2

Request:

Under what set of market conditions would NGrid seek Commission approval to:

- (a) use the energy, capacity and other attributes purchased for resale to customers; or
- (b) use the NE-GIS certificates for purposes of meeting the obligations set forth in R.I. Gen. Laws § 39-26?

Response:

It is National Grid's intention at this point to resell the energy and attributes to capture the maximum value for customers in a manner that does not disrupt retail choice. Under the Power Purchase Agreement ("PPA") structure, Deepwater will retain the capacity, and National Grid will be credited with the monthly revenue based on the ISO-NE FCM clearing price.

National Grid will need to develop an administratively efficient means to implement the transactions with the NE-GIS certificates ("RECs"), which is a different market than energy and capacity. For example, it may be more efficient to avoid the simultaneous selling and repurchasing of RECs for customers on standard offer service. However, we would need to do this without causing any cross-subsidies between customers who are purchasing power from marketers and customers who are purchasing their power from National Grid.

Similarly, National Grid also is interested in considering if there is a way to retain the energy as a part of its standard offer supply portfolio, and have the above market component of the energy paid to Deepwater recovered through distribution rates, without disrupting the retail market or creating cross subsidies. However, at this point, National Grid has not yet developed a plan to accomplish this.

The Narragansett Electric Company
d/b/a National Grid
Docket No. 4111
In Re: Review of Proposed
Town of New Shoreham Project
Responses to Commission Data Requests – Set 2
Issued December 7, 2009

Commission Data Request 2-3

Request:

Please provide a copy of the Transmission Cable Purchase Agreement referenced in the unsigned Power Purchase Agreement between NGrid and Deepwater Wind.

Response:

The parties are just commencing negotiations of the Transmission Cable Purchase Agreement, so we do not have a copy to provide to the Commission at this time. As soon as we have a signed Transmission Cable Purchase Agreement, we will provide a copy of it to the Commission.

Commission Data Request 2-4

Request:

Please provide an estimate of all costs NGrid would be seeking to recover from ratepayers as outlined in the definition of “Transmission Cable Regulatory Approvals.”

Response:

The costs referred to in clause (a) of the definition of “Transmission Cable Regulatory Approvals” refer to the payment that NGrid would be making to Deepwater Wind Block Island Transmission, LLC under the Transmission Cable Purchase Agreement to purchase the cable. NGrid would be seeking to recover the cost (estimated to be \$35 to \$50 million) through transmission rates.

Commission Data Request 2-5

Request:

Assume that NGrid and Deepwater execute a Power Purchase Agreement with Commission approval and that the Project does not become operational or that the transmission line is not built between New Shoreham and the mainland of Rhode Island. Please explain what, if any, costs NGrid believes would be recoverable from ratepayers and whether those costs would be recoverable from Deepwater Wind.

Response:

In this hypothetical situation, the costs associated with the negotiation, administration and implementation of the agreement would be recoverable from customers pursuant to Section 39-26.1-7(a). The categories of costs that National Grid would likely incur include such activities as engineering design, contract negotiation, permitting, legal services, consulting services, project management, and environmental engineering. It is difficult to estimate the costs, without knowing how far along the project had advanced before cancellation. By way of example, if the project was not canceled until the end of 2011 and there was no lull in activity during the two year period, the costs could easily exceed \$1 million for a project this complex. But this estimate provides only an order of magnitude. The level of costs will depend on numerous factors.

No costs would be recovered from Deepwater.

Commission Data Request 2-6

Request:

Please provide an estimate of the annual cost to ratepayers of the project on a per kWh basis, including the cost of purchasing all products from Deepwater Wind and the cost of the transmission line. Please assume in one instance that the transmission costs are regionalized and in the second instance that they are not. Please include the financial remuneration as a separate line item.

Response:

Attachment 1 shows three rate impact analyses for the typical 500 kWh residential customer monthly bill:

Column (a) provides the rate impact assuming the transmission cable cost is allocated solely to Rhode Island.

Column (b) provides the rate impact assuming the transmission cable cost is allocated throughout all of New England under the Regional Network Service (“RNS”) tariff.

Column (c) provides the rate impact assuming the transmission cable cost is allocated to all of New England Power Company’s Local Network Service (“LNS”) customers.

Note: The calculation in Column (a) is an updated version of the calculation provided as Exhibit DET-2 to the Testimony of David Tufts. This version uses the current FERC-approved return on equity of 11.14% in place of the illustrative rate of 10.5% that had been used for purposes of the illustrative calculation in Exhibit DET-2.

Attachment 2 provides the revenue requirement calculation for transmission cable for the RNS rate impact analysis. Attachment 3 provides the revenue requirement calculation for the transmission cable for the LNS rate impact analysis.

These analyses assumed the bundled power purchase price of 24.4 cents per kilowatt-hour in 2013, which is the projected first full year of operation of the wind project.

Commission Data Request 2-6 (cont.)

In the opinion and good faith belief of the Company, the costs of the transmission line are not allocable to transmission load outside the state of Rhode Island under either Regional Network Service or Local Network Service. Rather, BIPCO would be responsible for paying the costs of interconnecting new load, with a portion of the costs potentially allocated to the generator, Deepwater Wind. Under current rules for regionalizing new transmission facilities, the costs cannot be regionalized unless they can be shown to benefit the entire New England control area. Similarly, in order for the costs to be allocated to all of New England Power Company's LNS customers, the costs must be shown to benefit the local network.

In order to avoid having the costs allocated solely to BIPCO and Deepwater and, instead, have a substantial portion of the costs allocated to Narragansett Electric, an agreement and tariff must be proposed and filed with the FERC for approval. The Company expects this agreement and tariff would be reviewed by the Rhode Island Commission prior to any such filing.

	<u>RI ONLY</u> (a)	<u>RNS</u> (b)	<u>LNS</u> (c)
1. Above Market Cost of Energy	\$12,377,137	\$12,377,137	\$12,377,137
2. Incentive Earned on Contract Purchases	\$677,134	\$677,134	\$677,134
3. Estimated Annual Revenue Requirement of Cable	<u>\$8,345,258</u>	<u>\$543,276</u>	<u>\$1,921,913</u>
4. Total Annual Cost	\$21,399,529	\$13,597,547	\$14,976,184
5. 2012 Forecasted kWh Deliveries	8,106,768,760	8,106,768,760	8,106,768,760
6. Illustrative Recovery	\$0.00263	\$0.00167	\$0.00184
 <u>500 kWh Customer Bill Impact</u>			
7. Illustrative Recovery	\$0.00263	\$0.00167	\$0.00184
8. kWh deliveries	500	500	500
9. Monthly Bill Impact (\$), including Gross Earnings Tax	\$1.37	\$0.87	\$0.96
10. November 2009 Total Bill	\$79.72	\$79.72	\$79.72
11. Percentage Impact	1.72%	1.09%	1.20%

1. from Exhibit MNM-9
2. total contract cost multiplied by 2.75%
- 3(a).from Exhibit DET-1, page 1, Col. (8).
- 3(b) from Attachment 2 COMM 2-6, page 1, Col. (9).
- 3(c).from Attachment 3 COMM 2-6, page 1, Col. (9).
4. Line 1. + Line 2. + Line 3.
5. from Company 2012 forecast
6. Line 4. ÷ Line 5.
7. Line 6.
8. Monthly usage
9. Line 7. x Line 8.
10. Based on delivery and commodity rates in effect as of November 2009
11. Line 9. ÷ Line 10.

COL (b), LINE 3 = 6.51% of total revenue requirement. (RNS)
COL (c), LINE 3 = 23.03% of total revenue requirement. (LNS)

**Narragansett Electric Company
Block Island Cable
Cost of Service**

Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4111
Attachment 2 COMM 2-6
Page 1 of 1

Revenue Requirement - RNS

<u>Year</u>	<u>Average</u>	<u>Pre-tax</u>	<u>Total</u>	<u>Book</u>	<u>Issue Costs</u>	<u>Property</u>	<u>Total</u>	<u>Rev Req</u>	<u>Rev Req</u>	<u>kWh</u>	<u>per kWh</u>
(1)	Rate Base (2)	ROR (3)	Ret. & Taxes (4)	Depr. (5)	Amort (6)	Taxes (7)	Rev Req (8)	Regionalized (9)		(10)	(11)
1 2012	\$21,347,219	12.57%	\$2,682,278	\$1,062,500	\$37,188	\$1,127,100	\$4,909,066	\$319,580	8,106,768,760	\$0.000039	
2 2013	\$40,698,531	12.57%	\$5,113,770	\$2,125,000	\$37,188	\$1,069,300	\$8,345,258	\$543,276	8,106,768,760	\$0.000067	
3 2014	\$38,238,844	12.57%	\$4,804,711	\$2,125,000	\$37,188	\$1,011,500	\$7,978,398	\$519,394	8,106,768,760	\$0.000064	
4 2015	\$35,860,969	12.57%	\$4,505,931	\$2,125,000	\$37,188	\$953,700	\$7,621,818	\$496,180	8,106,768,760	\$0.000061	
5 2016	\$33,550,031	12.57%	\$4,215,561	\$2,125,000	\$37,188	\$895,900	\$7,273,649	\$473,515	8,106,768,760	\$0.000058	
6 2017	\$31,306,031	12.57%	\$3,933,603	\$2,125,000	\$37,188	\$838,100	\$6,933,890	\$451,396	8,106,768,760	\$0.000055	
7 2018	\$29,128,969	12.57%	\$3,660,055	\$2,125,000	\$37,188	\$780,300	\$6,602,542	\$429,826	8,106,768,760	\$0.000053	
8 2019	\$27,003,969	12.57%	\$3,393,049	\$2,125,000	\$37,188	\$722,500	\$6,277,736	\$408,681	8,106,768,760	\$0.000050	
9 2020	\$24,916,156	12.57%	\$3,130,715	\$2,125,000	\$37,188	\$664,700	\$5,957,603	\$387,840	8,106,768,760	\$0.000047	
10 2021	\$22,843,219	12.57%	\$2,870,250	\$2,125,000	\$37,188	\$606,900	\$5,639,338	\$367,121	8,106,768,760	\$0.000045	
11 2022	\$20,770,281	12.57%	\$2,609,786	\$2,125,000	\$37,188	\$549,100	\$5,321,073	\$346,402	8,106,768,760	\$0.000042	
12 2023	\$18,697,344	12.57%	\$2,349,321	\$2,125,000	\$37,188	\$491,300	\$5,002,809	\$325,683	8,106,768,760	\$0.000040	
13 2024	\$16,624,406	12.57%	\$2,088,857	\$2,125,000	\$37,188	\$433,500	\$4,684,544	\$304,964	8,106,768,760	\$0.000037	
14 2025	\$14,551,469	12.57%	\$1,828,392	\$2,125,000	\$37,188	\$375,700	\$4,366,280	\$284,245	8,106,768,760	\$0.000035	
15 2026	\$12,478,531	12.57%	\$1,567,927	\$2,125,000	\$37,188	\$317,900	\$4,048,015	\$263,526	8,106,768,760	\$0.000032	
16 2027	\$10,405,594	12.57%	\$1,307,463	\$2,125,000	\$37,188	\$260,100	\$3,729,750	\$242,807	8,106,768,760	\$0.000029	
17 2028	\$8,332,656	12.57%	\$1,046,998	\$2,125,000	\$37,188	\$202,300	\$3,411,486	\$222,088	8,106,768,760	\$0.000027	
18 2029	\$6,259,719	12.57%	\$786,534	\$2,125,000	\$37,188	\$144,500	\$3,093,221	\$201,369	8,106,768,760	\$0.000024	
19 2030	\$4,186,781	12.57%	\$526,069	\$2,125,000	\$37,188	\$86,700	\$2,774,957	\$180,650	8,106,768,760	\$0.000022	
20 2031	\$2,113,844	12.57%	\$265,604	\$2,125,000	\$37,188	\$28,900	\$2,456,692	\$159,931	8,106,768,760	\$0.000019	
21 2032	\$538,688	12.57%	\$67,686	\$1,062,500	\$0	\$0	\$1,130,186	\$73,575	8,106,768,760	\$0.000009	

NOTES:

COL(2) = SEE EXHIBIT DET-1, PAGE 3 OF 5

COL(3) = SEE EXHIBIT DET-1, PAGE 2 OF 5

COL(4) = COL(2) X COL(3)

COL(5) = SEE EXHIBIT DET-1, PAGE 4 OF 5

COL(6) = SEE EXHIBIT DET-1, PAGE 5 OF 5

COL(7) = % OF MUNICIPAL TAXES TO AVG 2008 NET PLANT X NET PLANT

COL(8) = [COL(4) + COL(5) + COL(6) + COL(7)]

COL(9) = COL(8) X 6.51%

COL(10) = 2012 FORECASTED kWh DELIVERIES

COL(11) = COL(9) / COL(10)

**Narragansett Electric Company
Block Island Cable
Cost of Service**

Narragansett Electric Company
d/b/a National Grid
R.I.P.U.C. Docket No. 4111
Attachment 3 COMM 2-6
Page 1 of 1

Revenue Requirement - LNS

<u>Year</u>	<u>Average</u>	<u>Pre-tax</u>	<u>Total</u>	<u>Book</u>	<u>Issue Costs</u>	<u>Property</u>	<u>Total</u>	<u>Rev Req</u>	<u>Localized</u>	<u>kWh</u>	<u>per kWh</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1 2012	\$21,347,219	12.57%	\$2,682,278	\$1,062,500	\$37,188	\$1,127,100	\$4,909,066	\$1,130,558	8,106,768,760	\$0.000139	
2 2013	\$40,698,531	12.57%	\$5,113,770	\$2,125,000	\$37,188	\$1,069,300	\$8,345,258	\$1,921,913	8,106,768,760	\$0.000237	
3 2014	\$38,238,844	12.57%	\$4,804,711	\$2,125,000	\$37,188	\$1,011,500	\$7,978,398	\$1,837,425	8,106,768,760	\$0.000226	
4 2015	\$35,860,969	12.57%	\$4,505,931	\$2,125,000	\$37,188	\$953,700	\$7,621,818	\$1,755,305	8,106,768,760	\$0.000216	
5 2016	\$33,550,031	12.57%	\$4,215,561	\$2,125,000	\$37,188	\$895,900	\$7,273,649	\$1,675,121	8,106,768,760	\$0.000206	
6 2017	\$31,306,031	12.57%	\$3,933,603	\$2,125,000	\$37,188	\$838,100	\$6,933,890	\$1,596,875	8,106,768,760	\$0.000196	
7 2018	\$29,128,969	12.57%	\$3,660,055	\$2,125,000	\$37,188	\$780,300	\$6,602,542	\$1,520,566	8,106,768,760	\$0.000187	
8 2019	\$27,003,969	12.57%	\$3,393,049	\$2,125,000	\$37,188	\$722,500	\$6,277,736	\$1,445,763	8,106,768,760	\$0.000178	
9 2020	\$24,916,156	12.57%	\$3,130,715	\$2,125,000	\$37,188	\$664,700	\$5,957,603	\$1,372,036	8,106,768,760	\$0.000169	
10 2021	\$22,843,219	12.57%	\$2,870,250	\$2,125,000	\$37,188	\$606,900	\$5,639,338	\$1,298,740	8,106,768,760	\$0.000160	
11 2022	\$20,770,281	12.57%	\$2,609,786	\$2,125,000	\$37,188	\$549,100	\$5,321,073	\$1,225,443	8,106,768,760	\$0.000151	
12 2023	\$18,697,344	12.57%	\$2,349,321	\$2,125,000	\$37,188	\$491,300	\$5,002,809	\$1,152,147	8,106,768,760	\$0.000142	
13 2024	\$16,624,406	12.57%	\$2,088,857	\$2,125,000	\$37,188	\$433,500	\$4,684,544	\$1,078,851	8,106,768,760	\$0.000133	
14 2025	\$14,551,469	12.57%	\$1,828,392	\$2,125,000	\$37,188	\$375,700	\$4,366,280	\$1,005,554	8,106,768,760	\$0.000124	
15 2026	\$12,478,531	12.57%	\$1,567,927	\$2,125,000	\$37,188	\$317,900	\$4,048,015	\$932,258	8,106,768,760	\$0.000114	
16 2027	\$10,405,594	12.57%	\$1,307,463	\$2,125,000	\$37,188	\$260,100	\$3,729,750	\$858,962	8,106,768,760	\$0.000105	
17 2028	\$8,332,656	12.57%	\$1,046,998	\$2,125,000	\$37,188	\$202,300	\$3,411,486	\$785,665	8,106,768,760	\$0.000096	
18 2029	\$6,259,719	12.57%	\$786,534	\$2,125,000	\$37,188	\$144,500	\$3,093,221	\$712,369	8,106,768,760	\$0.000087	
19 2030	\$4,186,781	12.57%	\$526,069	\$2,125,000	\$37,188	\$86,700	\$2,774,957	\$639,072	8,106,768,760	\$0.000078	
20 2031	\$2,113,844	12.57%	\$265,604	\$2,125,000	\$37,188	\$28,900	\$2,456,692	\$565,776	8,106,768,760	\$0.000069	
21 2032	\$538,688	12.57%	\$67,686	\$1,062,500	\$0	\$0	\$1,130,186	\$260,282	8,106,768,760	\$0.000032	

NOTES:

COL(2) = SEE EXHIBIT DET-1, PAGE 3 OF 5

COL(3) = SEE EXHIBIT DET-1, PAGE 2 OF 5

COL(4) = COL(2) X COL(3)

COL(5) = SEE EXHIBIT DET-1, PAGE 4 OF 5

COL(6) = SEE EXHIBIT DET-1, PAGE 5 OF 5

COL(7) = % OF MUNICIPAL TAXES TO AVG 2008 NET PLANT X NET PLANT

COL(8) = [COL(4) + COL(5) + COL(6) + COL(7)]

COL(9) = COL(8) X 23.03%

COL(10) = 2012 FORECASTED kWh DELIVERIES

COL(11) = COL(9) / COL(10)

Commission Data Request 2-7

Request:

Please provide the projected Return on Equity for the transmission line between New Shoreham and the mainland of Rhode Island.

Response:

The Return on Equity for the transmission line between New Shoreham and the mainland of Rhode Island will be the base Return on Equity that applies to all transmission assets under FERC jurisdiction. Currently, the base Return on Equity that applies to transmission rate base is 11.14%.

Commission Data Request 2-8

Request:

Please indicate whether NGrid believes the transmission line and its rates, including any ROE, would be subject to FERC jurisdiction. Please provide a justification.

Response:

Yes. The transmission line interconnecting Block Island to the mainland and the rates charged for transmission service over the cable, including the Return on Equity earned on the cable cost that would be included in transmission rate base, would be subject to FERC's exclusive jurisdiction.

National Grid does not provide distribution service to the citizens living in the Town of New Shoreham on Block Island. These customers are served by BIPCO. Thus, BIPCO would be an unaffiliated transmission customer of National Grid taking transmission service over the cable in order to access the ISO New England power markets. This is the same type of transmission service that other unaffiliated utilities, including municipal distribution companies or other investor-owned utilities, obtain in New England when they are interconnected to the transmission system. In addition, the transmission cable would be available for use by the generator, Deepwater Wind, to sell into the ISO New England power markets. Thus, the facilities would be used solely for transmission service. It is well-settled federal law that FERC has exclusive jurisdiction over the rates charged for transmission service.

Commission Data Request 2-9

Request:

Does National Grid believe that National Grid as the owner, or Deepwater Wind as the builder, of the transmission line between New Shoreham and the mainland of Rhode Island would earn an ROE on the transmission line?

Response:

If National Grid owns the transmission cable, National Grid would add the cable to its transmission rate base like it would any other transmission asset. NGrid earns a rate of return on its transmission rate base and ROE is a component of the rate of return.

If Deepwater owns the transmission cable, the costs associated with the transmission cable would be included in the Purchase Power Agreement. Deepwater's return for assuming the risk for transmission cable ownership would be subject to negotiation between the parties and review by the Commission, pursuant to Section 8.5 of the Power Purchase Agreement.

Commission Data Request 2-10

Request:

Please provide an accounting of all costs, if any, that NGrid believes are currently recoverable from its ratepayers. Please update this response one week prior to the hearing.

Response:

To date, we have incurred approximately \$145,000 in outside legal fees and expenses, approximately \$75,000 for services in connection with renewable energy price forecasts and analysis, and approximately \$8,700 in connection with conceptual engineering services and contract negotiation with Deepwater, for a total cost of \$153,700 that National Grid believes is currently recoverable from its customers, assuming the power purchase agreement is approved by the Commission.