



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

November 18, 2009

Ms. Luly Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Blvd.
Warwick, RI 02888

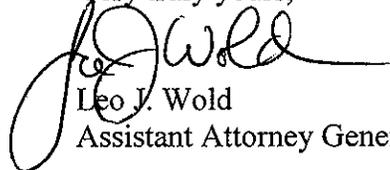
Re: Docket No. D-09-49

Dear Ms. Massaro,

Enclosed please find the following documents for filing with the Division of Public Utilities and Carriers:

1. An executed Settlement Agreement; and
2. Settlement Testimony of Matthew I. Kahal.

Very truly yours,


Leo J. Wold
Assistant Attorney General

cc: John Spirito, Esq., Hearing Officer (by e-mail)
Steven Scialabba (by e-mail)
Thomas Teehan, Esq. (by e-mail)
Matthew I. Kahal (by e-mail)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

_____)	
Application and Statement by)	
The Narragansett Electric Company)	
d/b/a National Grid)	
Regarding Issue of New)	Docket No. D-09-49
Long-Term Debt)	
_____)	

Settlement Agreement

This Settlement Agreement is entered into this 18th day of November, 2009, between The Narragansett Electric Company d/b/a National Grid (the “Company”), and the Rhode Island Division of Public Utilities and Carriers Staff Advocacy Section (the “Division Advocacy Section”) (collectively the “Parties”).

WHEREAS, On June 18, 2009, the Company filed an Application and Statement with the Division seeking authorization to issue and sell one or more series and/or issues of new long-term debt, pursuant to the General Laws of Rhode Island, Sections 39-3-15 and 39-3-17; and

WHEREAS, the Parties engaged in a series of technical and settlement conferences; and

WHEREAS, the Parties believe this Settlement Agreement is in the best interests of the people of the State of Rhode Island and the customers of the Company.

NOW, THEREFORE, in consideration of the recitals hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. The Company shall be authorized to make an initial issuance of new long-term debt in an amount not to exceed an aggregate principal amount of \$550 million outstanding at any one time for any or all of the purposes set forth in the Company's Application dated June 18, 2009, including, replenishing internally generated cash funds that were used to fund long-lived capital plant additions and to refund long-term debt, and using those funds to pay dividends and pay down existing short-term debt balances (the "Initial Issuance(s)"). Proceeds from the issuance will not be used for making investments in unregulated activities or making loans to affiliates. The foregoing shall not limit the Company from fully participating in the current and in any future National Grid Money Pool arrangements in which regulated affiliates of the Company also participate, including, without limitation, making short-term loans (i. e., for a term not exceeding one year) in connection with such arrangements.
2. The Initial Issuances will be effected in two or more tranches with differing maturity dates each greater than one year but not to exceed 30 years from the date of issuance.
3. The Division Advocacy Section recognizes that issuing in multiple tranches as opposed to a single larger issuance is a reasonable way to diversify the Company's long-term debt outstanding, but that such an issuance strategy may increase the credit spreads associated with such issuances.
4. The Company may enter into evidences of indebtedness for the new long-term debt through any or all of the instruments set forth in the Company's Application dated June 18, 2009, except that the Initial Issuances will be unsecured fixed interest rate debt.
5. The Company will inform the Division Advocacy Section of its intent to issue in advance of closing. However, such advance notification shall not be a condition precedent to the Company's right to proceed with an issuance otherwise authorized by the Division of Public Utilities and Carriers ("the Division") in this docket.
6. The maximum interest rate for any new debt issued pursuant to an Initial Issuance shall not exceed the U.S. Treasury rate for similar maturities at the time of pricing plus 350 basis points.

7. The Company's use of hedging instruments related to the Initial Issuances, while not compulsory, shall be limited to cross currency swaps, interest rate swaps, Treasury locks, forward rate swaps and call provisions.
8. For accounting purposes, the Company intends to defer and amortize the reasonable and prudent cost and expenses of the Initial Issuances, including debt discount or premium and settlement of any hedging instruments, over the life of this new long-term debt.
9. The Company's request for a waiver of the Division's Rules of Practice and Procedure 14 (1) (ii), (iii) and (iv) shall be granted and the Company shall provide the Division with a statement of the basic terms of each issue within 5 days following the settlement of each tranche of the Initial Issuances. A copy of the executed debt transaction documents along with a statement of the final actual costs shall be provided to the Division within 45 days following the settlement of each tranche of the Initial Issuances.
10. The Company may seek permission to do additional debt issuances in an amount not to exceed an aggregate principal amount of \$290 million on terms to be determined without the need for a new application or additional notice provided that the Company notifies the Division on or before March 31, 2011 of its intent to seek such permission which notice shall include the approximate date on which it intends to issue such additional debt. In no event, however, shall the Company be authorized to issue new long term debt pursuant to this authorization in an aggregate amount outstanding at any one time in excess of the Initial Issuance amount without an express order of the Division approving such additional issuance.
11. Any Order by the Division approving this Initial Debt Issuance shall not constitute approval of or the Division's or the Division Advocacy Section's concurrence with:
 - a. The Company's capital spending plan;
 - b. The capital structure proposed by the Company in R.I.P.U.C Docket No. 4065 or in any future docket.

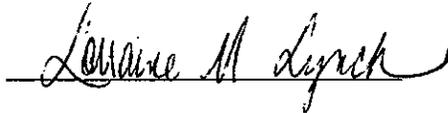
- c. The value of any assets, tangible or intangible, owned or to be owned by the Company.
12. Any Order by the Division approving this Initial Issuance(s) shall not constitute pre-approval of or concurrence by the Division or the Division Advocacy Section of any expenses incurred by the Company for cost recovery or ratemaking purposes.
13. The Company retains an obligation to conduct its Initial Issuance(s) at lowest reasonable cost for the benefit of its retail customers.
14. This agreement shall not affect or limit in any way the position and/or authority of the Division or the Rhode Island Public Utilities Commission with respect to rates, services, financial policies, accounting or any other matter affecting the Company.
15. The Company retains an obligation to use a prudent mix of capital to finance its utility operations and investments.
16. As soon as reasonably practicable following receipt of a final non-appealable order of the Division approving this Settlement Agreement in the form and substance presented herein, the Company shall enter into Treasury locks to reflect the anticipated timing and maturity of the Initial Issuances either with a bank counterparty or with National Grid PLC or National Grid USA on equivalent terms as they could achieve in an identical transaction with a bank counterparty. Thereafter, the Company shall make reasonable efforts to conduct and close a debt issuance in accordance with the terms of this Settlement Agreement and at the lowest reasonable cost for the benefit of its retail customers by March 31, 2010. Each treasury lock will be cash settled as close in time as is practicable to the pricing of the new debt issue being hedged. The cash settlement amount of the hedge will not be considered as part of the maximum interest rate restriction referred to in Paragraph 6 above.
17. All prior discussions and agreements with respect to the subject matter hereof are merged in this Settlement Agreement, which alone constitutes the entire agreement between the Parties as to its subject matter. This Settlement Agreement may not be amended, modified or terminated except by a written agreement signed by both Parties, which

specifically references this Settlement Agreement. This settlement is submitted on the condition that it be approved in its entirety by the Division after hearing, and on the further condition that if the Division does not approve the Settlement in its entirety, the Settlement shall be deemed withdrawn and shall not constitute a part of the record in this proceeding or be used for any purpose, unless all Parties agree to Division modifications.

18. This Settlement Agreement may be signed in counterparts each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

The Narragansett Electric Company

d/b/a National Grid

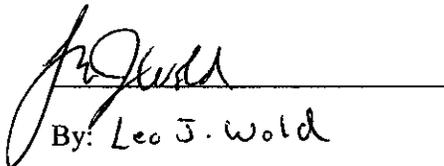


By: Lorraine M. Lynch

Its: Assistant Treasurer

The Division of Public Utilities and Carriers

Staff Advocacy Section



By: Leo J. Wold

Its: Assistant Attorney General

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

Application and Statement by the)
Narragansett Electric Company d/b/a/) Docket No. D-09-49
National Grid Regarding Issue of New)
Long-Term Debt)

SETTLEMENT TESTIMONY OF

MATTHEW I. KAHAL

I. QUALIFICATIONS

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Matthew I. Kahal. I am employed as an independent consultant retained
3 in this matter by the Division of Public Utilities and Carriers ("Division"). My
4 business address is 5565 Sterrett Place, Suite 310, Columbia, Maryland 21044.

5 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

6 A. I hold B.A. and M.A. degrees in economics from the University of Maryland and
7 have completed course work and examination requirements for the Ph.D. degree in
8 economics. My areas of academic concentration included industrial organization,
9 economic development and econometrics.

10 Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?

11 A. I have been employed in the area of energy, utility and telecommunications
12 consulting for the past 30 years working on a wide range of topics. Most of my work
13 has focused on electric utility integrated planning, plant licensing, environmental
14 issues, mergers and financial issues. I was a co-founder of Exeter Associates, and
15 from 1981 to 2001 I was employed at Exeter Associates as a Senior Economist and
16 Principal. During that time, I took the lead role at Exeter in performing cost of capital

1 and financial studies. In recent years, the focus of much of my professional work has
2 shifted to electric utility restructuring and competition.

3 Prior to entering consulting, I served on the Economics Department faculties
4 at the University of Maryland (College Park) and Montgomery College teaching
5 courses on economic principles, development economics and business.

6 Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS
7 BEFORE UTILITY REGULATORY COMMISSIONS?

8 A. Yes. I have testified before approximately two-dozen state and federal utility
9 commissions in more than 300 separate regulatory cases. My testimony has addressed
10 a variety of subjects including fair rate of return, resource planning, financial
11 assessments, load forecasting, competitive restructuring, rate design, purchased power
12 contracts, merger economics and other regulatory policy issues. These cases have
13 involved electric, gas, water and telephone utilities. In 1989, I testified before the
14 U. S. House of Representatives, Committee on Ways and Means, on proposed federal
15 tax legislation affecting utilities. A list of these cases may be found in Appendix A,
16 with my statement of qualifications.

17 Q. WHAT PROFESSIONAL ACTIVITIES HAVE YOU ENGAGED IN SINCE
18 LEAVING EXETER AS A PRINCIPAL IN 2001?

19 A. Since 2001, I have worked on a variety of consulting assignments pertaining to
20 electric restructuring, purchase power contracts, environmental controls, cost of
21 capital and other regulatory issues. Current and recent clients include the U.S.
22 Department of Justice, U.S. Air Force, U.S. Department of Energy, the Federal
23 Energy Regulatory Commission, Connecticut Attorney General, Pennsylvania Office
24 of Consumer Advocate, New Jersey Division of Rate Counsel, Rhode Island Division

1 of Public Utilities, Louisiana Public Service Commission, Arkansas Public Service
2 Commission, Maryland Department of Natural Resources and Energy Administration,
3 and MCI.

4 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RHODE ISLAND
5 COMMISSION?

6 A. Yes. I have testified on cost of capital and other matters before this Commission in
7 gas and electric cases during the past 25 years. I have been retained as the Division's
8 witness on cost of capital/fair rate of return in the pending National Grid base rate
9 case before the Public Utilities Commission (R. I. P.U.C. Docket No. 4065).

10 Q. DO YOU HAVE EXPERIENCE IN REVIEWING DEBT ISSUANCE
11 APPLICATIONS?

12 A. Yes, I have done so on numerous occasions in the last ten years on behalf of
13 Commission Staffs and Consumer Advocacy agencies.
14

1 **II. OVERVIEW OF ISSUES**

2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3 A. On June 23, 2009, Narragansett Electric Company, d/b/a National Grid
4 (“Narragansett” or “the Company”) filed an Application with the Division of Utilities
5 and Carriers (“the Division”) for authority to issue long-term debt to finance its
6 capital expansion, pay down short-term debt balances, pay dividends to its parent and
7 for other corporate purposes. I have been retained by the Division’s Advocacy
8 Section to review the Application and provide a recommendation.

9 Q. WHAT IS THE COMPANY REQUESTING IN ITS APPLICATION?

10 A. The Company has sought the authority to issue up to \$840 million of long-term debt
11 through March 31, 2012, with terms ranging from 1 to 40 years. The debt so issued
12 could be either fixed interest rate or variable with allowable interest rates up to
13 12 percent. While the requested authority extends through March 2012, the filing
14 makes clear that a large portion of the issuance is intended to take place later this
15 year. The Application indicates a wide range of potential issuance methods, e.g.,
16 competitive bidding versus competitive negotiations, and the debt issuances could
17 take the form of a number of possible instruments. The Company also reserves for
18 itself the ability and authority to use hedging instruments to reduce risk and/or lower
19 cost.

20 Along with the authority to issue debt, the Company seeks a waiver of
21 Division Rules of Practice and Procedure (1)(i), (ii), (iii) and (iv) concerning the
22 submission of certain debt issuance-related documents. This waiver request is due to
23 the fact that the exact form of issuance is not known at this time.

1 Q. THE COMPANY HAS OUTSTANDING SOME RELATIVELY HIGH
2 COST DEBT. WILL THE DEBT ISSUANCE BE USED FOR ECONOMIC
3 REFUNDINGS TO LOWER THE COST OF DEBT?

4 A. No. The Company has informed us that its high cost outstanding debt has “make
5 whole” provisions that would require compensating debt holders for the market value
6 of the debt upon early redemption. Thus, this makes it infeasible to achieve savings
7 through early redemptions of this debt.

8 Q. THE \$840 MILLION IS A MASSIVE EXPANSION OF THE COMPANY’S
9 LONG-TERM DEBT OUTSTANDING. WHAT IS THE REASON FOR
10 SUCH A LARGE REQUEST?

11 A. Utilities issue long-term debt from time to time in order to fund capital expansion and
12 to redeem and refinance existing long-term debt as it matures. The proposed debt
13 issuance will serve those purposes. In addition, the filing (and supporting testimony)
14 explain that the large debt issuance also is intended the “recapitalize” the Company.

15 At this time, Narragansett has a highly unusual and uneconomic capital
16 structure. The Company has far too much equity on its books as well as unusually
17 large amounts of short-term debt. The intent is to add long-term debt that replaces
18 some of both the common equity and the short-term debt. When completed, this is
19 intended to move Narragansett to a capital structure that is both lower in cost and
20 more stable than the current capital structure.

21 Short-term debt is presently very low in cost, but it tends to be somewhat
22 volatile over time, and if excessive, it can create “rollover risk.” Thus, while it is
23 appropriate for Narragansett to employ short-term debt, it should not be chronically
24 dependent on an excessive amount.

1 Q. HOW DID YOU PROCEED WITH YOUR REVIEW?

2 A. After an initial review of the Application and supporting testimony, I prepared a set
3 of data requests to obtain further information and to explore certain issues. After I
4 had an opportunity to review the discovery responses from the Company, I developed
5 an issues list of concerns to the Division or unanswered questions. A technical
6 conference was arranged with the Company at the Division's offices to discuss the
7 Division Advocacy Staff's concerns, and subsequent meetings to discuss these issues
8 and procedures took place telephonically. These meetings and teleconferences
9 culminated in a Settlement Agreement that resolves the issues in this case and allows
10 the Company to proceed with the initial phase of debt issuances.

11 It is the purpose of my testimony at this time to support and sponsor the
12 Settlement Agreement. I believe that the filed Settlement Agreement represents a
13 balancing of interests and is in the best interest of Narragansett ratepayers.
14 I recommend that it be approved, as filed.

15 Q. WHAT CONCERNS OR ISSUES DO YOU HAVE CONCERNING THE
16 APPLICATION?

17 A. Based on my review, I was concerned with the overall lack of specificity in the
18 Application. The Application requests authority to issue \$840 million over the next
19 two and a half years, but does not provide a planned schedule for doing so. It also
20 requests authority for a very wide range of types of debt that would be issued,
21 methods of issuance and debt structure. The Application requests authority to incur
22 interest rates as high as 12 percent. While the Company clearly needs some
23 flexibility to respond to the dynamic nature of financial markets, the request still

1 needed to be clarified and to some degree narrowed. Otherwise, the Division would
2 not be sure what it would be approving.

3 In my opinion, the Settlement Agreement adequately and appropriately
4 balances the Company's need for flexibility with the Division's need for specificity
5 and oversight.

6 Q. DO YOU HAVE OTHER CONCERNS?

7 A. Yes. As explained later, the Company has indicated its intention of issuing very large
8 amounts of long-term debt for a single maturity (e.g., ten years). Doing so could
9 create market timing risk as very large amounts of debt become due at the same time.
10 This could force the Company to refinance at times when market conditions are
11 adverse, exposing Narragansett customers to considerable risk. The Settlement
12 Agreement explicitly addresses this concern.

III. DESCRIPTION OF THIS SETTLEMENT AGREEMENT

1 Q. DOES THE SETTLEMENT AGREEMENT GRANT THE AUTHORITY
2 FOR THE ISSUANCE OF \$840 MILLION?

3 A. No, it does not. The Settlement Agreement effectively bifurcates the request. The
4 settlement obligates the Company to move ahead with its “Initial Issuances” of up to
5 \$550 million (Paragraph 1) with reasonable efforts to complete that issuance by
6 March 2010. (Paragraph 16)

7 In my opinion, it is presently a relatively low-cost environment for debt
8 issuances by credit-worthy utilities such as Narragansett. Nonetheless, interest rates
9 could rise in the near term as the economy recovers and Federal Reserve policy
10 changes to a less accommodative stance. To hedge this market risk the Company
11 agrees to undertake a Treasury lock as soon as practicable after a non-appealable
12 Order by the Division. (*Id.*)

13 Q. IS THE REMAINDER OF THE \$840 MILLION DISALLOWED?

14 A. No. Under the Settlement Agreement, the remaining \$290 million of debt issuance
15 authority is not approved at this time. The Company may file in this docket for
16 authority for all or part of the remaining \$290 million at the point in time when those
17 funds actually would be needed for capital expansion or other purposes. The
18 Company has until March 31, 2011 to file this update. (Paragraph 10) I believe this
19 bifurcated structure provides the Division with more effective oversight review of
20 these very large debt issuances. Similarly, the Company potentially can avoid the
21 delays and expense of initiating a new docket.

22 Q. THE COMPANY REQUESTS AUTHORITY FOR DEBT INTEREST
23 RATES UP TO 12 PERCENT. DOES THE SETTLEMENT AGREEMENT
24 ACCEPT THOSE TERMS?

1 A. No. Paragraph 6 limits the maximum interest rate on the Initial Issuances to the
2 corresponding Treasury yield plus 350 basis points. (Currently, those spreads are
3 about 150 to 200 basis points for Narragansett). For example, since ten-year Treasury
4 yields presently are about 3.5 percent, this would limit Narragansett's interest rate on
5 a ten-year debt issue at this time to 7.0 percent.

6 Q. IS THE COMPANY REQUIRED TO USE THE DEBT ISSUE PROCEEDS
7 FOR UTILITY PURPOSES?

8 A. Yes, it is, as established in Paragraph 1. The Company may not lend any such funds
9 on a long-term basis to its corporate affiliates or use proceeds for non-regulated
10 activities. This does not restrict the Company from full participation in a National
11 Grid utility money pool for short-term borrowings and loans.

12 Q. YOU EXPRESSED CONCERN THAT THE COMPANY'S PROPOSAL
13 POTENTIALLY COULD CREATE MARKET TIMING RISK. HAS THAT
14 BEEN ADDRESSED IN THE SETTLEMENT AGREEMENT?

15 A. Yes, the agreement helps to mitigate market timing risk. Consider, for example, the
16 entire Initial Issuance of \$550 million taking the form of 10-year bonds or notes with
17 the same maturity date. This would mean that Narragansett would have to rollover
18 the entire \$550 million at a single maturity date ten years from now under market
19 conditions that cannot be predicted.

20 Paragraph 2 of the Settlement Agreement states that the Initial Issuance will
21 take the form of two or more "tranches" (i.e., portions) with differing maturity dates.
22 Since there are scale economies in debt issuances (for reasons of market liquidity and
23 other factors), this timing diversity and risk mitigation slightly add to the cost. This is
24 recognized in Paragraph 3.

1 Q. DOES THE SETTLEMENT AGREEMENT RESTRICT THE TYPE OF
2 DEBT INSTRUMENT NARRAGANSETT MAY USE?

3 A. No. The Company may use any of the forms of debt and instruments stated in the
4 Application. (Paragraph 4) The Company intends to issue unsecured debt.

5 Q. DOES THIS SETTLEMENT AGREEMENT PRE-APPROVE OR SUPPORT
6 ANY COST RECOVERY FOR COSTS THAT THE COMPANY WILL
7 INCUR ASSOCIATED WITH THE NEW DEBT?

8 A. No, it does not. This Settlement Agreement explicitly states that in approving the
9 Initial Issuance neither the Division or its Advocacy Section necessarily concurs with
10 the Company's capital spending plan, its proposed capital structure in the pending
11 rate case (or any future rate case) or the valuation of Company assets. (Paragraph
12 11). Paragraph 12 states that this Division approval of the Initial Issuance does not
13 provide any cost recovery or the Advocacy Staff's concurrence with pre-approval of
14 cost recovery. In Paragraph 13, the Company acknowledges its affirmative obligation
15 to undertake the Initial Issuance at lowest reasonable cost. The Company further
16 acknowledges its affirmative obligation to employ a prudent mix of capital
17 (Paragraph 15). Paragraph 14 states that the Settlement Agreement does not affect or
18 limit the Public Utilities Commission's authority with respect to rates, services,
19 financial policies, accounting and other matters affecting the Company.

20 In Paragraph 8, the Company states its intent to defer and amortize the
21 reasonable and prudent issuance-related expenses over the life of the new debt.
22 However, as mentioned above, this Settlement Agreement does not pre-approve either
23 ratemaking or accounting treatments relating to the debt issuances. Thus, Paragraph 8
24 is informational only.

1 Q. THE COMPANY HAS REQUESTED A WAIVER CONCERNING
2 DIVISION RULES ON PROVIDING IN ADVANCE CERTAIN
3 DOCUMENTS PERTAINING TO THE PROPOSED DEBT ISSUANCES.
4 IS THIS ADDRESSED IN THE SETTLEMENT AGREEMENT?

5 A. Yes. The Division Advocacy Section has discussed this waiver request with the
6 Company. In order to respond effectively to market conditions, the Company is not
7 able to prepare and submit the issuance-related documents in advance of undertaking
8 the issuances. I believe the Company's request in this regard is reasonable, and
9 Paragraph 9 grants the waiver. However, that paragraph also obligates the Company
10 to submit those documents within 45 days of the debt issuance transactions closing,
11 including a statement of final costs. Within five days of issuance, the Company will
12 inform the Division of the basic terms for each such issuance. In Paragraph 5, the
13 Company agrees to provide the Division with informal advance notification of its
14 intent to issue shortly before such issuance takes place. Together, these two
15 paragraphs will ensure that the Division is fully and timely informed concerning the
16 outcome of the debt issuances. The Division will receive the necessary
17 documentation.

18 Q. PLEASE SUMMARIZE THE REASONS WHY YOU BELIEVE THE
19 SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST.

20 A. The Settlement Agreement provides the following favorable attributes and resolution
21 of this case:

- 22 • It provides the Division with more effective oversight by limiting approval to the
23 Initial Issuance to \$550 million and requiring a subsequent request if and when
24 the Company needs to go forward with the remaining \$290 million.

- 1 • Given today’s very favorable debt market conditions, it obligates Narragansett to
2 move ahead as soon as practicable with the Initial Issuance, including the use of
3 a Treasury lock to hedge near-term changes in debt market conditions.
- 4 • It sets the maximum allowable interest rate at a reasonable level.
- 5 • It provides the Company the waiver that it needs for the advanced filing of
6 documents, while ensuring the Division will be fully informed and receive the
7 required documents on a timely basis.
- 8 • It allows the use of a wide range of debt instruments but restricts to some degree
9 the use of hedges and derivatives to those that are potentially beneficial.
- 10 • The Settlement Agreement makes clear that any Division order would not
11 provide pre-approval of cost recovery of debt expenses or concurrence with any
12 capital structure or capital spending plan. At the same time it affirms the
13 Company’s obligation to issue debt at lowest reasonable cost and use a prudent
14 mix of capital.

15 Based on my review, I believe that it is prudent and beneficial for Narragansett to
16 proceed with a debt issuance at this time as large as \$550 million to fund capital
17 spending and to move to an economical capital structure.

18 Q. DO YOU RECOMMEND APPROVAL OF THE SETTLEMENT
19 AGREEMENT?

20 A. Yes, I do. I believe the Settlement Agreement is in the public interest and should be
21 approved as filed.

22 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

23 A. Yes, it does.