

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
BEFORE THE PUBLIC UTILITIES COMMISSION**

**IN RE: NEW ENGLAND GAS COMPANY           :**  
**INVESTIGATION OF DISTRIBUTION       :**     **DOCKET NO. 3459**  
**ADJUSTMENT CLAUSE (DAC)               :**  
**CHARGES                                       :**

**AFFIDAVIT OF DAVID J. EFFRON**

Now comes David J. Effron on behalf of the Division of Public Utilities and Carriers (“Division”), and being duly sworn deposes and states as follows:

1. After reviewing the affidavit of Kenneth Hogan that was submitted as an attachment to the Post-Hearing Brief of New England Gas Company (the “Company”) in Docket No. 3459, I believe that it is necessary to respond to Mr. Hogan’s assertions.
2. The ultimate conclusion in Mr. Hogan’s affidavit is demonstrably false. He states that “the ERI-2 Settlement Agreement provided for the symmetrical accrual of interest charges for the benefit of customers in the event that there was a net credit balance in the fund during the term of ERI-2.” This is wrong. The accrual of interest charges for the benefit of customers at the customer deposit rate, as provided in the Settlement, is **not** symmetrical with the inclusion of net cash expenditures in rate base. Any balance included in rate base earns at the authorized rate of return, which is approximately 12% (including the gross-up for income taxes), substantially higher than the customer deposit rate. Treatment that is symmetrical with Mr. Hogan’s proposed addition of environmental expenditures to rate base would be the deduction of any credit balance in the fund from rate base. That is not what the Settlement Agreement provides.

3. Section II-G-1 of the Settlement states that “An Environmental Response Fund shall be established to create a mechanism to fund the recovery of Environmental Response Costs”. The Environmental Response Fund is the only mechanism designated to **fund** the recovery of Environmental Response Costs. Mr. Hogan concurs that the Company agreed to begin accounting for these costs in a separate fund. The issue of accounting for the return on any Fund balance is completely addressed in Section II-G-1 (b): “Interest shall accrue, for the benefit of customers, on any credit balances in the fund at the customer deposit rate. No interest shall accrue on debit balances.” Inclusion of the debit balance in rate base would provide for the funding of the return requirement outside of the Environmental Response Fund itself, that is through the Company’s overall revenue requirement, and is thus entirely inconsistent with the plain language of the Settlement Agreement.

The foregoing statements are signed under the pains and penalties of perjury this 18<sup>th</sup> day of November, 2002.

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David J. Effron

STATE OF CONNECTICUT

County of Fairfield

In Ridgefield in said County on the 18<sup>th</sup> day of November, 2002, David J. Effron personally appeared before me as the party executing the foregoing instrument and he acknowledged that his signature was his free act and deed.

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Notary Public  
Commission Expires \_\_\_\_\_