



November 14, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 4323 - Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11 Amended Settlement Agreement

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed is an Amended Settlement Agreement among the Company, the Rhode Island Division of Public Utilities and Carriers (“Division”), and the United States Department of the Navy (collectively, the “Settling Parties”) for filing with the Rhode Island Public Utilities Commission (“Commission”).

On April 27, 2012, the Company filed its Application for Approval of a Change in Electric and Gas Base Distribution Rates Pursuant to R.I.G.L. Sections 39-3-10 and 39-3-11 (“Application”). The Company originally requested a change in base rates to address a total revenue deficiency of \$31.4 million for its electric distribution operations and a total revenue deficiency of \$20.0 million for its gas distribution operations. During the course of this proceeding, the Settling Parties have asserted competing and disputed claims with regard to certain issues contained in the Company’s Application, including, but not limited to, the amount of the proposed revenue deficiency and the appropriate rate-recovery mechanisms. Since the Company filed its Application, extensive discovery has been conducted, with the Company responding to approximately 556 data requests issued by the Commission, the Division, and other parties. On October 19, 2012, the Settling Parties filed with the Commission a Settlement Agreement, which was reached with the benefit of that discovery and through diligent negotiations, and which represented a resolution among the Settling Parties of all contested issues involved in establishing new base distribution rates for the Company’s gas and electric operations to become effective February 1, 2013.

On October 29, 2012, ten days after the original Settlement Agreement was filed with the Commission, Rhode Island suffered a major impact from Hurricane Sandy, a storm of historic proportions. The storm caused significant damage to the Company’s electric distribution system leading to post-storm restoration activities and substantial resultant costs. In order to address those costs, the Settling Parties have agreed to the enclosed Amended Settlement Agreement,

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which provides for an additional \$3 million annual contribution to the National Grid Electric Storm Contingency Fund over the course of six years. Although this Amended Settlement Agreement changes the Narragansett Electric revenue requirement and related calculations, it does not involve any substantive changes to the other terms of the original Settlement Agreement for Narragansett Electric and does not involve any changes to the terms of the original Settlement Agreement for Narragansett Gas.

Thus, under the terms of this Amended Settlement Agreement, the Settling Parties have agreed to an increase of \$21.5 million for Narragansett Electric and \$11.3 million for Narragansett Gas based on a 9.5 percent allowed return on equity and adopting the Company's actual capital structure as of June 30, 2012, as appropriately adjusted for ratemaking purposes. The rate increase results in an estimated increase of \$2.56 per month for the typical Narragansett Electric residential customer consuming 500 kWh, or 3.5 percent on the total bill, as compared to rates in effect October 1, 2012. The rate increase results in an estimated increase of \$55.00 for the typical Narragansett Gas residential heating customer consuming 846 therms annually, or 4.9 percent on the total bill, as compared to rates in effect October 1, 2012.

As with the original Settlement Agreement, the Amended Settlement Agreement represents a series of compromises among the Settling Parties and places the Company in a position to provide safe, efficient and reliable gas and electric service to our customers, and it allows the Company to recover its necessary costs. The Settling Parties agree that the provisions of this Settlement Agreement are just and reasonable and in the public interest, and we respectfully request the Commission's approval.

If you have any questions, please feel free to contact Celia O'Brien at (781) 907-2153 or Tom Teehan at (401) 784-7667.

Very truly yours,



Celia B. O'Brien
Thomas R. Teehan

cc: Docket 4323 Service List
Thomas F. Ahern, Administrator, Division
Steve Scialabba, Division
Leo Wold, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted to the individuals listed below. The Commission received hard copies of this transmittal.

Joanne M. Scanlon

November 14, 2012

Date

National Grid (NGrid) – Request for Change in Electric & Gas Distribution Rates

Docket No. 4323 – Service List updated on 6/22/12

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