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August 29, 2003

VIA HAND DELIVERY

Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Docket No: 3436; Transitional Sales Service Tariff

Dear Luly:

Attached for approval by the Commission is a proposed Transitional Sales Service ("TSS") Tariff applicable to all customers subject to the New England Gas Company's ("Company") Transportation Service Terms and Conditions. This tariff is proposed jointly by the Company and the Division of Public Utilities and Carriers ("Division"), consistent with the Commission's Order of May 1, 2003 to "present a proposal to address the problem of customer migration from transportation service to and from sales service"¹.

On May 13, 2003, the Commission convened a pre-hearing conference to develop a schedule for this filing. Pursuant to this schedule, the Company submitted the testimony of Peter Czekanski on June 26, 2003 and the Division submitted the testimony of Bruce Oliver on August 15, 2003. After the Division submitted its testimony, the parties convened several working sessions, resulting in the attached TSS Tariff. The tariff developed by the Division and the Company provides a straightforward framework for accommodating customer migration from transportation service to firm-sales service. The TSS tariff would apply to customers who either: (a) choose to terminate supplier service; (b) receive a termination notice from a designated supplier; or (c) are served by a designated supplier that has become ineligible to serve the customer. This tariff is not available to customers eligible for, or enrolled in Non-Firm Transportation Service,

¹ Order No. 17444, May 1, 2003; at page 25 (the "Order").

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PUBLIC UTILITIES COMMISSION

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Non-Firm Sales Service, or Default Transportation Service. Further, this tariff will not be applicable to customers who switch from transportation service to firm sales service and have committed to stay on firm sales service for at least 12 months. The Company will secure this commitment in writing from the customer before allowing the customer to return to firm sales service.

The TSS Tariff is designed to apply concurrently with applicable firm sales service rate schedules, and operates by as a monthly surcharge or credit for each eligible customer. The tariff sets forth a formula that is designed to reflect the difference between gas purchases under the Company's gas procurement incentive plan ("GPIP") and the market-based gas price for the same month. Effectively, the TSS customer will be responsible for paying market-based gas prices at the time gas is consumed rather than participating in the GPIP.

Consistent with the TSS Tariff, the Company will prepare its sales service forecast using the assumption that all existing customers will remain under their existing service. The Company will adjust its GPIP forecast if the net change in monthly marketer aggregation pool pipeline-capacity assignments is equal to or greater than 1% of the Company's comparable requirements.

Every FT-1 customer subject to the TSS Tariff surcharge or credit shall also be subject to a one-time storage peaking charge. The calculation for this charge is set forth in the TSS Tariff. This charge recognizes that daily metered transportation customers migrating to firm sales service are not assigned storage and peaking resources but should bear responsibility for the cost of storage and peaking resources needed to meet design winter requirements if they return to sales service. Accordingly, these customers will pay the applicable storage and peaking surcharge since the most recent April 1. If these customers ever revert back to FT-1 transportation service, they will not take any storage in peaking capacity with them.

The TSS Tariff further proposes that surcharges or credits be calculated and applied to customers on a monthly basis. The Company has committed to posting supporting calculations for the surcharges on its website by the second business day of each month. Further, the Company will submit all supporting data to the Commission and Division simultaneously with the posting on the Company's website.

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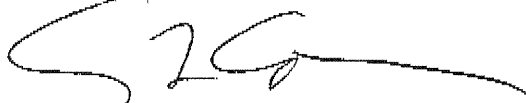
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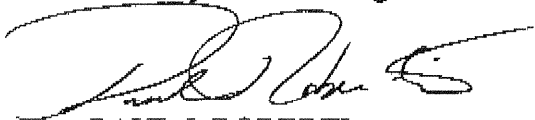
The proposed TSS Tariff is designed to resolve all migration issues identified in the Order and in the prefiled testimony of Mr. Oliver. Accordingly, the Company and the Division request that the proposed tariff become effective as of October 1, 2003.

Thank you for your attention to this matter. If you have any questions, please contact us at your earliest convenience.

Sincerely,



GRAIG L. EATON, #5515
Attorney For New England Gas



PAUL J. ROBERTI
Attorney for the Division of Public Utilities
and Carriers

cc: Service List

New England Gas Company
A Division of Southern Union Company
RIPUC NEGC No. 101

Section 5
Commercial and Industrial Services
Schedule H, Sheet 1

TRANSITIONAL SALES SERVICE
RATE TSS

1.0 AVAILABILITY:

Transitional Sales Service (TSS) shall apply to customers subject to the Transportation Service Term and Conditions. The Company's General Terms and Conditions will govern this Service to the extent not consistent herewith.

TSS is not available to customers eligible for, or enrolled in, the Company's Non-Firm Transportation Service (NFT), Non-Firm Sales Service (NFS) rates, and the Default Transportation Service.

The Company reserves the right to restrict the availability of this service if the Company determines that the integrity of the distribution system is at risk.

2.0 GENERAL CONDITIONS:

TSS is provided by the Company to Customers switching from supplier service to firm sales service. TSS is available to customers (a) who terminate supplier service, (b) who receive a termination notice from a designated supplier, or (c) for whom a designated supplier becomes ineligible to serve the customer.

All customers transferring to firm sales service from either FT-1 service or FT-2 service will be subject to the provisions of this rate schedule in addition to the provisions of the Company's applicable firm sales service rate schedules.

3.0 TERM:

For each customer who transfers to firm sales service from FT-1 service, TSS will be applicable to all firm sales service provided to the Customer through the first April 30th after the customer starts taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year.

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Section 5
Commercial and Industrial Services
Schedule H, Sheet 2

TRANSITIONAL SALES SERVICE
RATE TSS

For each customer transferring to firm sales service from FT-2 service, TSS will be applicable to all firm sales service provided to the Customer through the end of the Customer's first billing cycle subsequent to the first April 30th after the customer starts taking firm sales service or until the Customer enters into a contractual commitment with the Company to take firm sales service continuously for a period of not less than one year.

4.0 SURCHARGE / CREDIT:

For Each Customer utilizing TSS will be subject to a monthly surcharge/credit. The TSS monthly surcharge/credit is designed to charge a market-based price reflecting the cost of gas supplies in the marketplace at the time consumption is occurring for the incremental amount of gas that the Company must purchase over and above the quantities of gas procured for firm sales customers under the provisions of the Company's Gas Procurement Incentive Plan (GPIP). The surcharge/credit will reflect the difference between the GPIP cost of gas for the month in which gas is supplied and a market-based gas price for the same month. This surcharge/credit shall apply to all firm sales service consumption of customers switching from firm transportation service subsequent to April 30th of each year.

4.1 Calculation:

The surcharge/credit for customers who switch to firm sales service from FT-1 or FT-2 service shall be computed as follows:

$$TSS = \{ [(NYMEX_M - GPIP_M) (GPIP_{QM}/Dt_M)] \} - R_{GCR}$$

Where:

TSS = Transitional Sales Service monthly surcharge/credit for customers transferring from FT-1 or FT-2 service.

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Section 5
 Commercial and Industrial Services
 Schedule H, Sheet 3

TRANSITIONAL SALES SERVICE
RATE TSS

$NYMEX_M$ = The NYMEX closing price for month M.

$GPIP_M$ = Average cost of gas purchased under the GPIP for month M.

$GPIP_{QM}$ = The Total Quantity of GPIP purchases for month M.

Dt_M = Total forecasted sales for month M underlying the GPIP.

R_{GCR} = The per Dth Deferred Gas Cost Reconciliation reflected in the current GCR charge.

TSS surcharges/credits will be calculated monthly. Supporting calculations for all components of the applicable surcharges will be posted on the Company's website by the second business day of each month. In addition, supporting workpapers shall be submitted to the Public Utilities Commission and the Division of Public Utilities and Carriers simultaneously with the posting on the Company's website.

5.0 STORAGE AND PEAKING:

FT-1 customers who transfer to firm sales service will be subject to a Storage and Peaking charge for recovery of Storage and Peaking costs. Such charge will be calculated at the time the FT-1 customer transfers to firm sales service based on the customer's actual consumption as an FT-1 transportation customer since the most recent April 1st, multiplied by the currently effective FT-2 Firm Transportation Marketer Gas Charge (Section 2, Schedule A, Item 2.2)

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