nationalgrid

Thomas R. Teehan
Senior Counsel

June 18, 2009

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
Rhode Island Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: Application of Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt

Dear Ms. Massaro:

On behalf of Narragansett Electric Company d/b/a National Grid ("National Grid"), I am filing an original and four copies of the Application of The Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt. This filing consists of the Company's Application, the direct testimony of Lorraine M. Lynch and supporting Exhibits B, C, and D. This filing also includes a proposed public notice of the filing and an attached certificate of service noticing the service of this filing on the Department of the Attorney General.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,

Thomas R. Teehan

Enclosure

cc: Patrick C. Lynch, Attorney General, State of Rhode Island
Leo Wold, Esq., Office of Attorney General
Thomas Ahern, Administrator, Division of Public Utilities & Carriers
Steve Scialabba, Division of Public Utilities & Carriers
Patricia Luccarelli, Esq., Public Utilities Commission

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 18, 2009
Date

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
Patrick C. Lynch, Attorney General Dept. of Attorney General 150 South Main St. Providence RI 02903	Lwold@riag.ri.gov Sscialabba@ripuc.state.ri.us Dstearns@ripuc.state.ri.us	401-222-2424
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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. ______
Long-Term Debt	)	

The Applicant, The Narragansett Electric Company d/b/a National Grid (the "Company"), respectfully represents that:

(1) The Company seeks 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.

(2) The Company is a duly organized and existing corporation of the State of Rhode Island, with a place of business at 280 Melrose Street, Providence, Rhode Island, having been created by Special Act of the General Assembly of the State, passed at its January Session, A.D. 1926, which Act has been amended by further special Acts of the General Assembly, passed at its January Sessions, A.D., 1927, 1937, 1947, 1956, 1964, 1976, and 1988 (such Act as amended being hereinafter referred to as the "Charter"). The Company is a public utility as defined in the General Laws of Rhode Island, Section 39-1-2, and possesses and is subject to the powers, privileges, duties, and obligations set forth in its Charter, subject to the provisions of the General Laws of the State of Rhode Island. The Company is authorized to do business in the State of Rhode Island. Correspondence and communications to the Company should be addressed to:

Thomas R. Teehan.
Senior Counsel
National Grid
280 Melrose Street
Providence, Rhode Island 02901

With a copy to:

Thomas P. O'Neill
Senior Counsel
National Grid Corporate Services, LLC
40 Sylvan Road
Waltham, MA 02451

(3) Pursuant to the provisions of its Charter and approval of the Division of Public Utilities and Carriers (the "Division"), or its predecessors, the Company had authorized and outstanding as of December 31, 2008 the following:

Capital Stock	Shares
Common Stock, $50 par value	1,132,487
Cumulative Preferred Stock, $50 par value	
4.50% Series	49,089

First Mortgage Bonds (*)

Series	Percent	Due	Amount
Providence Gas FMB S	6.82%	April 1, 2018	14,464,000
Providence Gas FMB N	9.63%	May 30, 2020	10,000,000
Providence Gas FMB O	8.46%	September 30, 2022	12,500,000
Providence Gas FMB P	8.09%	September 30, 2022	8,750,000
Providence Gas FMB R	7.50%	December 15, 2025	12,750,000

(*) An Indenture, dated as of January 1, 1922, by and between the U.S. Bank National Association (successor to State Street Bank and Trust Company, successor to BankBoston, N.A., successor to Rhode Island Hospital Trust National Bank, successor to Rhode Island Hospital Trust Company), as trustee, and the Company, successor to Southern Union Company, successor to Providence Gas Company, as heretofore supplemented and amended, secures these First Mortgage Bonds assumed by the Company in connection with the acquisition of certain Rhode Island gas assets of Southern Union Company.

(4) It is in the public interest, and the Company hereby seeks Division authorization, to:

(a) issue, from time to time, through March 31, 2012, new long term debt not to exceed an aggregate principal amount of $840 million outstanding at any one time for the purpose of:

(1) replenishing internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt; (2) helping to fund capital expenditures anticipated through March 31, 2012; (3) redeeming existing outstanding long-term debt; (4) repayment of existing short-term debt and; (5) other proper corporate purposes of the Company.

(b) issue long-term debt with a maturity greater than one year and not to exceed 40 years from the date of issuance. The securities would carry either a fixed rate or adjustable interest rate, which will vary with a market index to be designated at the time of issuance, not to exceed an effective rate of 12 percent per annum (the "Maximum Interest Rate"). To ensure adequate flexibility in meeting market conditions at the time of issuance, the Company is requesting authorization to issue secured or unsecured debt, taxable or tax-exempt debt, bonds, medium or long term notes, debentures, revolving credit loans and term or bank loans, or similar securities (i.e., the "New Debt").

(c) enter into evidences of indebtedness and related instruments in connection with the New Debt, including, but not limited to, loan agreements, indentures, supplemental indentures, promissory notes, debentures, credit agreements, participation agreements, underwriting or similar agreements, bond purchase agreements, remarketing agreements, security agreements and instruments insurance agreements, hedging instruments, or their equivalent, and amendments, restatements, modifications, or supplements thereto ("Instruments"). The terms of each Instrument will be substantially similar to the terms for comparable transactions available in the credit market, at the time of New Debt issuance, to companies having a credit rating substantially equivalent to the Company's credit rating.

The New Debt may be issued to or through third parties, in either public offerings or private placements. Publicly offered New Debt may include, without limitation, New Debt registered with the Securities and Exchange Commission and New Debt listed on the New York, London or other Stock Exchange, with or without an associated guaranty by a direct or indirect parent of the Company.

The owners of New Debt issued to or through third parties may have the right to tender the New Debt for purchase upon specified notice periods. The New Debt may be subject to redemption at the option of the Company in accordance with the terms of the applicable agreement and otherwise as required by such agreement.

(5) As of December 31, 2008, the Company has approximately $278 million of debt outstanding (including short-term debt), which the Company may refinance with New Debt depending upon market conditions and the terms of such debt.

(6) In determining the timing and amount of issuance of the New Debt, the Company intends to maintain a ratio of total long-term debt to total capitalization (excluding goodwill) of approximately 45 percent and a ratio of total short-term debt to total capitalization of approximately 5 percent.

(7) In accordance with Section 14 of the Division's Rules of Practice and Procedure, written testimony and supporting exhibits are attached hereto including the written testimony of the Company's Assistant Treasurer, Lorraine M. Lynch.

(8) Because of volatility in the debt markets, it is in the public interest that the Company have the flexibility to choose the timing of and to select purchasers of the long term debt securities on the basis of standards and criteria that in management's judgment will result in benefits to the Company and its customers, including, but not limited to, the terms and interest rate. Because the precise terms of the proposed New Debt issuances are not known at this time, the Company seeks a waiver of the Division's Rules of Practice and Procedure 14 (1) (ii), (iii) and (iv) to the extent that it would require the Company to provide investment memoranda, prospectuses,

information or registration statements or other documents to describe the transactions or potential funding sources.

(9) Exhibit B contains the Company's current estimate of the costs and expenses of issuing New Debt; however, this is an estimate only and the actual costs and expenses may differ from this estimate. The Company requests that the actual costs and expenses of issuing New Debt be deferred and amortized over the life of the New Debt.

(10) The Company currently plans to begin issuing New Debt in the Fall 2009. The Company respectfully requests that the Division act on this Application by August 1, 2009 to enable the Company to plan the issuance of New Debt in accordance with its current schedule.

(11) Exhibit C of this Application comprises the actual balance sheet of the Company at December 31, 2008.

(12) In accordance with Section 14 of the Division's Rules of Practice and Procedure a copy of this application has been filed with the Rhode Island Office of Attorney General.

Accordingly, the Company, under the General Laws of Rhode Island, Sections 39-3-15 and 39-3-17, requests the entry of an order:

A. Authorizing, approving and consenting to the issuance and sale by the Company, from time to time, to or through third parties (including, but not limited to, through public offerings or private placements), through March 31, 2012, of new long-term debt securities not exceeding $840 million in aggregate principal amount outstanding at any one time, upon such terms, at such rates of interest, with such maturities and at such prices, as the Company may determine, and if the price of any such long term debt securities is below the face amount of such long-term debt securities, find that the issuance and sale below face amount is in the public interest and if any such long-term debt security is sold at less than face value, authorize and approve the amortization of the discount over the life of such security; provided that, each issue of new long-term debt securities shall (a) mature in not more than 40 years from the date of issuance, (b) be sold at a price not less than 95 percent nor more than 100 percent of its principal amount, exclusive of accrued interest and expenses, (c) bear interest at a fixed rate or an adjustable rate, which will vary with a market index designated at the time of each such issuance, not exceeding an effective rate of 12 percent per annum (unless an order of the Division is issued approving a higher rate), and (d) shall be sold through one or more of (i) competitive bidding, (ii) negotiation with underwriters, (iii) negotiation directly with investors, (iv) through one or more agents, (v) to one or more agents as principal for resale to investors, (vi) in private or public offerings, or (vii) in connection with the establishment of loan facilities with a bank or syndicate of banks;

B. Authorizing, approving and consenting to the execution and delivery by the Company of agreements and other instruments in connection with the issuance and sale of such new long term debt securities including, but not limited to, loan agreements, indentures, notes, debentures, credit agreements, participation agreements, underwriting agreements, bond purchase agreements, remarketing agreements, security agreements and instruments, insurance agreements, hedging instruments, or their equivalents;

C. Authorizing, approving and consenting to the use of the proceeds of the issue and sale of such new long-term debt securities for the payment of capital expenditures incurred by the Company for extensions, additions and improvements to the Company's plant and properties or for the payment of obligations of the Company incurred for such purposes; for the repayment or terming out of short-term debt; for the refinancing of existing debt; for general working capital purposes; and for other proper corporate purposes, including, but not limited to, the replenishment of internally generated funds previously used to refund long-term debt and construct and reinforce the distribution system, the restructuring of the Company's capitalization and the payment of dividends.

D. Authorizing, approving and consenting that the Company may, from time to time in one or more transactions, refinance some or all of the new long-term debt securities, in one or more series and/or issues;

E. Authorizing, approving and consenting to the execution and delivery by the Company of such other financing and security agreements or instruments as may be reasonably necessary in the view of the Company in connection with the issuance of the new long-term debt securities described in this Application, and also authorize, approve, and vote that the new long-term debt securities described in this Application may be guaranteed by a direct or indirect parent of the Company, as necessary and appropriate to complete a debt issuance;

F. Reciting the purposes to which the proceeds of such new long-term debt securities may be applied and reciting that the money to be procured by such series and/or issues of new long-term debt securities is reasonably required for the purpose specified in such order; and

G. Authorizing, approving and consenting to such other and further orders and approvals as the Division may deem proper in the circumstances.

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY

By ______________________
Thomas King, President

By ______________________
Colin Owyang, Secretary

Dated: June 18, 2009

Exhibit A - Direct Testimony of Lorraine Lynch, Assistant Treasurer
Exhibit B - Estimated Expenses of Issue
Exhibit C - Balance Sheet
Exhibit D - Impact of Proposed Financing Plan to Restructure Capitalization

THE COMMONWEALTH OF MASSACHUSETTS
Middlesex, ss.

Sworn to and subscribed before me this 18, day of June, 2009 by Thomas King, President of The Narragansett Electric Company d/b/a National Grid.

______________________ Notary Public

My Commission Expires: ______________________

SUSAN A. COSTA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
March 5, 2015

THE COMMONWEALTH OF MASSACHUSETTS
Middlesex, ss.

Sworn to and subscribed before me this 17, day of June, 2009 by Colin Owyang, Secretary of The Narragansett Electric Company d/b/a National Grid.

______________________ Notary Public

My Commission Expires: ______________________

SUSAN A. COSTA
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
March 5, 2015

The Narragansett t Electric Company d/b/a

National Grid

Testimony of Lorraine M. Lynch

Docket No ___

Q. Please state your name, business address and position with The Narragansett Electric Company.

A. My name is Lorraine M. Lynch. I am the Assistant Treasurer of The Narragansett Electric Company, which is an electric and gas distribution company wholly owned by National Grid USA (the "Company"). I am employed by National Grid Corporate Services LLC ("Service Company"), a service company affiliate of the Company. Service Company is a subsidiary of KeySpan Corporation ("KeySpan"). KeySpan was acquired by National Grid USA in 2007. My business address is One MetroTech Center, Brooklyn, New York 11201.

Q. Please describe your educational and professional background.

A. In 1991, I graduated from Saint Francis College with a Bachelor of Science Degree in Business Management and a minor in Accounting. I am currently pursuing my MBA in Finance at Pace University in NYC. I am a Certified Treasury Professional and a member of the Association of Financial Professionals and the Institute of Management Accountants. I joined the KeySpan companies in 1991 as a management trainee and over the years have held various management positions in Tax, Accounting and Treasury.

Q. Please describe your current duties and responsibilities.

A. In 2007, I was named Vice President of US Treasury, accountable for U.S. cash management, regulatory financing applications, local compliance, pension and 401K investment management, commodity and credit risk management and debt investor relations and U.S. capital market support.

Q. Please describe the Company's application in this proceeding.

A. The Narragansett Electric Company is a combined electric and gas distribution company, which in this filing is seeking the Division's authorization to issue new long-term debt not to exceed an aggregate principal amount of $840 million for the purpose of financing utility operations. The Company plans to issue the debt in at least two offerings, with the first offering of approximately $512 million occurring in the Fall 2009, assuming acceptable market conditions. The Company would issue the remainder of the authorized amount in one or more offerings occurring before March 31, 2012.

Q. What is the purpose of the debt issuance?

A. The issuance of an aggregate principal amount of $840 million is necessary to fund utility operations now and in the future. Specifically, the funds are necessary to meet the following public-service objectives: (1) to replenish internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt over the past several years; (2) to help fund capital expenditures anticipated through March 31, 2012, which represent a considerable ramp-up over historical capital-expenditure levels, (3) to redeem existing outstanding long-term debt, and (4) to repay existing short-term debt so that these financing resources are made available for ongoing working capital needs. Currently, the Company's gas and electric utility plant in service is funded almost exclusively by short-term debt, which is not intended to be utilized to support permanent capital assets on a long-term basis. In addition, short-term debt is priced at variable rates, which have the potential to experience a high degree of volatility in response to inflation and other market factors. Therefore, in order to protect the interests of customers who ultimately pay the cost of that debt, and to serve fundamental finance principles that call for the financing of long-lived assets with long-term debt, the Company has determined it necessary to complete a debt issuance in an aggregate amount not to exceed $840 million.

Q. Are there any particular concerns that the Company is trying to address, which increase the importance of this filing for customers?

A. Yes. Due to the current crisis in the credit markets and potential actions of the Federal Reserve, the Company has a concern that short-term interest rates could vary widely over periods of time in the future. Therefore, the Company plans to use a portion of the funds obtained through the debt issuance to refinance a fairly significant amount of the Company's currently outstanding short-term debt, as warranted by prevailing market conditions. For the last several years, the Company has used internally generated funds and short-term debt to finance the construction and replacement of utility plant-in-service, which represents long-lived assets that should be financed, in part, with debt issuances having maturities closer to or matching the average expected life of the underlying asset. As noted above, replacement of short-term debt with long-term debt will have the corollary effect of freeing up short-term debt capacity for its intended purpose of financing day-to-day working capital needs and, on a temporary basis, new construction work in progress until the time that these projects are placed in service. It is in the interests of customers for the Company to have a capital structure that appropriately supports utility operations because, over the long run, the Company will maintain access to vital capital resources at a reasonable cost.

Q. Are there circumstances in the current market for long-term debt securities that the Company must consider in determining the timing and structure of any debt issuances?

A. Yes. Conditions in the credit markets at the present time are extremely difficult for borrowers, including the Company and similarly rated companies. Given current market conditions, the Company no longer has the opportunity to choose its preferred debt instrument and to make an offering to the market with a predictable outcome. In this market, the opportunities for debt issuance are far fewer than in the past and are driven by investors and their requirements for capital investment, rather than the Company's preference. As a result, the Company will need to have a level of flexibility in terms of identifying details such as (1) the type of debt instrument to be utilized; (2) the term of the debt instrument, and (3) the interest rate to be paid to investors. There is no reasonable evaluation that the Company can perform at this point in time to identify the structure, term and cost of a debt issuance that will not take place for several months. Because market conditions are highly unusual, there is no reliable basis upon which the Company can assess investor preferences and predilections in advance of the actual issuance. This is because there is a high probability that any investor preference existing today for a particular type of debt instruments will change by the time the Company actually brings an offering to market.

For example, the Company's preference would be to issue unsecured bonds because historically these instruments have had a high degree of marketability and are attractive to a larger investor base. However, investors may not be willing to invest capital in this type of instrument given prevailing market conditions and other opportunities that exist for capital investment. At the time the issuance is made, it may be that investors are only willing to provide capital through credit agreements, syndicated borrowing or other types of debt instruments. Investor preference is simply not following predictable historical patterns in this market, and therefore, it is very difficult for the Company to identify the specific structure, term and cost of its debt issuance.

Q. How does the Company propose to deal with this level of uncertainty in tendering its offering?

A. When authorization for the debt issuance is obtained from the Division, the Company will consult with its banking partners and financial advisors who will provide the Company with indicators on the structure, term and cost of financings that have recently occurred. The Company will work with its advisors to develop an approach designed to attract capital at the most favorable rates and terms possible. Given the need to adapt to market conditions existing at the time of the debt issuance, it is necessary for the Company to obtain a waiver of the Division's Rules of Practice and Procedure 14 (1) (ii), (iii) and (iv) to the extent that those provisions require the Company to provide investment memoranda, prospectuses, information or registration statements or other documents to describe the transactions or potential funding sources as part of this application.

Q. What are the types of debt instruments that the Company anticipates could be utilized depending upon market conditions?

A. Historically, there have been a number of debt instruments that would be available to the Company. In this case, the Company is requesting authorization to issue long-term debt with a maturity greater than one year and not to exceed 40 years from the date of issuance. The securities would carry either a fixed rate or adjustable interest rate, which will vary with a market index to be designated at the time of issuance, not to exceed an effective rate of 12 percent per annum (the "Maximum Interest Rate"). To ensure adequate flexibility in meeting market conditions at the time of issuance, the Company is requesting authorization to issue secured or unsecured debt, taxable or tax-exempt debt, bonds, medium or long term notes, debentures, revolving credit loans and term or bank loans, or similar securities (i.e., the "New Debt"). In addition, the Company requires Division authorization to enter into evidences of indebtedness and related instruments in connection with the New Debt, including, but not limited to, loan agreements, indentures, supplemental indentures, promissory notes, debentures, credit agreements, participation agreements, underwriting agreements, bond purchase agreements, remarketing agreements, security agreements and instruments, insurance agreements, Hedging Instruments (as defined below), or any other agreements equivalent to each of the foregoing as well as amendments, restatements, modifications, or supplements thereto ("Instruments"). The terms of each Instrument will be substantially similar to the terms for comparable transactions available in the credit market, at the time of New Debt issuance, to companies having a credit rating substantially equivalent to the Company's credit rating.

Q. Are you familiar with Exhibit C, the Balance Sheet dated December 31, 2008?

A. Yes I am.

Q. What does this Exhibit show with respect to the capital structure of the Company?

A. Exhibit C shows that at December 31, 2008 the Company's total capitalization was composed of 14.4 percent debt (11.4 percent short-term debt and 3.0 percent long-term debt), 85.4 percent common equity, and 0.1 percent preferred stock. The Company's debt securities are largely composed of short-term borrowings from the National Grid USA money pool and open account advances.

Q. How does the Company plan to issue debt in an aggregate amount of up to $840 million?

A. The Company's immediate financing need is the issuance of approximately $512 million of new long-term debt to repay $156 million of short-term debt and to provide a dividend of $356 million in order to establish an appropriate capital structure for the Company. As noted above, the Company currently plans to complete this issuance in the Fall 2009. The remainder of the authorized debt will be issued at a later date.

Q. What impact will the Fall 2009 issuance have on the capital structure of Narragansett Electric?

A. As shown in Exhibit D, Narragansett Electric's planned issuance will reduce the existing equity ratio (using the reimbursement of previously generated internal funds to provide for a dividend) to 50 percent (exclusive of goodwill) and will establish a long-term debt ratio of 44.8 percent, a preferred stock ratio of 0.2 percent and a short-term debt ratio of 5 percent.

Q. Is this an appropriate capital structure for a regulated distribution company?

A. Yes, it is. The 50 percent equity ratio is the same ratio as used for ratemaking purposes in the Second Amended Stipulation and Settlement, which was approved by the Rhode Island Public Utilities Commission in Docket No. 3617 and one that is generally in line with the electric utility industry. Statistics published in The Value Investment Survey issued in February 2009 indicated that, in 2008, the capital structures of electric utilities in the Eastern United States (exclusive of short-term debt) were, on average, comprised of 48 percent common equity. The survey also projects that the average common equity ratios of the electric industry will increase to 50 percent in coming years.

Q. What ratings are assigned to the Company's outstanding senior unsecured long term debt by the major rating agencies?

A. The Company's outstanding senior unsecured long term debt is rated A3 by Moody's and A - by Standard and Poor's.

Q. What is the plan for the remaining $328 million that would be authorized by the Division if the Company's application is approved in this case?

A. The remaining $328 million of financing authority requested by the Company will be used to finance a portion of future capital expenditures and to maintain a capital structure composed of approximately 50 percent common equity (exclusive of goodwill). Over the next three years, the Company's capital expenditures are forecasted to exceed its cash flow from internal sources by approximately $450 million. As a result, the remaining $328 million resulting from this application will be a significant contributor to the funding capital projects.

Depending on the type of New Debt security to be issued, the New Debt securities would be sold from time to time in light of the Company's cash requirements and market conditions. These securities may be sold in one or more offerings through one or more of competitive bidding; negotiation with underwriters; negotiation directly with investors, through one or more agents; to one or more agents as principal for resale to investors, in private or public offerings; or in connection with the establishment of loan facilities with a bank or syndicate of banks.

Q. Please describe the public offering procedure.

A. Publicly offered securities may include, without limitation, securities registered with the Securities and Exchange Commission ("SEC") and securities listed on the London, New York or similar Stock Exchange, with or without an associated guaranty by a direct or indirect parent of the Company. Such securities may include, without limitation, secured or unsecured, taxable or tax-exempt, bonds, medium or long term notes, debentures and similar securities. In the case of publicly offered securities guaranteed by a direct or indirect parent of the Company, the Company may, under applicable SEC rules, be able to register such parent guaranteed securities without being required to undertake the costly burden of preparing and filing periodic reports under Section 13 of the Securities Exchange Act of 1934.

Q. For cases where the Company elects to issue New Debt in a private offering, that is not a revolving credit, term or other bank loan, please describe the procedure for offering securities in such a private offering.

A. In such a private offering, the securities would be offered to one or more accredited or qualified investors pursuant to an applicable exemption from the registration requirements of the Securities Act of 1933. The Company would not be required to file a registration statement with the SEC in connection with such private offerings. The securities may be offered either directly to such accredited or qualified investors or through one or more placement agents.

Q. Will the New Debt be secured?

A. The Company cannot determine, at this point in time, whether the New Debt will be secured or unsecured. However, depending on market conditions, the New Debt may be supported by a letter or line of credit or standby bond purchase agreement with a bank or other financial entity, by bond insurance, or by other credit or liquidity support ("Security"). The Security may also consist of or include a guaranty of the New Debt issued by a direct or indirect parent of the Company

("Parent Guaranty"). As noted above, under applicable SEC rules, a Parent Guaranty of New Debt securities may permit the Company to register such New Debt securities without requiring the Company to undertake the costly burden of preparing and filing periodic reports under Section 13 of the Securities Exchange Act of 1934. The Company may execute and deliver such agreements and documents as may be necessary to obtain such Security in connection with the New Debt, including, without limitation, insurance agreements and letter of credit and reimbursement agreements. The Company also may execute and deliver other related financing and security agreements, as may be reasonably necessary in the view of the Company, to issue or refinance the New Debt.

Q. Does the Company intend to engage in hedging arrangements in connection with the New Debt?

A. Yes. The Company proposes to enter into financial instruments intended to manage the volatility of currencies and interest rates, including currency and interest rate swaps, options, and forward agreements or similar agreements ("Hedging Instruments") in connection with the New Debt. The Company would employ Hedging Instruments as a means of prudently managing the risk associated with the New Debt by limiting the impact of changes in interest rates or foreign exchange rates. The Company will determine the optimal structure of each Hedging Instrument at the time of execution. Hedging Instruments would be entered into only with counterparties whose senior debt ratings are investment grade as determined by Standard & Poor's, Moody's Investors Service, Inc. or Fitch Ratings, Ltd. The Company would not enter into transactions in Hedging Instruments for speculative purposes.

Q. Please indicate what you estimate the costs and expenses of issuing New Debt to be.

A. The Company's current estimate of the costs and expenses of issuing New Debt is indicated on Exhibit B; however, this is an estimate only and the actual costs and expenses may differ from this estimate. The Company requests that the actual costs and expenses of issuing New Debt be deferred and amortized over the life of the New Debt.

Q. Does this conclude your testimony?

A. Yes it does.

Exhibit B

Estimated Expenses of Issue for Narragansett Debt Expressed as a Percentage of Principal

Maturity in years	2	3	5	7	10	20	30
Underwriting Commissions	0.350%	0.350%	0.600%	0.625%	0.650%	0.875%	0.875%
Other Issuance Expenses*	0.200%	0.200%	0.200%	0.200%	0.200%	0.200%	0.200%
Total Issuance Expenses	0.550%	0.550%	0.800%	0.825%	0.850%	1.075%	1.075%

* Other issuance expenses are usually approximately $1 million per issue. This equates to 0.200% for a principal amount of $500 million, but this proportion would rise for smaller issuances.

Exhibit C

THE NARRAGANSETT ELECTRIC COMPANY
Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2008
ASSETS	
Utility plant, at original cost	$ 2,003,904
Less accumulated provision for depreciation	(835,204)
Net utility plant	1,168,700
Goodwill	724,810
Other property and investments	6,624
Current assets:	
Cash and cash equivalents	3,231
Restricted cash	72,223
Accounts receivable, net (less reserves of $21,419 and including $8,810 from affiliates)	330,542
Materials and supplies, at average cost	
Gas storage	12,629
Other	8,808
Prepayments	1,878
Total current assets	429,311
Regulatory assets	281,715
Deferred charges and other assets	112,853
	$ 2,724,013
CAPITALIZATION AND LIABILITIES	
Capitalization:	
Common stock, par value $50 per share, authorized and outstanding 1,132,487 shares	$ 56,624
Other paid-in capital	1,353,559
Retained earnings	308,128
Accumulated other comprehensive income/(loss)	(73,741)
Total common equity	1,644,570
Cumulative preferred stock, par value $50 per share, authorized and outstanding 49,089 shares	2,454
Long-term debt	56,922
Total capitalization	1,703,946
Current liabilities:	
Long-term debt due within one year	1,375
Short-term debt to affiliates	219,400
Accounts payable (including $3,809 to affiliates)	143,649
Accrued taxes	16,199
Accrued interest	1,563
Rate adjustment mechanisms	43,848
Accrued wages and benefits	8,099
Other accrued expenses	8,242
Derivative Liabilities	48,901
Customer deposits	7,450
Dividends payable	28
Total current liabilities	498,754
Deferred federal income taxes	191,034
Unamortized investment tax credits	2,940
Regulatory liabilities	77,557
Other reserves and deferred credits	249,782
	$ 2,724,013

Exhibit D

NARRAGANSETT ELECTRIC COMPANY
Impact of Proposed Financing Plan to Restructure Capitalization
($000)

	Capital Structure As of December 31, 2008		Ratemaking	Capital Structure For Ratemaking Purposes		Restructuring	Capital Structure After Restructuring	
	Balance	Ratio	Adjustments	Balance	Ratio	Financing Plan	Balance	Ratio
Long-Term Debt	58,297	3.0%	167 (A)	58,464	4.6%	512,000	570,464	44.8%
Short-Term Debt	219,400	11.4%		219,400	17.2%	(156,000)	63,400	5.0%
Preferred Stock	2,454	0.1%		2,454	0.2%		2,454	0.2%
Common Equity	1,644,570	85.4%	(651,068) (B)	993,502	78.0%	(356,000)	637,502	50.0%
Total Capitalization	1,924,721	100.0%		1,273,820	100.0%		1,273,820	100.0%

Long-Term Debt

Series	Amount Outstanding	Interest Rate	Maturity Date
Providence Gas FMB S	14,464	6.82%	01-Apr-18
Providence Gas FMB N	10,000	9.63%	30-May-20
Providence Gas FMB O	12,500	8.46%	30-Sep-22
Providence Gas FMB P	8,750	8.09%	30-Sep-22
Providence Gas FMB R	12,750	7.50%	15-Dec-25
Total	58,464	7.99%	

Preferred Stock

Series	Amount Outstanding	Dividend Rate
NARR 4.50%	2,454	4.50%

(A) Removal of unamortized debt issuance expenses of $167.
(B) Removal of goodwill of $724,810 and accumulated other comprehensive income of ($73,741)

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

The Narragansett Electric Company)
d/b/a National Grid)

Docket No.

APPLICATION FOR BORROWING AUTHORITY

NOTICE OF FILING AND PUBLIC HEARING

On June 18, 2009, pursuant to the Rhode Island General Law § 39-3-15, §39-3-17 and Section 14 of the Division of Public Utilities and Carriers' ("Division") Rules of Practice and Procedure, The Narragansett Electric Company d/b/a National Grid (" National Grid" or the "Company ") hereby gives notice that it has filed with the Division an Application to issue, from time to time, through March 31, 2012, new long term debt not to exceed an aggregate principal amount of $840 million outstanding at any one time for the purpose of: (1) replenishing internally generated cash resources that were used to fund long-lived capital plant additions and refund long-term debt; (2) helping to fund capital expenditures anticipated through March 31, 2012; (3) redeeming existing outstanding long-term debt; (4) repayment of existing short-term debt, and; (5) other proper corporate purposes of the Company.

A hearing on the proposal will be held at the Division, 89 Jefferson Boulevard, Warwick, Rhode Island on __________, 2009 at ______a.m. The hearing may continue thereafter from day to day and time to time as required. At this hearing, the Division will consider the propriety of the Company's Application for Borrowing Authority. Please note that the Division is accessible to the handicapped, and that individuals requesting interpreter services for the hearing impaired must contact the Clerk seventy-two hours in advance of the hearing.

A copy of the application is on file for examination at National Grid, 280 Melrose Street, Providence, Rhode Island, and at the offices of the Division, 89 Jefferson Boulevard, Warwick, Rhode Island. A copy of the filing was also provided to the Rhode Island Attorney General's Department, Consumer Division.

Reference is made to Chapters 39-3-15 and 39-3-17 of the Rhode Island General Laws.

Thomas F. Ahern, Administrator.