

April 26, 2012

VIA HAND DELIVERY & ELECTRONIC MAIL

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

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

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid¹, 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: Peter F. Kilmartin, 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
Amy D'Alessandro, Esq., Public Utilities Commission

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or "Company").

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

Application and Statement by The)
Narragansett Electric Company)
Regarding Issue of New) Docket No. _____
Long-Term Debt)

The Applicant, The Narragansett Electric Company (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 02907

(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, 2011 the following:

<u>Capital Stock</u>		<u>Number of Shares</u>	
Common Stock, \$50 par value		1,132,487	
Cumulative Preferred Stock, \$50 par value 4.50% Series		49,089	
 <u>First Mortgage Bonds (*)</u>			
<u>Series</u>	<u>Percent</u>	<u>Due</u>	<u>Amount</u>
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	6,875,000
Providence Gas FMB R	7.50%	December 15, 2025	10,500,000

(*) 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.

<u>Senior Unsecured Notes</u>			
<u>Series</u>	<u>Percent</u>	<u>Due</u>	<u>Amount</u>
Senior Notes	4.534%	March 15, 2020	250,000,000
Senior Notes	5.638%	March 15, 2040	300,000,000

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

(a) issue, from time to time, through March 31, 2014, new long-term debt not to exceed an aggregate principal amount of \$250 million outstanding at any one time for the purpose of (i) refinancing short-term debt, (ii) refinancing maturing and/or redeemed issues

of debt (including, without limitation, previously redeemed issues), (iii) financing the capital needs of the Company, or (iv) for other general corporate purposes

(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 11 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 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, 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 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 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, 2012, the Company has approximately \$604.3 million of long-term debt and \$168.9 million of short-term debt outstanding. The Company may refinance the short-term debt 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 50 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 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 2012. The Company respectfully requests that the Division act on this Application expeditiously 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, 2011.

(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, 2014, of new long-term debt securities not exceeding \$250 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 11 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, 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 repayment or terming out of short-term debt; for the payment of capital expenditures incurred by the Company for the acquisition of property, the construction, completion, extensions, additions, maintenance and improvements to the Company's plant and properties or for the payment of obligations of the Company incurred for such purposes; for the refinancing of existing debt and/or previously redeemed issues of debt (including, without limitation, previously redeemed issues), and for other general corporate purposes;

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 *Timothy F. Horan*
Timothy F. Horan, President

By *Colin Owyang*
Colin Owyang, Secretary

Dated: 4/25/12

- 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

STATE OF RHODE ISLAND, COUNTY OF PROVIDENCE

Sworn to and subscribed before me this 24, day of April 2012 by Timothy F. Horan, President of The Narragansett Electric Company d/b/a National Grid

Mindy C. Montecalvo Notary Public
My Commission Expires: 7/19/13

MINDY C. MONTECALVO
Notary Public, State of Rhode Island
My Commission Expires July 19, 2013

THE COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss

Sworn to and subscribed before me this 25, day of April 2012 by Colin Owyang, Secretary of The Narragansett Electric Company d/b/a National Grid.

Susan A. Costa Notary Public
My Commission Expires: 3-5-15

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

1 **Q. Please state your name, business address, and position with The**
2 **Narragansett Electric Company (“Narragansett Electric” or the**
3 **“Company”).**

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

11 **Q. Please describe your educational and professional background.**

12 A. In 1991, I graduated from Saint Francis College with a Bachelor of Science
13 Degree in Business Management and a minor in Accounting. In 2011, I
14 completed an MBA in Finance at Pace University in NYC. I am a Certified
15 Treasury Professional and a member of the Association of Financial Professionals
16 and the Institute of Management Accountants. I joined the KeySpan companies
17 in 1991 as a management trainee and over the years have held various
18 management positions in Tax, Accounting and Treasury.

19 **Q. Please describe your current duties and responsibilities.**

20 A. In 2007, I was named Vice President of US Treasury, accountable for U.S. cash
21 management, regulatory financing applications, local compliance, pension and
22 401K investment management, commodity and credit risk management, and debt
23 investor relations and U.S. capital market support.

24 **Q. Please describe the Company’s application in this proceeding.**

25 A. The Narragansett Electric Company is a combined electric and gas distribution
26 company, which in this filing is seeking authorization from the Rhode Island
27 Division of Public Utilities and Carriers (“Division”) to issue new long-term debt

1 not to exceed an aggregate principal amount of \$250 million for the purpose of
2 financing utility operations.

3 **Q. Please describe the Company's application that is the subject of this hearing.**

4 A. The Company seeks Division authorization to issue, from time to time, through
5 March 31, 2014, new long-term debt not to exceed an aggregate principal amount
6 of \$250 million outstanding at any one time for (i) the refinancing of short-term debt,
7 (ii) the refinancing of maturing and/or redeemed issues of debt (including, without
8 limitation, previously redeemed issues), (iii) financing the capital needs of the
9 Company, or (iv) other general corporate purposes of the Company, including but not
10 limited to the restructuring of the Company's capitalization to achieve and maintain a ratio
11 of total long-term debt in line with its authorized capital structure and consisting of
12 secured or unsecured, taxable or tax-exempt, bonds, medium or long-term notes,
13 debentures, revolving credit loans and term or bank loans, and similar securities
14 (the "Debt"). The Company also seeks Division authorization to enter into
15 evidences of indebtedness and related instruments in connection with the Debt,
16 including, but not limited to, loan agreements, indentures, supplemental
17 indentures, promissory notes, debentures, credit agreements, participation
18 agreements, underwriting agreements, bond purchase agreements, remarketing
19 agreements, security agreements and instruments, insurance agreements, or any
20 other agreements equivalent to each of the foregoing as well as amendments,
21 restatements, modifications, or supplements thereto ("Instruments"). The terms of
22 each Instrument will be substantially similar to the terms for comparable
23 transactions available in the credit market, at the time of Debt issuance, to
24 companies having a credit rating substantially equivalent to the Company's credit
25 rating.

26

1 **Q. Could you please describe the current market for long-term debt securities**
2 **for the Company or similarly rated companies?**

3 A. While conditions in the credit markets have shown some improvements over the
4 difficult times experienced by borrowers in the recent past, opportunities for debt
5 issuance in such markets can still be few and far between. For these reasons, it is
6 essential for borrowers to have as much flexibility as possible regarding the terms
7 of the debt they may issue.

8 **Q. How do these market conditions for long-term debt securities impact the**
9 **Company's ability to determine the timing and structure of any debt**
10 **issuance?**

11 A. Given the current market conditions, the opportunities for debt issuance are driven
12 by investors and their requirements for capital investment rather than the
13 Company's preference. As a result, the Company is not reasonably able to
14 identify in advance details of its proposed debt issuance such as (1) the type of
15 debt instrument to be utilized, (2) the term of the debt instrument, and (3) the
16 interest rate to be paid to investors. Given the need to adapt to these market
17 conditions, it is necessary for the Company to obtain a waiver of the Division's
18 Rules of Practice and Procedure 14 (1) (ii), (iii), and (iv), to the extent that those
19 provisions require the Company to provide investment memoranda, prospectuses,
20 information or registration statements or other documents to describe the
21 transactions or potential funding sources as part of this application.

22 **Q. The Company's financing request contemplates the borrowing of up to \$250**
23 **million of debt securities from time to time in order to satisfy the Company's**
24 **financing needs. Can you please describe these financing needs?**

25 A. The issuance of new long-term debt securities is needed to enable the Company to
26 maintain an appropriate capital structure that is more aligned with its industry and
27 risk profile. The Company plans to issue debt to (i) refinance short-term term debt,

1 (ii) refinance maturing and/or redeemed issues of debt (including, without
2 limitation, previously redeemed issues), (iii) finance the capital needs of the Company,
3 or (iv) for other general corporate purposes.

4 **Q. Would you please describe in more detail the types of long-term debt**
5 **securities the Company may enter into pursuant to this financing request.**

6 A. The Company proposes to issue long-term debt instruments with a maturity
7 greater than one year and not to exceed 40 years from the date of issuance. The
8 Company may issue in multiple tranches with different terms to take advantage of
9 the existing interest rate environment and to manage its debt maturity profile. The
10 securities would carry either a fixed rate or an adjustable interest rate, which will
11 vary with a market index to be designated at the time of issuance, not to exceed an
12 effective rate of 11% percent per annum (the “Maximum Interest Rate”). The rate
13 is derived from the sum of the 10-year historical maximum 30-year Treasury,
14 5.425% and the 10-year historical maximum credit spread for A-rated, US utility
15 bonds, 518 bps. The sum is equal to 11.014%, which was rounded to 11%.

16 **Q. When does the Company plan to issue proposed securities?**

17 A. The Company plans to issue from time to time during the proposed authorization
18 period. However it prefers to issue in the Fall 2012, immediately after receiving
19 an order authorizing the issuance.

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

22 A. Yes. For the last several years, the Company has used internally generated funds
23 and short-term debt to finance the construction and replacement of the Company’s
24 plant-in-service, which represents long-lived assets that should be financed, in
25 part, with debt issuances having maturities closer to or matching the average
26 expected life of the underlying asset. Replacement of short-term debt with long-
27 term debt will have the corollary effect of freeing up short-term debt capacity for

1 its intended purpose of financing day-to-day working capital needs and, on a
2 temporary basis, new construction work in progress until the time that these
3 projects are placed in service. It is in the interests of customers for the Company
4 to have a capital structure that appropriately supports its operations because, over
5 the long run, the Company will maintain access to vital capital resources at a
6 reasonable cost.

7 **Q. Are you familiar with Exhibit C, the Balance Sheet dated December 31,**
8 **2011?**

9 A. Yes I am.

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

12 A. Exhibit C shows that at December 31, 2011 the Company's total capitalization
13 was composed of 50.2 percent debt (11.0 percent short-term debt and 39.2 percent
14 long-term debt), 49.6 percent common equity (exclusive of goodwill), and 0.2
15 percent preferred stock.

16 **Q. What impact will the Fall 2012 issuance have on the capital structure of**
17 **Narragansett Electric?**

18 A. As shown in Exhibit D, Narragansett Electric's planned issuance will maintain the
19 existing equity ratio at approximately 49.6 percent (exclusive of goodwill) and
20 will establish a long-term debt ratio of 49.0 percent, a preferred stock ratio of 0.2
21 percent, and a short-term debt ratio of 1.2 percent.

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

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

26

1 **Q. Please describe the offering options available to the Company.**

2 A. Publicly offered securities may include, without limitation, securities registered
3 with the Securities and Exchange Commission (“SEC”) and securities listed on
4 the New York or similar Stock Exchange, with or without an associated guaranty
5 by a direct or indirect parent of the Company. Such securities may include,
6 without limitation, secured or unsecured, taxable or tax-exempt, bonds, medium
7 or long-term notes, debentures and similar securities. In the case of publicly
8 offered securities guaranteed by a direct or indirect parent of the Company
9 (KeySpan Corp, National Grid USA, National Grid plc), the Company may, under
10 applicable SEC rules, be able to register such parent guaranteed securities without
11 being required to undertake the costly burden of preparing and filing periodic
12 reports under Section 13 of the Securities Exchange Act of 1934.
13 For cases where the Company elects to issue in a private offering, that is not a
14 revolving credit, term or other bank loan, the securities would be offered to one or
15 more accredited (traditional private placement) or qualified investors (SEC Rule
16 144A) pursuant to an applicable exemption from the registration requirements of
17 the Securities Act of 1933. The Company would not be required to file a
18 registration statement with the SEC in connection with such private offerings.
19 The securities may be offered either directly to such accredited or qualified
20 investors or through one or more placement agents.

21 **Q. Please describe the offering option you are considering and its advantages.**

22 A. It is likely that the Company will elect to issue in a private offering, either through
23 a traditional private offering to accredited investors made up mostly of insurance
24 companies or in a 144A offering to Qualified Institutional Buyers (QIBs),
25 depending on the size of the offering. The private option provides ease of
26 execution since it typically uses standard documentation and there are no public
27 debt ratings or SEC registration requirements. In addition, the depth of the
28 market provides flexibility with respect to tranche size, maturity, fixed/floating,

1 and amortization structure. Further, the investor audience in the private market is
2 financially sophisticated and thus needs less protection from issuers than most
3 public investors. The advantage of the sophisticated investor audience allows for
4 quick execution, no public rating requirements, and greater acceptance of highly
5 structured or unique credit situations.

6 **Q. Will the New Debt be secured?**

7 A. The Company cannot determine, at this point in time, whether the New Debt will be
8 secured or unsecured. However, depending on market conditions, the New Debt
9 may be supported by a letter or line of credit or standby bond purchase agreement
10 with a bank or other financial entity, or by other credit or liquidity support
11 (“Security”). The Security may also consist of or include a guaranty of the New
12 Debt issued by a direct or indirect parent of the Company (“Parent Guaranty”).
13 As noted above, under applicable SEC rules, a Parent Guaranty of New Debt
14 securities may permit the Company to register such New Debt securities without
15 requiring the Company to undertake the costly burden of preparing and filing
16 periodic reports under Section 13 of the Securities Exchange Act of 1934. The
17 Company may execute and deliver such agreements and documents as may be
18 necessary to obtain such Security in connection with the New Debt, including,
19 without limitation, letter of credit and reimbursement agreements. The Company
20 also may execute and deliver other related financing and security agreements, as
21 may be reasonably necessary in the view of the Company, to issue or refinance the
22 New Debt.

23 **Q. Does the Company intend to engage in interest rate or currency hedging
24 arrangements in connection with the Debt?**

25 A. The Company will not engage in any hedging activities of any kind in connection
26 with the Debt.

27

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

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

8 **Q. Does this conclude your testimony?**

9 A. Yes it does.

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*	0.080%	0.080%	0.080%	0.080%	0.080%	0.080%	0.080%
Total Issuance Expenses	0.430%	0.430%	0.680%	0.705%	0.730%	0.955%	0.955%

* Other issuance expenses are usually approximately \$0.4 million per issue. This equates to 0.080% for a principal amount of \$500 million, but this proportion would rise for smaller issuances.

NARRAGANSETT ELECTRIC COMPANY
BALANCE SHEETS

(in thousands of dollars, except per share and number of shares data)

	December 31, 2011	March 31,
	<u>2011</u>	<u>2011</u>
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,053	\$ 11,861
Restricted cash	58,762	47,108
Accounts receivable	158,153	204,353
Allowance for doubtful accounts	(33,301)	(36,481)
Unbilled revenues	65,660	69,688
Gas in storage, at average cost	23,854	14,564
Materials and supplies, at average cost	9,533	7,478
Derivative contracts	398	483
Regulatory assets	37,368	25,807
Current portion of deferred income tax assets	9,603	16,230
Prepaid taxes	64,982	56,165
Prepaid and other current assets	4,155	2,555
Total current assets	<u>404,220</u>	<u>419,811</u>
Property, plant, and equipment, net	<u>1,783,214</u>	<u>1,631,204</u>
Deferred charges and other assets:		
Regulatory assets	260,046	262,344
Goodwill	724,810	724,810
Derivative contracts	-	1,022
Other deferred charges	11,048	11,880
Total deferred charges and other assets	<u>995,904</u>	<u>1,000,056</u>
Total assets	<u>\$ 3,183,338</u>	<u>\$ 3,051,071</u>

**NARRAGANSETT ELECTRIC COMPANY
BALANCE SHEETS**

(in thousands of dollars, except per share and number of shares data)

	December 31, 2011	March 31, 2011
	(unaudited)	
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	\$ 133,474	\$ 125,238
Due to affiliates, net	452	23,467
Current portion of long-term debt	1,375	1,375
Intercompany money pool	168,950	24,000
Taxes accrued	2,232	7,620
Customer deposits	10,406	8,892
Interest accrued	10,203	4,170
Regulatory liabilities	26,831	38,063
Derivative contracts	37,441	25,947
Other current liabilities	20,874	17,320
Total current liabilities	<u>412,238</u>	<u>276,092</u>
Deferred credits and other liabilities:		
Regulatory liabilities	179,096	214,191
Deferred income tax liabilities	254,180	228,257
Derivative contracts	14,411	2,109
Postretirement benefits and other reserves	115,230	156,206
Environmental remediation cost	125,645	126,182
Other deferred liabilities	71,595	65,729
Total deferred credits and other liabilities	<u>760,157</u>	<u>792,674</u>
Capitalization:		
Shareholders' equity:		
Common stock, \$50 per share, 1,132,487 issued and outstanding	56,624	56,624
Cumulative preferred stock, \$50 per share, 49,089 issued and outstanding	2,454	2,454
Additional paid-in capital	1,353,559	1,353,559
Retained earnings	79,556	59,996
Accumulated other comprehensive loss	(84,214)	(94,667)
Total shareholders' equity	<u>1,407,979</u>	<u>1,377,966</u>
Long-term debt	<u>602,964</u>	<u>604,339</u>
Total capitalization	<u>2,010,943</u>	<u>1,982,305</u>
Total liabilities and capitalization	<u>\$ 3,183,338</u>	<u>\$ 3,051,071</u>

NARRAGANSETT ELECTRIC COMPANY CAPITAL STRUCTURE
CONSOLIDATED
(\$000)

Exhibit D
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CONSOLIDATED

	<u>Capital Structure</u> As of Dec 31, 2011		<u>Ratemaking</u> <u>Adjustments</u>	<u>Capital Structure</u> For Ratemaking Purposes		<u>Financing</u>	<u>Capital Structure</u> For Ratemaking Purposes After Financing	
	<u>Balance</u>	<u>Ratio</u>		<u>Balance</u>	<u>Ratio</u>		<u>Balance</u>	<u>Ratio</u>
Long-Term Debt	604,339	26.7%		604,339	39.2%	150,000	754,339	49.0%
Short-Term Debt	168,950	7.5%		168,950	11.0%	(150,000)	18,950	1.2%
Preferred Stock	2,454	0.1%		2,454	0.2%		2,454	0.2%
Common Equity ⁽¹⁾	1,489,739	65.8%	(724,810) (A)	764,930	49.6%		764,930	49.6%
Total Capitalization	2,265,483	100.0%		1,540,673	100.0%		1,540,673	100.0%

(1) Excludes Other Comprehensive Income

(A) Removal of goodwill of \$724,810

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 April 26, 2012, 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, 2014, new long term debt not to exceed an aggregate principal amount of \$250 million outstanding at any one time for the purpose of: (i) refinancing short-term debt, (ii) refinancing maturing and/or redeemed issues of debt (including, without limitation, previously redeemed issues), (iii) financing the capital needs of the Company, or (iv) for other general corporate purposes

A copy of the application is on file for examination at National Grid, 280 Melrose Street, Providence, RI, 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. 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