Jennifer Brooks Hutchinson
Senior Counsel

October 4, 2017

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket D-17-36 - Application and Statement by The Narragansett Electric Company d/b/a National Grid Regarding Issuance of New Long-Term Debt
Responses to Division Data Requests – Set 1

Dear Ms. Massaro:

On behalf of National Grid,[1] I am enclosing the Company's responses to the first set of data requests issued by the Division of Public Utilities and Carriers (Division) in the above-referenced matter.

This filing also contains a Request for Protective Treatment of Confidential Information in accordance with Division Rule 3d of the Division's Rules of Practice and Procedure and R.I. Gen. Laws § 38-2-2(4)(B). The Company seeks protection from public disclosure of confidential attachment identified as Attachment DIV 1-7 in response to data request Division 1-7, and Attachment DIV 1-28, in response to data request Division 1-28, respectively. Accordingly, the Company has provided the Division with the un-redacted confidential attachments referenced above for its review and has included redacted copies of these materials in the filing.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7288.

Very truly yours,

Jennifer Brooks Hutchinson

Enclosure

cc: Docket D-17-36 Service List
Leo Wold, Esq.
Steve Scialabba, Division

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

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Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Division of Public Utilities and Carriers.

Joanne M. Scanlon

October 4, 2017
Date

Docket No. D-17-36 – National Grid – Debt Filing
Service List as of 9/8/17

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File an original & 4 copies w/: Luly E. Massaro, Commission Clerk Public Utilities Commission 89 Jefferson Blvd. Warwick, RI 02888	Luly.massaro@puc.ri.gov; John.spirito@dpuc.ri.gov;	401-780-2107

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND DIVISION OF PUBLIC UTILITIES AND CARRIERS

In Re: Application of The Narragansett Electric Company d/b/a National Grid Issuance of New Long-Term Debt	**))))))**	**Docket No. D-17-36**

MOTION OF THE NARRAGANSETT ELECTRIC COMPANY d/b/a NATIONAL GRID FOR PROTECTIVE TREATMENT OF CONFIDENTIAL INFORMATION

National Grid[1] hereby requests that the Rhode Island Division of Public Utilities and Carriers (Division) grant protection from public disclosure of certain confidential and proprietary information submitted in this proceeding, as permitted by Division Rule 3(d) and R.I. Gen. Laws § 38-2-2(4)(B). National Grid also hereby requests that, pending entry of that finding, the Division preliminarily grant National Grid's request for confidential treatment pursuant to Rule 3(d)(2).

I. BACKGROUND

On October 4, 2017, National Grid filed with the Division responses to data requests. Division Data Requests DIV 1-7 and DIV 1-28 request certain data that is not publicly available, and that the Company deems confidential and proprietary. Attachment DIV 1-7 includes the raw data for Moody's 30-year A-rated utility bond index, as sourced from Bloomberg Professional Services. In addition, Attachment DIV 1-28 includes the Blue Chip Financial Forecast published by Wolters Kluwer. Both

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

documents are only available through a subscription service and are not publicly available. Accordingly, the Company is seeking confidential treatment of these attachments in their entirety.

II. LEGAL STANDARD

Rule 3(d) of the Divisions Rules of Practice and Procedure provides that access to public records shall be granted in accordance with the Access to Public Records Act (APRA), R.I. Gen. Laws § 38-2-1, *et seq.* Under APRA, all documents and materials submitted in connection with the transaction of official business by an agency is deemed to be a "public record," unless the information contained in such documents and materials falls within one of the exceptions specifically identified in R.I. Gen. Laws § 38-2-2(4). Therefore, to the extent that information provided to the Division falls within one of the designated exceptions to the public records law, the Division has the authority under the terms of APRA to deem such information to be confidential and to protect that information from public disclosure.

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

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

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

The first prong of the test assesses whether the information was provided voluntarily to the governmental agency. *Providence Journal*, 774 A.2d at 47. If the answer to the first question is affirmative, then the question becomes whether the information is "of a kind that would customarily not be released to the public by the person from whom it was obtained." *Id.*

III. BASIS FOR CONFIDENTIALITY

One of the key considerations, consistent with the Division's rules and precedent, is that public disclosure of these terms would be commercially harmful to the Company and to its customers since potential bidders could use this information in such a way that would impede the Company's ability to obtain the best possible bid for its customers.

As stated previously, the Company seeks to protect from public disclosure of the raw data for Moody's 30-year A-rated utility bond index contained in Attachment DIV 1-7, as well as the Blue Chip Financial Forecast contained in Attachment DIV 1-28. This information is sourced from a professional and/or subscription service and is the type of information that is not publicly available. Publication of this information would violate the terms of the Company's subscription service and could competitively disadvantage the Company in future debt issuances. Accordingly, National Grid seeks protection for such confidential information in its entirety.

IV. CONCLUSION

In light of the foregoing, the Company respectfully requests that the Division grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

NATIONAL GRID
By its attorneys,

Jennifer Brooks Hutchinson, Esq. (#6176)
National Grid
280 Melrose Street
Providence, RI 02907
(401) 784-7288
Dated: October 4, 2017

Division 1-1

Request:

Please provide copies of all Narragansett Electric Company ("Narragansett" or "the Company") credit rating reports issued since January 1, 2016 to the present.

Response:

Please see Attachments DIV 1-1-1 and DIV 1-1-2 for copies of the credit reports for the Company from January 1, 2016 to the present.

Prepared by or under the supervision of: Charles V. DeRosa

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
9 August 2016

Update

Rate this Research

RATINGS

Narragansett Electric Company

Domicile	Providence, Rhode Island, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Narragansett Electric Company

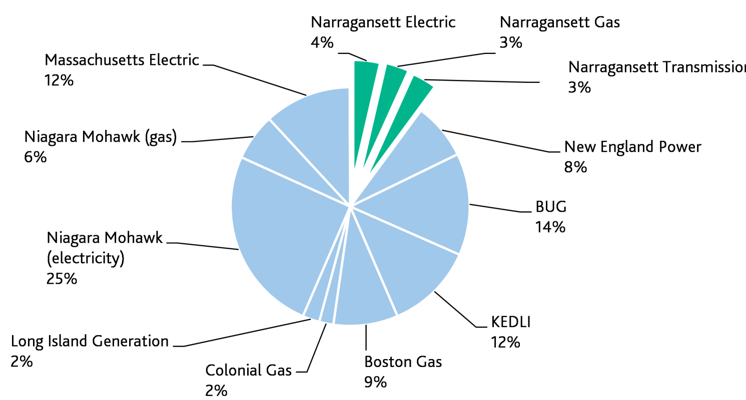
Update following developments affecting FERC allowed returns

Summary Rating Rationale

Narragansett Electric Company (NEC) distributes gas and electricity and owns electricity transmission assets in the US state of Rhode Island. NEC's A3 senior unsecured rating reflects the diversification of its revenues between distribution (regulated by the Rhode Island Public Utilities Commission, RIPUC) and transmission (regulated by the Federal Energy Regulatory Commission, FERC), stable and predictable cash flows, the generally supportive regulatory environment in Rhode Island, where a wide variety of de-risking provisions for utilities have been included in recent rate cases, and achieved returns on equity (ROE) in 2015 that compare favourably with those allowed.

However, the rating is constrained by credit metrics which are weak for the assigned rating, and by limited ring-fencing from additional debt at the parent holding companies within the National Grid group. Returns from electricity transmission may also come under pressure as a result of ongoing legal challenges to allowed returns for US transmission networks.

Exhibit 1
Narragansett represents 10% of National Grid's US rate base
Rate base at 31 March 2016



Source: National Grid

Credit Strengths

» Supportive regulatory environment for electricity and gas distribution in Rhode Island

» Stable and predictable FERC regulatory framework and low transmission business risk underpins transmission cash flows

Credit Challenges

» Credit metrics are weak for the assigned rating, including FFO/net debt of 10.6% and CFO interest coverage of 3.3x

» Limited regulatory ring-fencing protections from additional debt at various holding companies

Rating Outlook

The stable outlook for NEC reflects our opinion that the regulatory environment is generally supportive for cost recovery. Under this environment, NEC should exhibit stable and predictable earnings under performance-based rate plans.

Factors that Could Lead to an Upgrade

» CFO pre-working capital to gross debt in the high teens to low 20s, in percentage terms

» Increase of FERC and/or RIPUC's supportiveness towards utilities versus its current approach

» A rating upgrade would also take into consideration the credit quality of the wider National Grid group

Factors that Could Lead to a Downgrade

» CFO pre-working capital to gross debt persistently below the low to mid teens, in percentage terms

» Decrease of FERC and/or RIPUC's overall supportiveness

» A rating downgrade would also take into consideration the credit quality of the wider National Grid group

Key Indicators

Exhibit 2

Key indicators [1]

Narragansett Electric Company

	3/31/2015	3/31/2014	3/31/2013	3/31/2012	3/31/2011
CFO pre-WC + Interest / Interest	3.3x	4.6x	4.8x	4.1x	4.7x
CFO pre-WC / Debt	10.6%	14.6%	15.8%	13.9%	21.2%
CFO pre-WC – Dividends / Debt	10.6%	14.6%	15.8%	13.9%	21.2%
Debt / Capitalization	35.0%	36.7%	34.6%	34.6%	31.5%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Detailed Rating Considerations

Improved performance under new RIPUC rate plan in Rhode Island

The current rate plans were approved by the RIPUC for NEC's electricity and gas business in December 2012 and effective from 1 February 2013. Approved Returns on Equity (ROEs) for NEC's electricity and gas business are 9.5%, slightly below the average equity returns accorded to energy utilities nationwide during the 12 months leading up to the decision. The rate plan provides for a pension adjustment mechanism for NEC's electric operations, there was already one for gas, and an annual property tax recovery mechanism within the annual capital programme that more closely aligns rate recovery and costs related to property tax expenses.

Despite the introduction of a number of de-risking provisions, including full revenue decoupling and capital trackers, we view the regulatory environment in Rhode Island as tougher than in some other states due to the RIPUC's history of allowing lower returns than other regulators, and its use of backward-looking test years. Utilities operating under backward-looking test years are generally expected to have more difficulties in recovering their opex, resulting in a need to file more frequently for a new rate case, a source of regulatory risk, although the RIPUC incorporates some adjustments for forecast capital investment, volumes and operating costs.

In 2015, NEC's achieved ROEs for the electric and gas businesses were 10.5% and 9.8% respectively, above the allowed level of 9.5%. We note that NEC is subject to an earnings sharing mechanism, under which NEC is required to share equally with ratepayers incremental earnings between a 9.5% and a 10.5% ROE, and 75% of incremental earnings above a 10.5% ROE.

Transmission benefits from stable and predictable FERC regulatory framework

New England Power (NEP, A3 stable), another National Grid subsidiary, operates the transmission facilities of its New England associate as a single integrated system and reimburses Narragansett Electric Transmission for the cost of its transmission facilities in Rhode Island, including a return on those facilities. The amount reimbursed to Narragansett Electric Transmission for the year ended 31 March 2015 was $114.4 million. Key credit positives include: (1) an absence of any commodity price risk as part of its operations as it has no exposure to the end consumer; and (2) this reimbursement coming from a sister transmission company within the wider NG group.

In addition, the credit supportive regulatory environment and formula-based rate making process provided by the FERC also support the current rating. Provisions include a forward-looking rate setting mechanism, which is designed to reimburse the company for all efficiently incurred operating and maintenance expenditure, tax, depreciation and a fair return on assets employed in the provision of transmission services. The formula contains an automatic annual true-up for operating and capital costs. The rate formula also allows Narragansett Electric Transmission to include construction work in progress for new transmission projects in the rate base. These features are intended to ensure that the company recovers its allowed costs and returns within a two-year period. In addition, to encourage greater investment in transmission infrastructure, the FERC allows independent transmission owners to earn ROEs that tend to be above those allowed by state regulators. In line with NEP and other transmission owners in New England, Narragansett Electric Transmission is allowed to earn a base ROE of 10.57% on an assumed equity to total capitalisation ratio of 50% (in line with state regulators but lower than 64% at NEP). In addition, Narragansett Electric Transmission benefits from additional incentive mechanisms which could increase the allowed ROE to 11.74%.

Since the rate setting process is not contested before state commissions and given its design to ensure timely cost recovery, we consider the regulatory framework to be more stable and predictable than for state-regulated utility businesses. The transmission business continued to perform strongly with achieved ROE of 11.2% in 2015, slightly above the allowed level as has been the case for the last seven years.

Given the interrelationship between Narragansett Electric Transmission's reimbursement and NEP's tariff, the performance of NEC's transmission business could be negatively impacted by the FERC's decision on allowed ROEs for NEP in response to complaints from various stakeholders. However, the FERC confirmed its decision in October 2014 (when the cut from 11.14% to 10.57% in allowed base ROE took effect). While the decision is currently being appealed and a FERC Administrative Law Judge has subsequently ruled on two other ISO-NE complaints which could also impact on NEC, we believe the downside risk to ROEs is small.

High parent debt and weak financial ring-fencing provisions constrain the ratings

NEC's credit metrics deteriorated in 2015 and are currently among the lowest of National Grid's US operating companies, with CFO to gross debt of 10.6%. We expect metrics to have recover in 2016 and to remain in the mid-teens in the medium term.

As metrics recover, NEC's rating will be constrained by the presence of high levels of additional debt located at the company's parent holdings companies, including at National Grid USA (NG USA, Baa1 stable), National Grid North America Inc (NGNA, Baa1 stable) and National Grid plc (NG, Baa1 stable). This risk is exacerbated by weaker regulatory ring-fencing provisions applicable to NEC compared with some other state-regulated utilities within the National Grid group, particularly those in New York. Under FERC licence conditions, NEC must maintain a debt to total capitalisation ratio of less than 70%, which gives the company a significant degree of headroom compared with its existing level of leverage.

Liquidity Analysis

Given group funding arrangements, although NEC has inadequate liquidity on a standalone basis, with limited cash and cash equivalents and no revolving credit facilities (RCFs) in its own name, we regard the liquidity risk as manageable.

National Grid manages its financing and liquidity on a fully group basis with a central Finance Committee setting the rules by which individual entities can raise capital. For the US subsidiaries, including NEC, short-term liquidity requirements are managed via the group's regulated money pool. All of the regulated subsidiaries can lend and borrow from the pool, however, the unregulated holding companies – NG USA, NGNA and KeySpan Corporation (Baa1 stable) – may only act as lenders. The interest rate for borrowing under the pool is the monthly average of the 30-day A2 commercial paper rate as released by the Federal Reserve Board.

To support the regulated money pool, the parent holding companies have in place bilateral facilities of £1.7 billion which mature in May 2021 and which NG plc, NG USA and NGNA are named borrowers. As of 31 March 2016, the facilities were undrawn. NG USA also has two commercial paper programs totaling $4 billion denominated equally in US dollars and Euros. Support for these programs comes from NG USA being a named borrower under the RCFs. As of March 2015, there was $486 million outstanding on the US commercial paper program and €90 million outstanding on the Euro commercial paper program.

Viewed in this wider context, NEC's liquidity position appears much stronger. NEC's rating relies on continuing access to liquidity from the wider National Grid group via this money pool arrangement.

Corporate Profile

NEC is a retail distribution company providing electric service to approximately 495,000 customers and gas service to approximately 263,000 customers in Rhode Island. It also owns electricity transmission assets in Rhode Island. As of March 2016, NEC has a rate base of $1.8 billion, comprised of $608 million of electricity transmission (regulated by the FERC) and $657 million and $577 million of electric and gas distribution, respectively (regulated by the RIPUC). NEC is fully owned by NG USA, a holding company which is ultimately owned by National Grid plc.

Rating Methodology and Scorecard Factors

NEC is rated in accordance with the methodology "Regulated Electric and Gas Utilities" published in December 2013. The outcome of the methodology grid for NEC is A3, in line with the assigned rating.

Exhibit 3
Rating factors
Narragansett Electric Company

Regulated Electric and Gas Utilities Industry Grid [1][2]	Current FY 3/31/2015		Moody's 12-18 Month Forward View As of 7/19/2016 [3]	
Factor 1 : Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	4.2x	Baa	4x - 5x	A
b) CFO pre-WC / Debt (3 Year Avg)	13.6%	Baa	14% - 16%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	13.6%	Baa	14% - 16%	A
d) Debt / Capitalization (3 Year Avg)	35.5%	Aa	35% - 36%	Aa
Rating:				
Grid-Indicated Rating Before Notching Adjustment		A3		A3
HoldCo Structural Subordination Notching	0	0	0	0
a) Indicated Rating from Grid		A3		A3
b) Actual Rating Assigned				A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 03/31/2015
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
NARRAGANSETT ELECTRIC COMPANY	
Outlook	Stable
Issuer Rating	A3
Senior Secured MTN	(P)A1
Senior Unsecured	A3
Pref. Stock	Baa2
ULT PARENT: NATIONAL GRID PLC	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Other Short Term	(P)P-2
PARENT: NATIONAL GRID USA	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN	(P)Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

REPORT NUMBER 1035514

MOODY'S
INVESTORS SERVICE

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
29 August 2017

Update

Rate this Research

RATINGS

Narragansett Electric Company

Domicile	Providence, Rhode Island, United States
Long Term Rating	A3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Narragansett Electric Company

Update to credit analysis

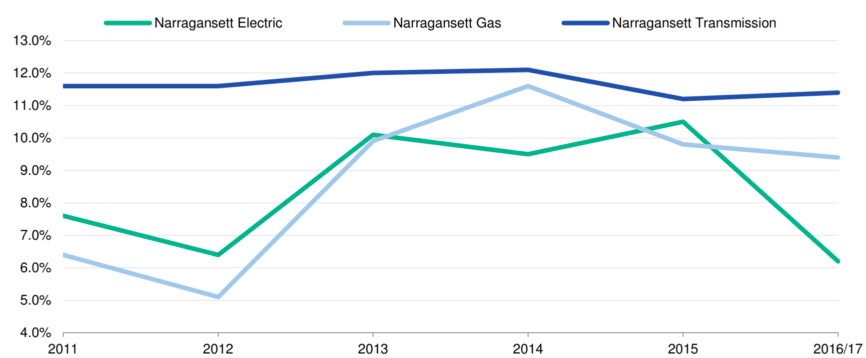
Summary

The credit quality of Narragansett Electric Company (NEC) is supported by the diversification of its revenues between distribution and transmission, stable and predictable cash flows, and the generally supportive regulatory environment in Rhode Island, where a wide variety of de-risking provisions for utilities have been included in recent rate cases. However, credit quality is constrained by additional debt at the parent holding companies within the National Grid group.

The achieved returns on equity in NEC's distribution businesses have generally been at or above the allowed ROE of 9.5% under the previous rate plan, although electricity distribution fell to 6.2% in the year to March 2017. Electricity transmission has demonstrated stable returns consistently above the 10.57% allowance, although ongoing challenges to FERC's rate-setting process creates some uncertainty about future returns. The company expects to file for new rate cases for its distribution businesses by March 2018, with new rates effective by the end of 2018.

NEC's key credit metric, the ratio of cash from operations before movements in working capital to gross debt, has been volatile in recent years due to movements in regulatory deferrals, rising to 28% in 2016/17 from 10% in 2014/15. Excluding these deferrals, CFO pre-WC/debt has been stable in the mid- to high teens, in line with our guidance for the current rating, and subject to a reasonable new rate settlement is expected to remain in this range.

Exhibit 1
NEC achieved stable ROEs from 2013 to 2015



Source: National Grid

Credit strengths

» Supportive regulatory environment for low business risk electricity and gas distribution in Rhode Island

» Stable and predictable FERC regulatory framework and low transmission business risk underpins transmission cash flows

Credit challenges

» Limited regulatory ring-fencing protections from additional debt at various holding companies

Rating outlook

The stable outlook for NEC reflects our opinion that the regulatory environment is generally supportive for cost recovery, and that NEC should exhibit stable CFO pre-WC/debt in the mid- to high-teens in percentage terms.

Factors that could lead to an upgrade

» CFO pre-working capital to gross debt consistently above the low 20s, in percentage terms

» Increase of FERC and/or RIPUC's supportiveness towards utilities versus its current approach

» A rating upgrade would also take into consideration the credit quality of the wider National Grid group

Factors that could lead to a downgrade

» CFO pre-working capital to gross debt persistently below the mid teens, in percentage terms

» Decrease of FERC and/or RIPUC's overall supportiveness

» A rating downgrade would also take into consideration the credit quality of the wider National Grid group

Key indicators

Exhibit 2

Key indicators[1]
Narragansett Electric Company

	3/31/2017	3/31/2016	3/31/2015	3/31/2014	3/31/2013
CFO pre-WC + Interest / Interest	7.1x	6.7x	3.4x	4.6x	4.5x
CFO pre-WC / Debt	28.4%	24.1%	10.3%	14.7%	14.7%
CFO pre-WC – Dividends / Debt	28.4%	24.1%	10.3%	14.7%	14.7%
Debt / Capitalization	31.5%	32.9%	35.7%	36.7%	34.6%

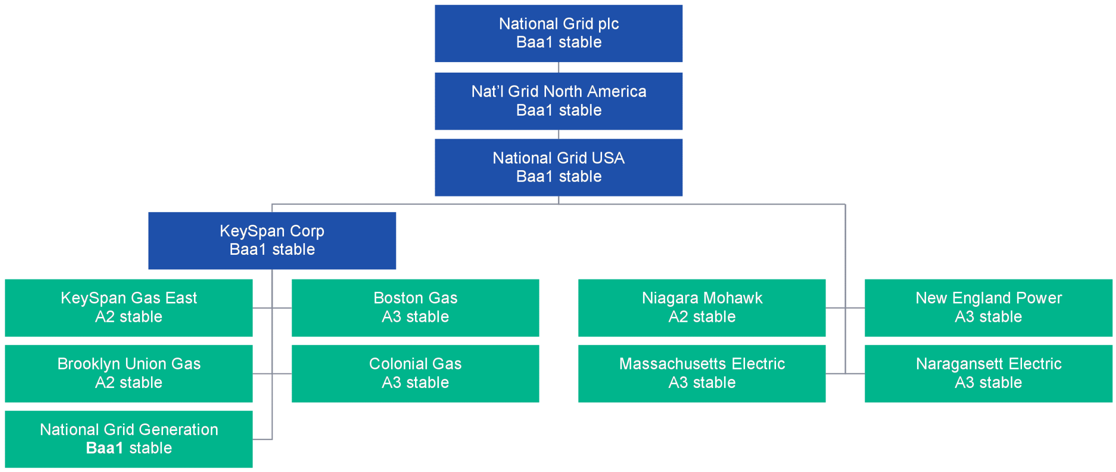
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Corporate profile

NEC is a retail distribution company providing electric service to approximately 500,000 customers and gas service to approximately 268,000 customers in Rhode Island. It also owns electricity transmission assets in Rhode Island operated by sister company New England Power (NEP, A3 stable). As of March 2017, NEC has a rate base of $2.0 billion, comprised of $697 million of electricity transmission (regulated by the FERC) and $665 million and $640 million of electric and gas distribution, respectively (regulated by the RIPUC). NEC is fully owned by National Grid USA (NG USA, Baa1 stable), a holding company which is ultimately owned by National Grid plc (National Grid, Baa1 stable).

Exhibit 3

National Grid US simplified organisational structure

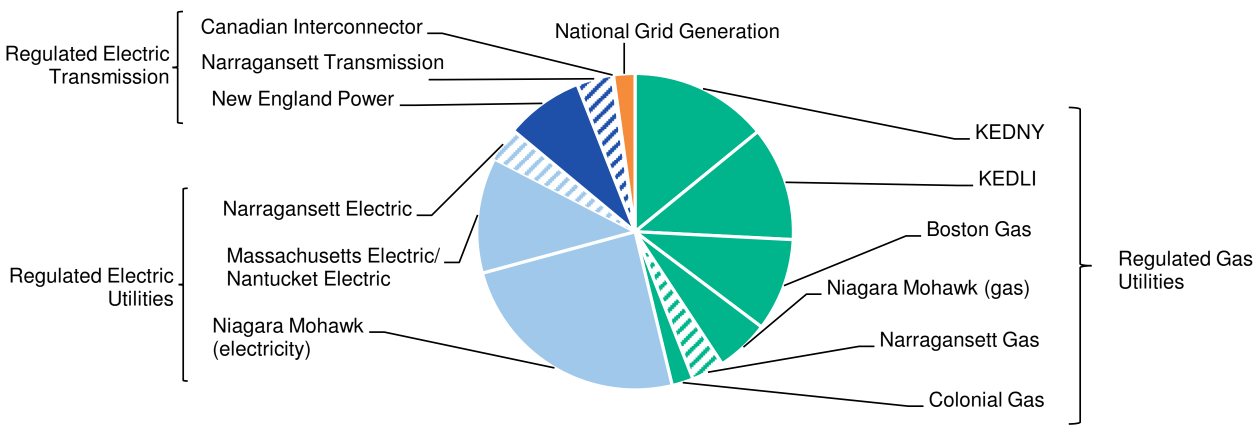


Source: Moody's

Exhibit 4

Narragansett represents 10% of National Grid's US rate base

Rate base at 31 March 2017



Narragansett regulated entities dashed

Source: National Grid

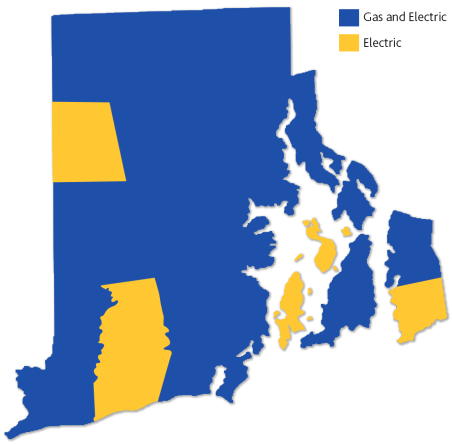
Detailed credit considerations

Distribution businesses generating consistent performance; new rate case expected this year

The current rate plans for NEC's electricity and gas business were approved by the RIPUC in December 2012 and have been effective from February 2013. Approved returns on equity (ROEs) are 9.5%, which was slightly below the average equity returns accorded to energy utilities nationwide during the 12 months leading up to the decision. NEC is subject to an earnings sharing mechanism, under which NEC is required to share equally with ratepayers incremental earnings between a 9.5% and a 10.5% ROE, and 75% of incremental earnings above a 10.5% ROE.

The rate plan provides for a pension adjustment mechanism and an annual property tax recovery mechanism within the annual capital programme that more closely aligns rate recovery and costs related to property tax expenses.

Exhibit 5
Narragansett Distribution Service Areas
Rhode Island



Source: National Grid

Exhibit 6
Rate Cases Summary

Regulated Business	Narragansett Electric	Narragansett Gas	Narragansett Transmission
Regulator	Rhode Island Public Utilities Commission		Federal Energy Regulatory Commission
Primary term of rate case	2013		-
Allowed return on equity	9.50%		10.57%
Achieved return on equity (2016/17)	6.20%	9.40%	11.40%
Rate Base at March 2017	$665m	$640m	$697m

Source: National Grid

Despite the introduction of a number of de-risking provisions, including full revenue decoupling and capital trackers, we view the regulatory environment in Rhode Island as tougher than in some other states due to the RIPUC's history of allowing lower returns than other regulators, and its use of backward-looking test years. Utilities operating under backward-looking test years are generally expected to have more difficulties in recovering their opex, resulting in a need to file more frequently for a new rate case, a source of regulatory risk, although the RIPUC incorporates some adjustments for forecast capital investment, volumes and operating costs.

In 2016/17, NEC's achieved ROEs for the electric and gas businesses were 6.2% and 9.4% respectively, below the allowed level of 9.5%. National Grid anticipates filing a combined rate case by March 2018 to recalibrate base rates and reflect change in costs since the last rate case filing.

Transmission benefits from stable and predictable FERC regulatory framework

New England Power (NEP), another National Grid subsidiary, operates the transmission facilities of its New England associate as a single integrated system and reimburses Narragansett Electric Transmission for the cost of its transmission facilities in Rhode Island, including a return on those facilities. The amount reimbursed to Narragansett Electric Transmission for the year ended 31 March 2017 was $143 million. Transmission business has no exposure to the end consumer, and therefore no commodity price risk.

In addition, the credit supportive regulatory environment and formula-based rate making process provided by the FERC also support credit quality. Provisions include a forward-looking rate setting mechanism, designed to reimburse the company for all prudently-incurred operating and maintenance expenditure, tax, depreciation and a fair return on assets employed in the provision of transmission services. The formula contains an automatic annual true-up for operating and capital costs and allows Narragansett Electric Transmission to include construction work in progress for new transmission projects in the rate base. These features are intended to ensure that the company recovers its allowed costs and returns within a two-year period. In addition, to encourage greater investment in transmission infrastructure, the FERC allows independent transmission owners to earn ROEs that tend to be above those allowed by state regulators. In line with NEP and other transmission owners in New England, Narragansett Electric Transmission is allowed to earn a base ROE of 10.57% on an assumed equity to total capitalisation ratio of 50% (in line with state regulators but lower than 64% at NEP). In addition, Narragansett Electric Transmission benefits from additional incentive mechanisms which could increase the allowed ROE up to 11.74%. However, the base return is likely to be increased to 11.14% following a decision by the court of appeals (see highlight box).

Section 206 dispute creates uncertainty over future allowed returns

Allowed returns for transmission operators in the ISO-NE region have been the subject of administrative law proceedings for several years. In 2014, the FERC reduced the rate of return to 10.57% from 11.14% after appeals from the Massachusetts Attorney General and other customer representatives. Although FERC determined, based on a discounted cash flow analysis, that the plausible range of returns, known as the "zone of reasonableness," was 7.03-11.74% (down from 7.3-13.1% in a previous 2006 decision), the commission declared that the existing 11.14% return was "unjust and unreasonable." FERC also reduced the maximum allowable ROE, including incentives, to 11.74%, the top of the revised zone of reasonableness.

However, in April 2017 this decision was overturned by an appeals court[1], which found that FERC had not established that the existing 11.14% return was unreasonable and that "FERC failed to provide any reasoned basis for selecting 10.57 percent as the new base ROE". The case was remanded to FERC for reconsideration.

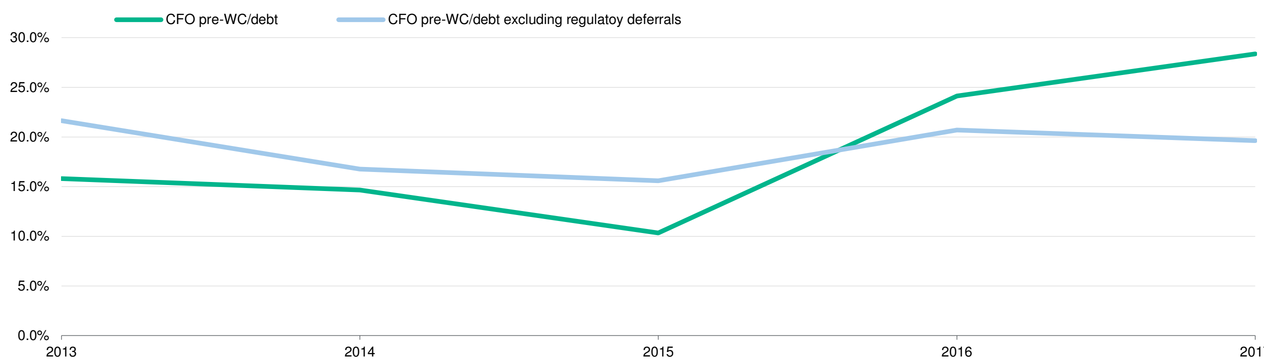
There are currently several outstanding ROE challenges, the most recent brought by Eastern Massachusetts Consumer-Owned Systems, which has called for the ROE to be cut to 8.93%.

Since the rate setting process is not contested before state commissions and given its design to ensure timely cost recovery, we consider the regulatory framework to be more stable and predictable than for state-regulated utility businesses. The transmission business continued to perform strongly with achieved ROE of 11.4% in 2017, slightly above the allowed level, as has been the case for the last eight years.

High parent debt and weak financial ring-fencing provisions constrain the ratings

NEC's credit metrics have recovered since 2015 with CFO to gross debt at 28.4% in 2017 compared to 10.6% in 2015. The improvement was driven largely by swings in regulatory assets and liabilities; excluding these cash flows, NEC's CFO pre-WC/debt has been consistently in the mid- to high teens.

Exhibit 7
Excluding regulatory deferrals, credit metrics have been stable since 2013



Source: Moody's

However, NEC's rating is constrained by the presence of additional debt at the company's parent holdings companies, NG USA, National Grid North America Inc (NGNA, Baa1 stable) and National Grid. This risk is exacerbated by weaker regulatory ring-fencing provisions applicable to NEC compared with some other state-regulated utilities within the National Grid group, particularly those in New York. Under FERC licence conditions, NEC must maintain a debt to total capitalisation ratio of less than 70%, which gives the company a significant degree of headroom compared with its existing level of leverage, around 56%.

Liquidity analysis

Given group funding arrangements, although NEC has inadequate liquidity on a standalone basis, with limited cash and cash equivalents and no revolving credit facilities (RCFs) in its own name, we regard the liquidity risk as manageable.

National Grid manages its financing and liquidity on a fully group basis with a central Finance Committee setting the rules by which individual entities can raise capital. For the US subsidiaries, including NEC, short-term liquidity requirements are managed via the group's regulated money pool. All of the regulated subsidiaries can lend and borrow from the pool, however, the unregulated holding companies – NG USA, NGNA and KeySpan Corporation (Baa1 stable) – may only act as lenders. The interest rate for borrowing under the pool is the monthly average of the 30-day A2 commercial paper rate as released by the Federal Reserve Board.

To support the regulated money pool, the parent holding companies have in place bilateral facilities of £2.4 billion and which NG plc, NG USA and NGNA are named borrowers. As of 31 March 2017, the facilities were undrawn. NG USA also has two commercial paper programs totaling $4 billion denominated equally in US dollars and Euros. Support for these programs comes from NG USA being a named borrower under the RCFs. As of March 2017, there was $759 million outstanding on the US commercial paper program and €210 million outstanding on the Euro commercial paper program.

Viewed in this wider context, NEC's liquidity position appears much stronger. NEC's rating relies on continuing access to liquidity from the wider National Grid group via this money pool arrangement.

Rating methodology and scorecard factors

NEC is rated in accordance with the methodology Regulated Electric and Gas Utilities published in June 2017. The outcome of the methodology grid for NECO is A2 based on both historic and projected metrics, on notch above the assigned rating reflecting the high levels of additional debt at the parent companies' level.

Exhibit 8
Rating factors
Narragansett Electric Company

Regulated Electric and Gas Utilities Industry Grid[1,2]	Current FY 3/31/2017		Moody's 12-18 Month Forward View As of 8/23/2017[3]	
Factor 1 : Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Legislative and Judicial Underpinnings of the Regulatory Framework	A	A	A	A
b) Consistency and Predictability of Regulation	A	A	A	A
Factor 2 : Ability to Recover Costs and Earn Returns (25%)				
a) Timeliness of Recovery of Operating and Capital Costs	Aa	Aa	Aa	Aa
b) Sufficiency of Rates and Returns	Baa	Baa	Baa	Baa
Factor 3 : Diversification (10%)				
a) Market Position	Baa	Baa	Baa	Baa
b) Generation and Fuel Diversity	N/A	N/A	N/A	N/A
Factor 4 : Financial Strength (40%)				
a) CFO pre-WC + Interest / Interest (3 Year Avg)	5.7x	A	5x - 5.5x	A
b) CFO pre-WC / Debt (3 Year Avg)	20.7%	A	15% - 20%	Baa
c) CFO pre-WC – Dividends / Debt (3 Year Avg)	20.7%	A	15% - 20%	A
d) Debt / Capitalization (3 Year Avg)	33.3%	Aa	30% - 35%	Aa
Rating:				
a) Indicated Rating from Grid		A2		A2
b) Actual Rating Assigned				A3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 03/31/2017
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 9

Category	Moody's Rating
NARRAGANSETT ELECTRIC COMPANY	
Outlook	Stable
Issuer Rating	A3
First Mortgage Bonds	A1
Senior Secured MTN	(P)A1
Senior Unsecured	A3
Pref. Stock	Baa2
ULT PARENT: NATIONAL GRID PLC	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
Other Short Term	(P)P-2
PARENT: NATIONAL GRID NORTH AMERICA INC.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Commercial Paper	P-2
ST Issuer Rating	P-2
PARENT: NATIONAL GRID USA	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN	(P)Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

Endnotes

1 United States Court of Appeals for the District of Columbia, On Petitions for Review of Orders of the Federal Energy Regulatory Commission, 14 April 2017

REPORT NUMBER 1088730

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

Division 1-2

Request:

Please provide a five-year history 2012-2017 of Narragansett's credit ratings (including corporate ratings, secured debt, unsecured debt, and commercial paper).

Response:

Below is the past five-year credit rating history for Narragansett:

Years	**Moody's**	**Standard & Poor's**
2012	A3	A-
2013	A3	A-
2014	A3	A-
2015	A3	A-
2016	A3	A-
2017	A3	A-

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-3

Request:

Please provide the most recent Narragansett presentation to credit rating agencies.

Response:

Please see Attachment DIV 1-3 for a copy of the most recent presentation that the Company gave to credit rating agencies.

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Moody's

January 2017

Agenda

Highlights, priorities & outlook	John Pettigrew
Business Review and Business plan	Andy Agg and Adam Wiltshire

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Highlights, priorities and outlook

JOHN PETTIGREW
CHIEF EXECUTIVE

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Continued safe and reliable service

- Group injury frequency rate remains world class
- Strong network reliability benefiting from high levels of investment
- Prepared for winter in the US and UK

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1 US rate case programme progressing well

New rates for Massachusetts Electric

- First update to rates since 2010
- 9.9% allowed RoE on 51% equity structure
- 92% of requested opex increase
- Capital spend up to $249m

~1.3m electric customers

over 13,000 miles of electric lines

New rates for KEDNY/KEDLI

- First update to rates since 2008
- 3 year rate plan
- 9.0% allowed RoE on 48% equity structure
- Over 85% of requested opex increase
- $3bn capital programme over 3 years

~1.8m gas customers

over 12,000 miles of gas distribution and transmission pipes

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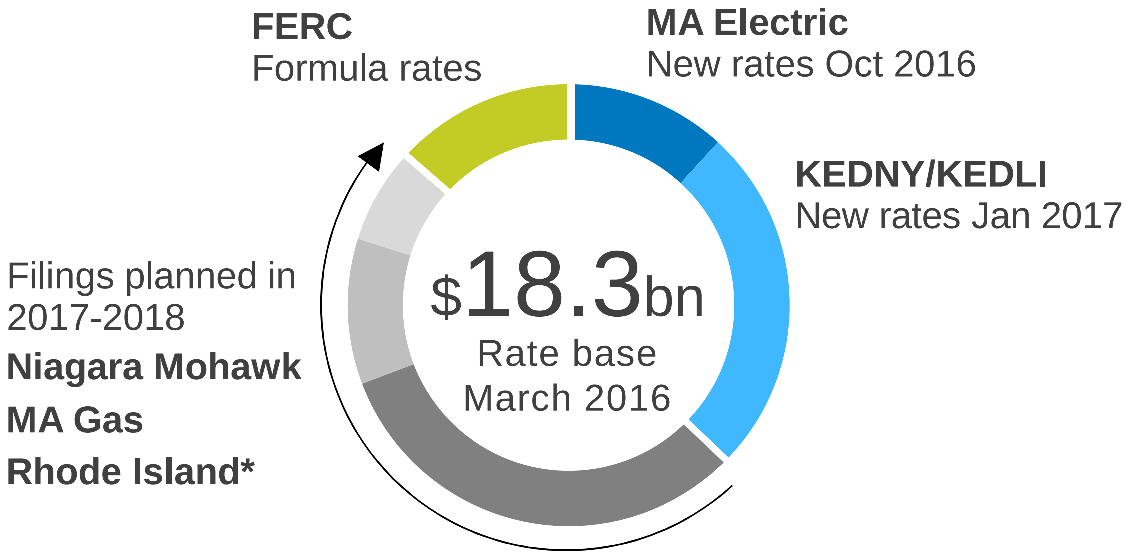
Updating US rates through regular filings



- Systems and process established for regular filings
  - Reflected in three recent filings
- Regular filings to minimise customer bill impact
- ~40% of rate base to have updated rates in FY2017
- ~50% of rate base to be filed in FY2018
- Remainder subject to FERC regulation

*under consideration

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2 Gas Distribution process entering the final phase

- Agreed to sell a 61% equity interest to a consortium of long-term infrastructure investors
- The terms imply an enterprise value of £13.8bn, National Grid intends to return £4bn of net proceeds to shareholders
- Working with the consortium to ensure a smooth transition and remain on course for completion on or prior to 31 March 2017

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3 UK regulatory update

- Electricity System Operator consultation issued
- RIIO mid-period review complete reflecting relatively narrow scope
- Ofgem consultation for onshore competition continues

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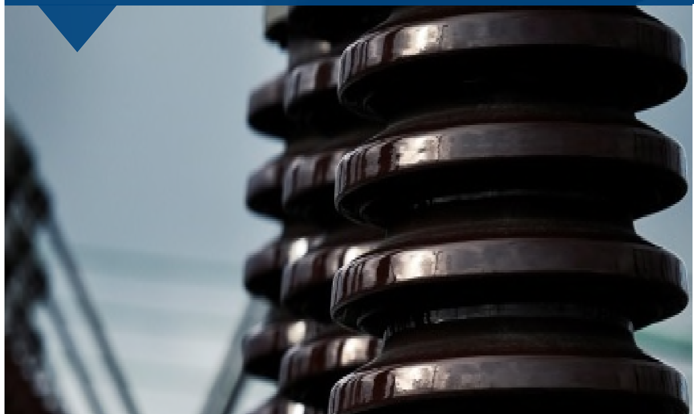
Drivers for long term success

CUSTOMER FIRST



Performance optimisation

Growth

Evolve for the future

nationalgrid

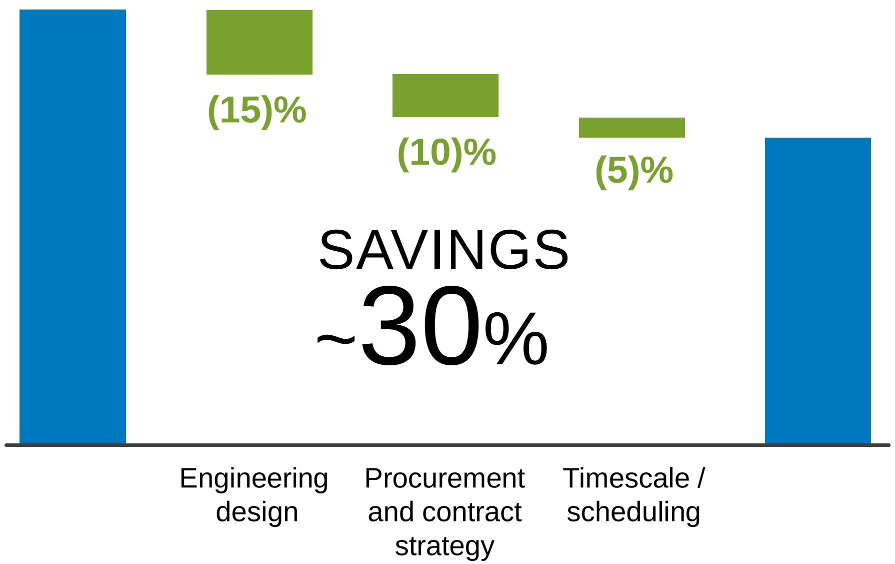
Delivering outperformance alongside customer savings

Performance optimisation

Transformer replacement case study

- More than 100 units to be replaced or decommissioned over RIIO T1
- Targeted reduction of £140m
- Deployment of lean engineering techniques and asset management expertise

Estimated unit cost savings



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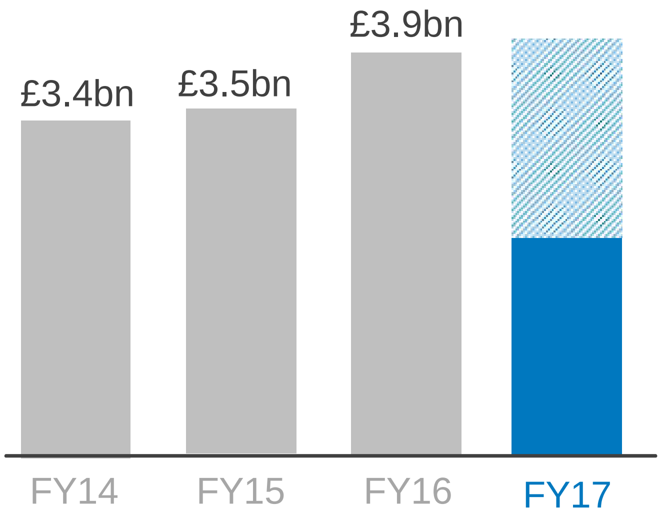
Growth through balanced investments

Growth

- 5-7% asset growth
  - assuming 3% UK RPI

Total Investment



Core regulated assets

Asset health, network expansion and modernisation

Other activities

Interconnectors, US transmission, Property

Further investments in new energy

Smart Meters, Solar and Storage

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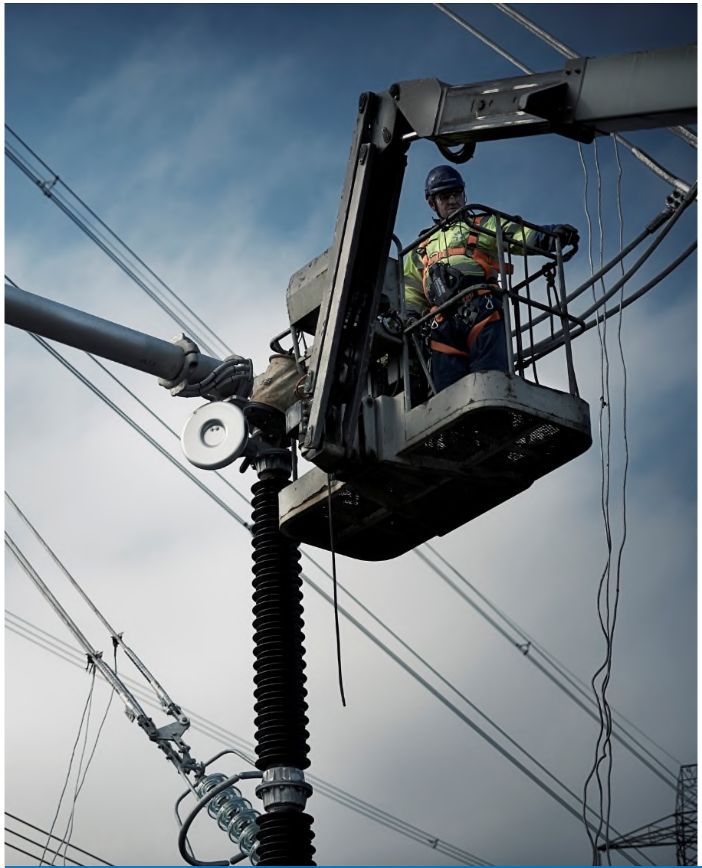
Summary

- Good first half performance
- Significant progress with near-term priorities
- Priorities for the second half include:
  - Build upon recent successes by preparing for new rate cases in US
  - Complete the sale of the stake in our Gas Distribution business
- Focus on drivers for long-term success



Business Review & Business Plan

ANDY AGG
GROUP TAX & TREASURY DIRECTOR

ADAM WILTSHIRE
GROUP TREASURER

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Financial highlights

OPERATING PROFIT	PROFIT BEFORE TAX	EARNINGS
£1.9bn	£1.4bn	£1.1bn
HY16 £1.9bn	HY16 £1.4bn	HY16 £1.1bn

EARNINGS PER SHARE	DIVIDEND PER SHARE	CAPITAL INVESTMENT
28.2p	15.17p	£2.2bn
HY16 28.2p*	HY16 15.00p	HY16 £2.0bn

Capital investment includes investment in JV (excluding equity contributions to St William property JV)

Operating profit and capital investment calculated at constant currency

Adjusted results, excluding exceptional items and remeasurements

* EPS restated for the impact of scrip issuances

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UK Electricity Transmission

OUTLOOK	Totex incentive ▼	Other incentives ▲	Additional allowances ◀▶	▼ RoE
FY16	210bps	80bps	80bps	13.9%

OPERATING PROFIT

£697m +14%

HY16 £610m

CAPITAL INVESTMENT

£586m

HY16 £514m

- H1 operating profit increase primarily driven by favourable timing and net revenue increases
- Return expected to be slightly lower due to reduced totex incentive

Adjusted results, excluding exceptional items and remeasurements

nationalgrid

UK Gas Transmission

OUTLOOK	Totex incentive ▼	Other incentives ▼	Additional allowances ▼	▼ RoE
FY16	(20)bps	120bps	150bps	12.5%

OPERATING PROFIT

£159m flat

HY16 £159m

CAPITAL INVESTMENT

£116m

HY16 £91m

- Consistent operating profit despite lower year-on-year timing
- FY17 return:
  - Additional allowances down ~100bps, as expected
  - Increased spend on asset health

Adjusted results, excluding exceptional items and remeasurements

nationalgrid

UK Gas Distribution

OUTLOOK	Totex incentive ◀▶	Other incentives ▲	Additional allowances ◀▶	▲ RoE
FY16	200bps	100bps	10bps	13.0%

OPERATING PROFIT

£403m -6%

HY16 £428m

CAPITAL INVESTMENT

£268m

HY16 £286m

- H1 operating profit down mostly due to unfavourable timing
- Sustained totex performance expected for FY17
- Good incentive performance continues

Adjusted results, excluding exceptional items and remeasurements

nationalgrid

US Regulated

OUTLOOK	Maintain return around 8%	RoE
		CY 15 8.0%

OPERATING PROFIT

£435m +12%

HY16 £389m

CAPITAL INVESTMENT

£1,039m

HY16 £1,000m

- H1 operating profit up primarily due to favourable timing
- Expect to maintain return around current level in FY17
- Transitioning returns to fiscal year to align with broader business

Operating profit and investment calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

nationalgrid

Other Activities & JVs

OTHER ACTIVITIES	£86m Metering	£35m Grain LNG	£35m IFA	£44m Property
HY16	£84m	£39m	£81m	£61m

JVs	£28m BritNed	£6m Millennium
HY16	£23m	£6m

OPERATING PROFIT £157m
HY16 £293m

POST TAX SHARE £31m
HY16 £29m

CAPITAL INVESTMENT £141m*
HY16 £133m*

- Other activities and JVs performance returning to more normal levels
- Consistent year-on-year performance expected from Grain, Property and Metering

Operating profit and investment calculated at constant currency

Adjusted results, excluding exceptional items and remeasurements

* Includes investment in JVs, excludes £5m and £55m equity contribution to St. William property joint venture in HY17 and HY16, respectively

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Interest, tax and earnings

FINANCE COSTS

£523m

6% higher than HY16

- Effective interest rate of 3.9%
- Significant financing at low interest rates

EFFECTIVE TAX RATE

21.7%

at £(295)m

- Tax rate 30bps lower than HY16
- Tax charge £7m lower than HY16

EARNINGS

£1,062m

HY16 £1,067m

- 3,763m weighted average shares
- 28.2p/share

Adjusted results, excluding exceptional items and remeasurements

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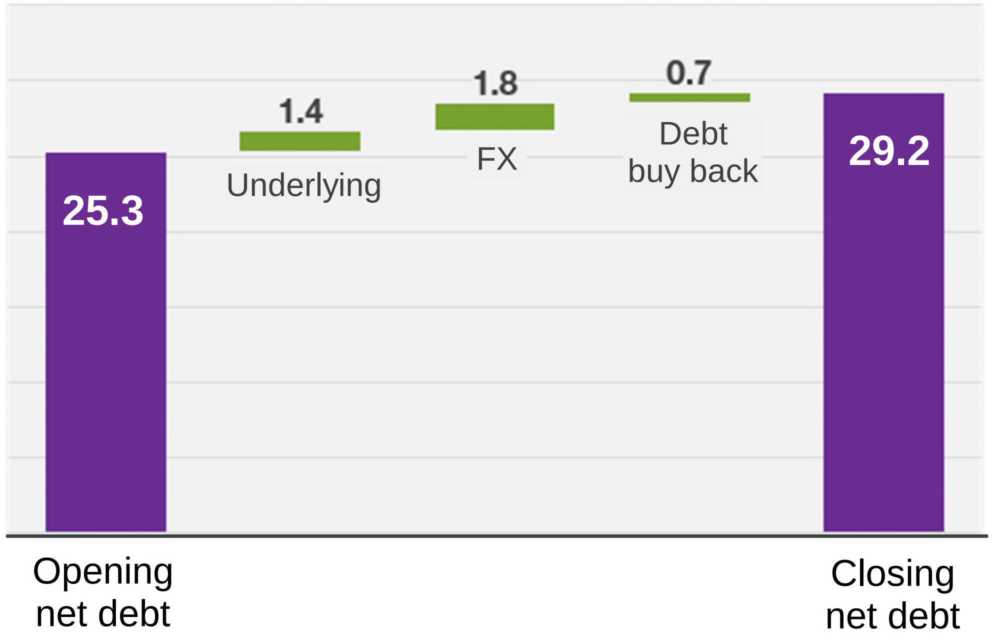
Cash flow and net debt

Cash flow (£m)

Six months ended 30 September	2016	2015
Operating profit	1,851	1,836
Depreciation & amortisation	865	796
Pensions & provisions	(459)	(284)
Working capital & other	67	333
Net operating cash flow	**2,324**	**2,681**

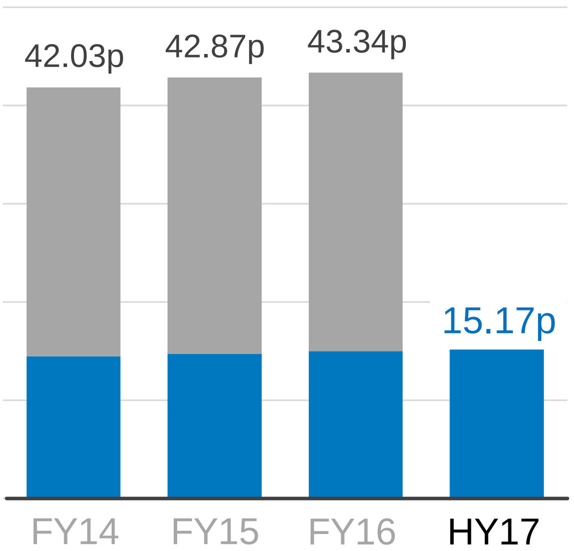
Net debt (£bn)



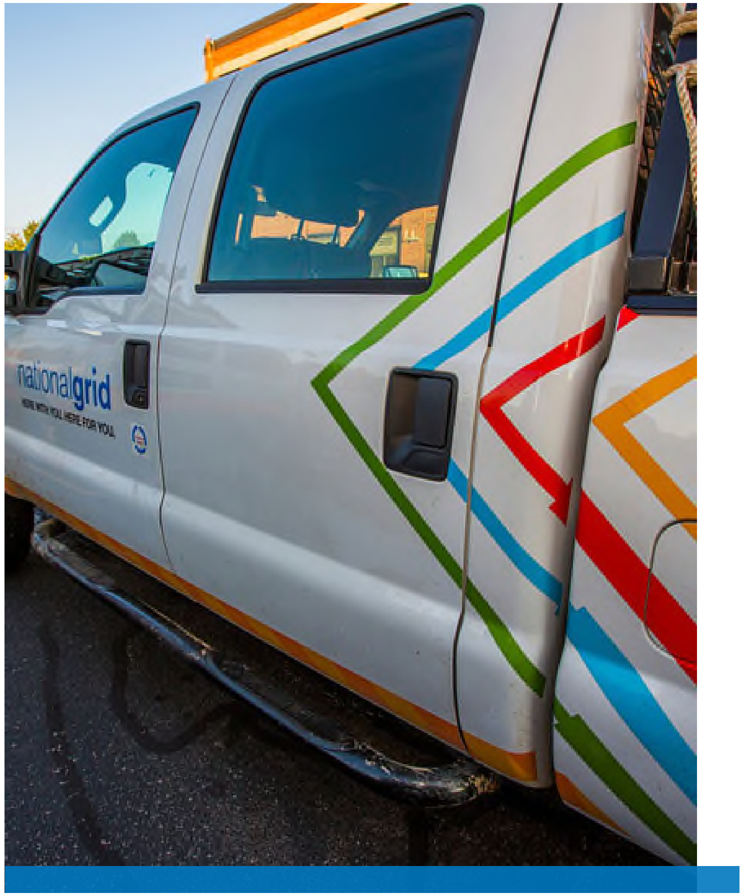
Adjusted results, excluding exceptional items and remeasurements

Dividend and scrip

Dividend per share



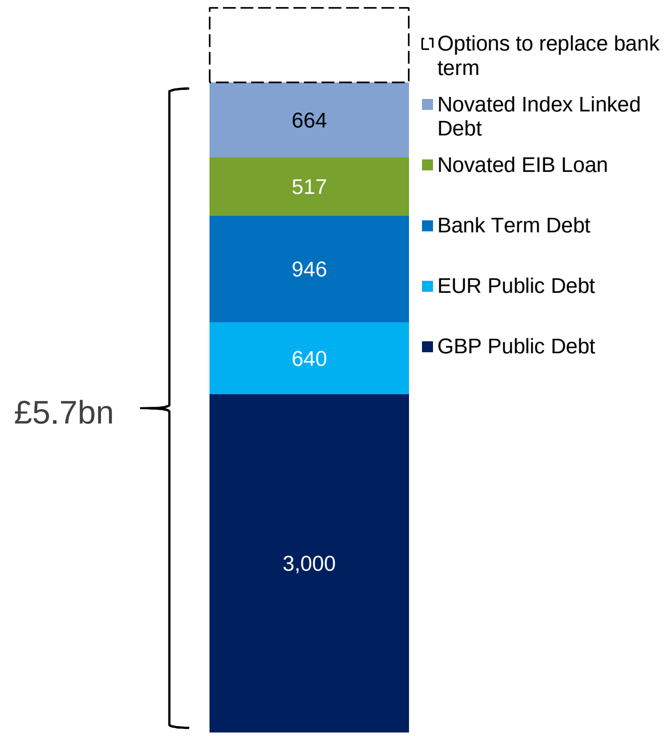
- 15.17p (35% of prior year full year dividend)
- Full year dividend to grow at least in line with UK RPI
- Scrip option to continue



Funding of new Gas Distribution company

- Funding of the new company substantially complete
  - Record £3bn issuance
  - €750m issuance
  - Attractive 2.2% average rate
  - Targeting 65% leverage
- Bought back £2.1bn (book value*) of higher rate debt
  - £718m exceptional charge
- Novated additional Index Linked Debt loans of £0.4bn (book value)
  - £264m exceptional charge
  - Continued actions to bring NG Gas debt in line with regulatory levels

NGGD Financing Structure (£m)



*Including £0.2bn of related fair value hedging adjustments

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Gas Distribution Sale

- Cash proceeds of £5.4bn
  - National Grid intends to return £4bn of net proceeds to shareholders by way of a special dividend alongside share consolidation and share buybacks
  - Net proceeds are calculated after retaining £0.7bn of additional debt financing and deduction of £0.5bn relating to transaction costs
- National Grid and the consortium have also expressed an interest in the potential sale of an additional 14% of NGGD

Business Plan Financial Assumptions

- Steady growth in US operating profit as US rate cases take effect
- Flat UK operating profit as customers' share of outperformance from earlier years is returned
- Profits from property sales benefit across the plan with a spike in FY19 for the Fulham sale
- Increase in Electricity Transmission load related spend (NUGen)
- US investment is increasingly supported by regulatory developments
- NEMO, NSN and NY Transco projects included in the base case
- Expect scope for outperformance
- Retain 39% of the Gas Distribution business throughout the Plan Period
- Interest rates: Forward curve + credit spread
- Dividend: 3% growth p.a.
- UK: RPI at 3%

Division 1-4

Request:

Please update Exhibit C of the Application to June 30, 2017.

Response:

Please see Attachment DIV 1-4 for an updated Exhibit C as of June 30, 2017.

Prepared by or under the supervision of: Charles V. DeRosa

THE NARRAGANSETT ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	June 30, 2017	March 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,637	$ 7,803
Restricted cash	651	956
Accounts receivable	174,726	212,572
Allowance for doubtful accounts	(22,091)	(25,192)
Accounts receivable from affiliates	22,210	6,354
Unbilled revenues	41,971	57,817
Inventory	20,226	24,216
Regulatory assets	48,731	52,446
Derivative instruments	2,902	6,189
Prepaid taxes	21,815	9,821
Other	396	1,805
Total current assets	320,174	354,787
Property, plant and equipment, net	2,826,028	2,785,811
Other non-current assets:		
Regulatory assets	460,450	464,135
Goodwill	724,810	724,810
Derivative instruments	79	167
Other	12,951	13,905
Total other non-current assets	1,198,290	1,203,017
Total assets	$ 4,344,492	$ 4,343,615

THE NARRAGANSETT ELECTRIC COMPANY
BALANCE SHEETS
(in thousands of dollars)

	June 30, 2017	March 31, 2017
LIABILITIES AND CAPITALIZATION		
Current liabilities:		
Accounts payable	$ 119,732	$ 124,895
Accounts payable to affiliates	83,837	80,085
Current portion of long-term debt	1,375	1,375
Taxes accrued	45,360	29,624
Customer deposits	10,612	12,514
Interest accrued	9,505	5,434
Regulatory liabilities	80,776	106,788
Intercompany money pool	110,131	125,659
Derivative instruments	1,497	392
Renewable energy certificate obligations	4,522	11,841
Other	19,793	20,701
Total current liabilities	487,140	519,308
Other non-current liabilities:		
Regulatory liabilities	261,185	245,856
Asset retirement obligations	10,224	10,150
Deferred income tax liabilities, net	550,839	538,229
Postretirement benefits	106,595	121,799
Environmental remediation costs	134,715	135,529
Derivative instruments	963	1,224
Other	22,905	25,230
Total other non-current liabilities	1,087,426	1,078,017
Capitalization:		
Shareholders' equity	1,927,863	1,904,300
Long-term debt	842,063	841,990
Total capitalization	2,769,926	2,746,290
Total liabilities and capitalization	$ 4,344,492	$ 4,343,615

Division 1-5

Request:

Please state the Narragansett capital structure targets and management's basis for those targets. In formulating the response please exclude goodwill from balance sheet equity.

Response:

The Company's current authorized regulatory capital structure consists of 49.14 percent common equity, 0.15 percent preferred stock, and 50.71 percent debt. The Company targets a capital structure consisting of approximately 51 percent equity and 49 percent debt (excluding goodwill and accumulated other comprehensive income). These targets are determined in line with the Company's credit and risk profile, as well as sound utility and rate setting practices.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-6

Request:

Please provide Narragansett's capital expenditures, total and by major category (i.e., electric distribution, gas distribution, electric transmission, general), for 2014, 2015, and 2016.

Response:

Please see the table below:

Capital Expenditure ($ thousand)	**2014**	**2015**	**2016**
Electric Dist.	49,514	78,043	79,499
Gas Dist.	82,957	100,573	114,859
Electric Trans.	51,301	117,238	101,715
General	0	0	0
Total	**$183,772**	**$295,854**	**$296,073**

Note that the total figures differ from the figures used to derive the $760 million total capital spending for fiscal years 2014, 2015, and 2016, as stated in Company witness Charles V. DeRosa's direct testimony at page 7. The figures stated in Mr. DeRosa's direct testimony were derived from the Company's March 31, 2016 ending GAAP financials, which do not specify capital spending by the major categories requested above.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-7

Request:

Please provide the numerical data and source documents used to construct the graph shown on Exhibit E of the Application.

Response:

Please see Confidential Attachment DIV 1-7 for the Moody's 30-year A-rated utility bond index as sourced from Bloomberg Professional Services. The raw data provided in this attachment is not publicly available and is, therefore, deemed confidential and proprietary; hence the Company is seeking confidential treatment of the attachment in its entirety.

Prepared by or under the supervision of: Charles V. DeRosa

Attachment DIV 1-7

REDACTED

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-8

Request:

Please provide Sources and Uses of Funds statements for Narragansett for 2014, 2015, and 2016, and 2017 through June 30, 2017.

Response:

Please refer to Attachments DIV 1-8-1, DIV 1-8-2, and DIV 1-8-3 for the Sources and Uses of Funds statements for the Fiscal Years ended March 31, 2014, 2015, 2016, and 2017 as well as the three months ended June 30, 2017.

THE NARRAGANSETT ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31, 2014	2013
Operating activities:		
Net income	**$ 78,563**	$ 60,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**85,048**	79,377
Regulatory amortizations	**706**	5,737
Provision for deferred income taxes	**49,690**	81,938
Bad debt expense	**27,582**	16,648
Allowance for equity funds used during construction	**(2,536)**	488
Amortization of debt discount and issuance costs	**273**	224
Net pension and other postretirement expense (contributions)	**1,051**	(11,394)
Net environmental remediation payments	**(8,042)**	(1,930)
Share based compensation	**1,375**	-
Changes in operating assets and liabilities:		
Accounts receivable, net, and unbilled revenues	**(64,084)**	(56,548)
Accounts receivable from/payable to affiliates, net	**-**	(241)
Inventory	**6,480**	3,150
Regulatory assets and liabilities, net	**(25,950)**	(60,929)
Accounts payable and other liabilities	**(27,531)**	51,200
Other, net	**47,580**	(16,658)
Net cash provided by operating activities	**170,205**	151,758
Investing activities:		
Capital expenditures	**(224,461)**	(235,100)
Changes in restricted cash	**(5,211)**	32,298
Affiliated money pool investing and receivables/payables, net	**(153,189)**	-
Cost of removal	**(13,026)**	(17,360)
Other	**847**	343
Net cash used in investing activities	**(395,040)**	(219,819)
Financing activities:		
Dividends paid on preferred stock	**(110)**	(110)
Payments on long-term debt	**(1,375)**	(1,375)
Proceeds from long-term debt	**-**	250,000
Affiliated money pool borrowing and receivables/payables, net	**(22,048)**	(170,975)
Advance from affiliate	**250,000**	-
Payment of debt issuance costs	**-**	(1,875)
Net cash provided by financing activities	**226,467**	75,665
Net increase in cash and cash equivalents	**1,632**	7,604
Cash and cash equivalents, beginning of year	**10,905**	3,301
Cash and cash equivalents, end of year	**$ 12,537**	$ 10,905
Supplemental disclosures:		
Interest paid	$ (43,908)	$ (35,968)
Income taxes refunded	25,234	26,091
Significant non-cash items:		
Capital-related accruals included in accounts payable	22,865	8,515
Share based compensation	1,375	-

The accompanying notes are an integral part of these financial statements.

THE NARRAGANSETT ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS
(in thousands of dollars)

	Years Ended March 31,		
	2017	2016	2015
Operating activities:			
Net income	**$ 88,142**	$ 95,158	$ 66,797
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**103,923**	96,914	90,746
Regulatory amortizations	**714**	706	(1,145)
Provision for deferred income taxes	**27,470**	45,818	23,013
Bad debt expense	**14,105**	8,480	28,269
Amortization of debt discount and issuance costs	**293**	294	293
Net postretirement benefits expense (contributions)	**3,886**	(10,559)	10,310
Net environmental remediation payments	**(4,889)**	(3,058)	(283)
Changes in operating assets and liabilities:			
Accounts receivable and other receivable, net, and unbilled revenues	**(35,989)**	74,882	(63,582)
Inventory	**4,330**	(2,662)	(725)
Regulatory assets and liabilities, net	**97,822**	39,235	(64,237)
Derivative instruments	**(23,469)**	(6,897)	21,319
Prepaid and accrued taxes	**5,418**	(3,490)	41,190
Accounts payable and other liabilities	**19,284**	(46,330)	36,357
Other, net	**(1,827)**	(9,144)	4,635
Net cash provided by operating activities	**299,213**	279,347	192,957
Investing activities:			
Capital expenditures	**(295,621)**	(278,050)	(281,992)
Proceeds from restricted cash	**58,044**	73,370	73,151
Payments on restricted cash	**(43,887)**	(43,985)	(87,766)
Affiliated money pool investing and receivables/payables, net	**-**	-	153,189
Cost of removal	**(17,883)**	(17,959)	(13,260)
Other	**1,250**	376	(163)
Net cash used in investing activities	**(298,097)**	(266,248)	(156,841)
Financing activities:			
Preferred stock dividends	**(110)**	(110)	(110)
Payments on long-term debt	**(1,375)**	(1,375)	(1,375)
Affiliated money pool borrowing and receivables/payables, net	**(6,238)**	(16,514)	222,142
Advance from affiliate	**-**	-	(250,000)
Net cash used in financing activities	**(7,723)**	(17,999)	(29,343)
Net (decrease) increase in cash and cash equivalents	**(6,607)**	(4,900)	6,773
Cash and cash equivalents, beginning of year	**14,410**	19,310	12,537
Cash and cash equivalents, end of year	**$ 7,803**	$ 14,410	$ 19,310
Supplemental disclosures:			
Interest paid	**$ (42,574)**	(42,683)	(42,887)
Income taxes refunded (paid)	**63**	71	(17,111)
Significant non-cash items:			
Capital-related accruals included in accounts payable	**15,775**	26,990	16,028
Share based compensation	**31**	25	18

The accompanying notes are an integral part of these financial statements.

THE NARRAGANSETT ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS
(unaudited, in thousands of dollars)

	Three Months Ended June 30,	
	2017	2016
Operating activities:		
Net income	$ **23,431**	$ 20,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**26,122**	25,739
Regulatory amortizations	**176**	176
Provision for deferred income taxes	**12,816**	11,016
Bad debt expense	**1,463**	2,589
Amortization of debt discount and issuance costs	**73**	73
Net postretirement benefits contributions	**(9,626)**	(498)
Net environmental remediation payments	**(1,078)**	(786)
Changes in operating assets and liabilities:		
Accounts receivable and other receivable, net, and unbilled revenues	**49,128**	29,108
Inventory	**(3,509)**	(2,094)
Regulatory assets and liabilities, net	**(17,623)**	29,059
Derivative instruments	**4,219**	(16,667)
Prepaid and accrued taxes	**3,742**	(8,212)
Accounts payable and other liabilities	**7,111**	(4,393)
Other, net	**885**	2,735
Net cash provided by operating activities	**97,330**	87,864
Investing activities:		
Capital expenditures	**(63,723)**	(80,391)
Proceeds from restricted cash	**2,384**	14,764
Payments on restricted cash	**(2,079)**	(5,661)
Cost of removal	**(6,672)**	(3,270)
Other	**1,226**	186
Net cash used in investing activities	**(68,864)**	(74,372)
Financing activities:		
Preferred stock dividends	**-**	(28)
Affiliated money pool borrowing and receivables/payables, net	**(27,632)**	(25,002)
Net cash used in financing activities	**(27,632)**	(25,030)
Net increase (decrease) in cash and cash equivalents	**834**	(11,538)
Cash and cash equivalents, beginning of period	**7,803**	14,410
Cash and cash equivalents, end of period	$ **8,637**	$ 2,872

Division 1-9

Request:

Please provide a statement of Narragansett's current long-term debt at the present time. The statement should show for each debt issue (a) date of issue; (b) date of maturity; (c) balance outstanding; and (d) cost rate. The statement also should include current maturities of long-term debt and show Narragansett's total debt balance and overall embedded cost of long-term debt.

Response:

The table below shows Narragansett's current long-term debt outstanding as of September 20, 2017:

Date of Issuance	Date of Maturity	Balance Outstanding	Cost Rate
8/24/2006	4/1/2018	14,464,000	6.82%
8/24/2006	5/30/2020	10,000,000	9.63%
8/24/2006	9/30/2022	12,500,000	8.46%
8/24/2006	9/30/2022	3,750,000	8.09%
8/24/2006	12/15/2025	6,750,000	7.50%
3/15/2010	3/15/2020	250,000,000	4.53%
3/15/2010	3/15/2040	300,000,000	5.64%
12/10/2012	12/10/2042	250,000,000	4.17%
Total Outstanding and Overall Cost		847,464,000	5.01%

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-10

Request:

Please provide Narragansett's monthly balance of short-term debt and interest rate for each month January 2015 – August 2017. (End of month balance would be adequate as a response.)

Response:

Please see Attachment DIV 1-10 for Narragansett's month end short-term debt balance and interest rate for the period January 2015 through August 2017.

Prepared by or under the supervision of: Charles V. DeRosa

Month	Borrowing Balance	Int Rate
January-15	(171,331,742.90)	0.46%
February-15	(196,769,350.96)	0.67%
March-15	(237,202,985.84)	0.67%
April-15	(179,538,086.30)	0.84%
May-15	(153,586,268.77)	0.69%
June-15	(197,313,640.82)	0.53%
July-15	(186,679,345.04)	0.65%
August-15	(194,724,853.10)	0.72%
September-15	(181,858,463.23)	0.64%
October-15	(164,289,687.81)	0.61%
November-15	(155,770,460.67)	0.67%
December-15	(199,446,802.06)	0.66%
January-16	(177,221,818.74)	0.90%
February-16	(179,323,945.68)	0.93%
March-16	(195,355,228.87)	0.97%
April-16	(153,040,338.49)	0.87%
May-16	(128,389,649.53)	1.12%
June-16	(140,361,914.09)	0.96%
July-16	(161,641,417.62)	1.16%
August-16	(150,972,865.15)	1.18%
September-16	(154,126,985.34)	0.75%
October-16	(157,587,655.66)	0.82%
November-16	(178,938,131.70)	0.97%
December-16	(187,623,519.30)	1.09%
January-17	(170,186,872.89)	1.32%
February-17	(132,967,933.96)	1.35%
March-17	(125,658,929.33)	1.28%
April-17	(111,124,665.76)	1.26%
May-17	(78,185,578.90)	1.29%
June-17	(110,130,714.57)	1.23%
July-17	(115,161,969.73)	1.50%
August-17	(115,483,070.77)	1.52%

Division 1-11

Request:

Please state whether Narragansett has conducted any analyses of refinancing any of its existing long-term debt issues prior to maturity as a means of lowering its embedded cost of long-term debt. If so, please explain why such economic refinancings have not been considered.

Response:

Treasury periodically reviews its debt portfolio for opportunities to economically replace high-cost debt. Call provisions can vary for each debt instrument in its portfolio. Narragansett's existing long-term debt has make whole call provisions that typically make it uneconomic to refinance or redeem prior to maturity. A make whole call provision is a type of call provision that allows the issuer to pay off the remaining debt early with a lump sum cash payment, which is derived from a formula based on the net present value (NPV) of future interest payments that will not be paid because of the call, combined with the principal payment that the investor would have received at maturity. The Company has determined qualitatively that it is not economic, because of the nature of the make whole provision, to retire its existing debt.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-12

Request:

Per Exhibit D of the Application, is the common equity negative entry for 2018 a projection of dividend payments by Narragansett to its parent? If not, please explain this negative item.

Response:

Yes, the negative entry for common equity listed under "Financing Plan" for 2018 in Exhibit D is an estimated projection of dividend payments by Narragansett to its parent.

Division 1-13

Request:

Please state Narragansett's present estimate of its credit spreads for new long-term debt for tenors of five, ten, 20, and 30 years. (Credit spreads are deined as the basis point differentials relative to U.S. Treasury yields.) Also, please provide the details for the 181 basis point credit spread for a Narragansett affiliate referenced in Witness DeRosa's testimony.

Response:

Based on current market conditions, estimated credit spreads relative to U.S. Treasury yields for 5-, 10-, 20-, and 30-year debt are:

5-year +70 basis points
10-year +95 basis points
20-year +100 basis points
30-year +115 basis points

Market conditions are likely to be different when the Company markets the debt offering, so the credit spread(s) that will be achieved is/are likely to be different to the above.

Please see Attachment DIV 1-13 for a calculation of the credit spread equal to 181 basis points for a Narragansett affiliate by subtracting the 30-year, risk-free Treasury rate at March 2016 (2.69%) from the Company's affiliate 30-year bond rate issued in March 2016 (4.50%).

The Brooklyn Union Gas Company

Debt ID	Class	Debt Description	Coupon	Maturity	Rating	Rating Action	Date	Currency
	LT Issuer Rating	Issuer Rating						Domestic
CUS:114259AP9	Senior Unsecured	SR GLOBAL NOTES	4.504	10-Mar-2046	A2	New	10-Mar-2016	USD

latest affliate 30 year debt issued at	4.50
30 year treasury yield (per bloomberg on 3/10/16)	2.69
spread	**1.81**

Division 1-14

Request:

Please provide Narragansett's projections of its Sources and Uses of Funds for 2017, 2018, 2019, and 2020.

Response:

Please see Attachment DIV 1-14.

Narragansett Sources & Uses of Funds ($ million)

Fiscal Year	2017	2018	2019	2020
Sources of Funds				
Internal				
Total Earnings	175.56	174.38	191.54	215.71
Interest Expense	-42.78	-43.06	-42.70	-44.14
Cash Taxes Paid	-35.29	-16.72	-14.99	-26.95
Net Income	97.49	114.60	133.85	144.62
Depreciation and Amortization	118.57	127.59	135.43	142.28
Changes in Working Capital / Other	0.05	23.57	-19.24	-10.19
Total Internal Sources	**216.11**	**265.76**	**250.03**	**276.71**
External				
Equity Contribution	0.00	0.00	0.00	0.00
Long-Term Debt	0.00	250.00	125.00	350.00
Short-Term Borrowings	106.31	0.00	0.00	0.00
Total External Sources	**106.31**	**250.00**	**125.00**	**350.00**
Total Sources of Funds	**322.42**	**515.76**	**375.03**	**626.71**
Uses of Funds				
Capital Expenditures	301.94	269.68	298.17	320.58
Cost of Removal	20.48	17.67	22.55	23.05
Dividends on Common Stock	0.00	125.00	0.00	25.00
Long-Term Debt Redemptions	0.00	0.00	14.46	250.00
Short-Term Debt Redemptions	0.00	103.41	39.84	8.07
Total Uses of Funds	**322.42**	**515.76**	**375.03**	**626.71**

Division 1-15

Request:

Please provide the same information as requested in item 6 but on a projected basis for 2017, 2018, 2019, and 2020.

Response:

Please see the table below summarizing the capital expenditure estimates used for the purpose of determining the total borrowing authority requested.

Capital Expenditure ($ thousand)	**2017**	**2018**	**2019**	**2020**
Electric Dist.	83,000	98,000	105,000	104,000
Gas Dist.	115,000	139,000	144,000	157,000
Electric Trans.	103,000	32,000	50,000	60,000
General	0	0	0	0
Total	**301,000**	**269,000**	**299,000**	**321,000**

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-16

Request:

Please provide a description of Narragansett's credit facility including amount, cost of facility, whether it is in conjunction with an affiliate, and expiration or termination date. Also state whether Narragansett has a commercial paper program that is supported by its credit facility.

Response:

Narragansett does not have an external credit facility or commercial paper program. The Company is a participant in the regulated money pool and can both borrow and invest funds. The regulated money pool is funded by operating funds from participants. Borrowings from the regulated money pool bear interest in accordance with the terms of the Regulated Money Pool Agreement (the Agreement) dated November 12, 2012. Pursuant to R.I. Gen. Laws §39-3-28, the Agreement was filed with the Rhode Island Division of Public Utilities and Carriers on November 9, 2012. The Agreement automatically renews on an annual basis. The average interest rates for the regulated money pool were 1.1% and 0.7% for the years ended March 31, 2017 and 2016, respectively. The Company currently has a $400 million borrowing limit in the regulated money pool as imposed by Federal Energy Regulatory Commission.

Division 1-17

Request:

Please state whether Narragansett believes that during the next three years it will have the authority and/or capability to issue tax-exempt long-term debt. If so, does Narragansett intend to do so?

Response:

Currently Narragansett does not have any available tax exempt capacity allocated to it. Consistent with previously filed applications, Narragansett has requested the ability to issue tax exempt securities in the event that opportunity becomes available during the next three to five years.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-18

Request:

Please state Narragansett's estimate of the yield spread for issuing secured versus unsecured long-term debt.

Response:

The yield spread for issuing secured versus unsecured long-term debt varies. The current spread is estimated to be approximately five to ten basis points.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-19

Request:

Narragansett apparently expects or intends to issue unsecured long-term debt according to Witness DeRosa. Please explain the reason for this preference given that yields on secured debt for a given utility typically are lower as compared to unsecured debt.

Response:

The incremental amount of time and cost to issue secured debt could offset the gain from issuing secured debt, especially during this current period when the spread between secured and unsecured is narrow, i.e. five to ten basis points, as indicated in the Company's response to Division Data Request DIV-18. However, the characteristics of debt issuances will be driven by market conditions and investor demand at the time of the issuance.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-20

Request:

Please provide a description of the procedures Narragansett will use to ensure that it issues its new long-term debt at the lowest reasonable cost (e.g., competitive selection of underwriters, etc.).

Response:

The Company plans to run a selection process to evaluate the fees and capabilities of potential underwriters to deliver the lowest reasonable cost debt for the prevailing market conditions.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-21

Request:

With respect to witness DeRosa's testimony at page 2, please provide both his testimony and the orders or decisions in referenced for Massachusetts D.P.U. Dockets 16-171, 17-36, and 17-37.

Response:

Please see Attachments DIV 1-21-1, DIV 1-21-2, and DIV 1-21-3, DIV 1-21-4, and DIV 1-21-5 for copies of Company witness DeRosa's testimony and the accompanying written order in Massachusetts Dockets D.P.U. 16-171, D.P.U. 17-36, and D.P.U. 17-37, respectively.

Due to the voluminous nature of these attachments, the Company is providing Attachments DIV 1-21-1, DIV 1-21-2, DIV 1-21-3, DIV 1-21-4, and DIV 1-21-5 on CD-ROM.

Please see CD-ROM
Attachments DIV 1-21-1, DIV 1-21-2, DIV 1-21-3, DIV 1-21-4, and DIV 1-21-5

Prepared by or under the supervision of: Legal Department

Division 1-22

Request:

The Application seeks authority for new debt issuance such that the amount shall not exceed $925 million. Please provide the analysis, including all data and calculations showing how the $925 million ceiling amount was determined by Narragansett to be the appropriate and necessary debt issuance authority.

Response:

Please refer to Attachment DIV 1-22, which demonstrates the Company's five-year forecasted financial needs and proposed financing activity. As explained in the direct testimony of Charles V. DeRosa, the $925 million amount was determined by the forecasted financing needs to fund its future capital expenditures and maturing long-term debt, as well as to restructure its capitalization so that it is more aligned with the Company's credit and risk profile, and sound utility and rate setting practices.

($000)	Actual	Projection						
		Pre-Restructuring	Post-Restructuring					
Balance Sheet	3/31/2017	3/31/2018 [1]	3/31/2018	3/31/2019	3/31/2020	3/31/2021	3/31/2022	2018-2022 Total
Long-Term Debt	$843,365	$843,365	$1,093,365	$1,203,901	$1,303,901	$1,393,901	$1,493,901	
Short-Term Debt/(Cash Equivalent)	$125,659	$147,248	$22,248	($17,594) [2]	($25,666) [2]	$2,884	$7,101	
Preferred Stock	$2,454	$2,454	$2,454	$2,454	$2,454	$2,454	$2,454	
Common Equity	$1,904,300	$1,989,658	$1,864,658	$1,961,403	$2,047,924	$2,139,612	$2,260,118	
Goodwill	$724,810	$724,810	$724,810	$724,810	$724,810	$724,810	$724,810	
Common Equity (less Goodwill)	$1,179,490	$1,264,848	$1,139,848	$1,236,593	$1,323,114	$1,414,803	$1,535,308	
Ratemaking Cap Structure (excl. goodwill)								
Long-Term Debt	39.2%	37.4%	48.4%	49.3%	49.6%	49.5%	49.2%	
Short-Term Debt	5.8%	6.5%	1.0%	0.0%	0.0%	0.1%	0.2%	
Preferred Stock	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
Common Equity	54.8%	56.0%	50.5%	50.6%	50.3%	50.3%	50.5%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Financing Needed								
Financing needed per Company's Projections [3]				$85,159	$316,928	$103,550	$104,217	$609,854
Financing Provided								
Equity Contributions/(Dividends) [4]			($125,000)	$0	($25,000)	($25,000)	$0	($175,000)
Long-Term Debt Issued [4]			$250,000	$125,000	$350,000	$100,000	$100,000	$925,000
Short-Term Borrowings/(Redemptions)		$21,589	($125,000)	($39,841)	($8,072)	$28,550	$4,217	($140,146)
Total Financing Provided			$0	$85,159	$316,928	$103,550	$104,217	$609,854

Notes:
[1] FY18 projected balance sheet based on FY17 actuals and FY18 forecast.
[2] Negative short-term debt is indicative of a cash equivalent balance and is not factored into the calculation of capital structure ratios.
[3] Financing needed reflects projected post-investment cash flow, interest expense, cash taxes paid, and maturing LTD.
[4] Projected equity contributions and new LTD issuances restructure FY18 capitalization to align with ~51% equity ratio and maintain that in future years while also providing for the financing need projected.

Division 1-23

Request:

Please state whether Narragansett commits that all $925 million of requested long-term debt authority will be used for the benefit of the Company's electric and gas retail customers. Will any funds be used for the benefit of affiliates or non utility operations? Please explain.

Response:

Narragansett commits that the entire $925 million of requested long-term debt authority is intended for the sole use and benefit of the Company's electric and gas customers (including electric transmission customers) and will not be used by any other affiliate or non-regulated operations. As discussed in the direct testimony of Company witness Charles V. DeRosa, the factors driving the request for authorization to issue new long-term debt include Narragansett's forecasted need of financing investments in new utility plant and replacement of short-term debt that was used for prior construction and replacement of the Company's plant-in-service.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-24

Request:

Please explain in detail why a two-year extension option is in the public interest as opposed to Narragansett filing a new application prior to the end of the three-year authorization. To Narragansett's knowledge, has an extension option ever previously been granted by the Division in conjunction with the granting of debt issuance authority?

Response:

The two-year extension would provide greater administrative efficiency by allowing the Company to secure necessary financing, and alleviate the administrative burden on the Division to litigate another long-term financing application under substantially unchanged conditions. If the Company determines that the extension is necessary, it would file a motion for extension of the authorization period for issuing long-term debt and, in support of its request for an extension of time, the Company would: (1) affirm that new long-term debt issuances are reasonably necessary to serve legitimate utility purposes during the requested extension period as described in the initial filing; (2) demonstrate that the Company's financing needs as of the most recent quarter, for which financial statements are available, warrant the remaining long-term borrowing capacity approved by the Division; and (3) attest that, if granted the extension, the Company would abide by all of the issuance conditions set out in an order approving its application.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-25

Request:

Witness DeRosa states that a new debt issue may be "issued internally to an affiliate." Please explain why such a procedure would be employed. Also, has Narragansett used this method for any of its existing outstanding debt? If so, please identify.

Response:

Funding internally through an affiliate will involve consideration of flexibility in execution and relative economics. For example, internal funding may be appropriate for smaller, shorter-term requirements, where an equivalent public or private placement deal may be less economical; in addition, internal funding can be less costly if other group companies are able to take advantage of pricing benefits in other currencies at short notice.

None of Narragansett's existing outstanding debt was issued under this method.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-26

Request:

The Division's most recent order for Narragansett authorizing new long-term debt issues included several "conditions accompanying approval." Please state whether Narragansett objects to any of those approval conditions (i.e., other than dates and dollar amounts of new debt) for purposes of this docket. If so, please identify each such objectionable condition and the reasons for any objections.

Response:

For purposes of this response, the Company assumes that the reference to "conditions accompanying approval" refers to the terms and conditions of the Settlement Agreement between the Company and the Division, dated October 15, 2012 in Docket No. D-12-12, and incorporated by reference in the Division's written order dated April 26, 2012 in that docket. It is not clear to which "conditions accompanying approval" the question is specifically referring. However, in the Company's application that it submitted in this proceeding, the Company proposed certain variations in the timing and structure of the anticipated debt issuance(s) from that which was agreed to in 2012 based on current market conditions and the current financing needs of the Company. For example, the Company has requested authorization for a three-year term with a two-year extension option. Other variations in the proposed structure of the debt issuance as compared to that which was agreed to in the 2012 Settlement Agreement include the maturity dates, maximum interest rate, and the removal of the discount limit for purposes of evaluating financial instruments, as further discussed on pages 14-15 of Company witness DeRosa's testimony. Without limiting any of its rights with respect to the Application submitted in this proceeding, the Company is open to discussing these terms with the Division and/or its consultant in the interest of working towards a mutually acceptable agreement.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-27

Request:

Please describe fully the "credit enhancement mechanism" referenced by witness DeRosa at page 13. Was such a mechanism employed for any of Narragansett's existing outstanding debt? If so, please explain.

Response:

Depending on market conditions, the New Debt may be supported by a credit enhancement. Examples of customary credit enhancement mechanisms include, but are not limited to, letter of credit or line of credit, standby bond purchase agreement with a bank or other financial entity, or by other credit or liquidity support. No such credit enhancement mechanisms were employed for any Narragansett debt that is currently issued and outstanding.

Division 1-28

Request:

Please provide the evidence the Company is relying upon concerning expectations of rising long-term interest rates.

Response:

Please see Confidential Attachment DIV 1-28 for the Blue Chip Financial Forecast published by Wolters Kluwer on June 1, 2017. The information provided in this attachment is available only through a subscription service and is, therefore, deemed confidential and proprietary pursuant to the terms of that service; hence the Company is seeking confidential treatment of the attachment in its entirety.

Prepared by or under the supervision of: Charles V. DeRosa

Attachment DIV 1-28

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Prepared by or under the supervision of: Charles V. DeRosa

Division 1-29

Request:

With regard to Narragansett's existing outstanding long-term unsecured senior notes, please state which issues involved public offerings versus private placements.

Response:

All of Narragansett's outstanding long-term unsecured senior notes are private placements.

Prepared by or under the supervision of: Charles V. DeRosa

Division 1-30

Request:

Please provide a copy of Narragansett's FERC Form 1 for the year ending December 31, 2016.

Response:

See Attachment DIV 1-30 for a copy of the FERC Form 1 filing for Narragansett. Due to the voluminous nature of this attachment, the Company is providing Attachment DIV 1-30 on CD-ROM.

Prepared by or under the supervision of: Charles V. DeRosa

Attachment DIV 1-30

Please see CD-ROM

Prepared by or under the supervision of: Charles V. DeRosa