

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

)	
IN RE:)	
NEW ENGLAND GAS COMPANY)	DOCKET NO. 3459
DISTRIBUTION ADJUSTMENT)	
CLAUSE)	

AFFIDAVIT OF KENNETH W. HOGAN

Now comes Kenneth W. Hogan on behalf of the New England Gas Company, with a business address of 65 Newport Avenue, East Providence, Rhode Island 02916, and after being duly sworn deposes and states as follows:

1. On and before October 1, 2000, which is the effective date of the approval of the ERI-2 Settlement Agreement by the Rhode Island Public Utilities Commission (the "Commission"), I served as Senior Vice President of Finance and Administration for the New England Division of the Southern Union Company, which included Valley Gas Company/Bristol & Warren Gas Company ("Valley Gas") and Providence Gas Company ("ProvGas") (together, the "New England Division").

2. During my tenure as Senior Vice President of Finance and Administration, I was a full participant in the settlement discussions between the New England Division and the Division of Public Utilities and Carriers, which culminated in the ERI-2 Settlement Agreement approved by the Commission in Docket No. 2581.

3. During the Commission's review of the proposed ERI-2 Settlement Agreement, I testified at length on behalf of the New England Division on a range of

financial and ratemaking issues investigated by the Commission in making its determination as to the propriety of the ERI-2 Settlement Agreement.

3. I am providing this affidavit in support of the New England Gas Company's ("NEGC" or the "Company") calculation of earnings and return on equity for the 21-month period commencing October 1, 2000 through June 30, 2002, which is under review by the Commission as part of its investigation of the 2002-03 Distribution Adjustment Clause ("DAC") factor in Docket No. 3459.

4. In particular, I have read the transcript from the Commission's October 22, 2002 hearing on the Company's proposed DAC in Docket No. 3459. At the hearing, the Division's witness, Mr. Effron made certain representations regarding the intent of the parties on issues underlying the return on equity calculation of the ERI-2 Settlement Agreement (see, e.g., Tr. at 186, lns 1-3). I disagree with his representations regarding the intent of the parties in relation to the treatment of environmental expenses, as discussed in the transcript at pages 146-152 and 192-195. Mr. Effron's representations are inaccurate and are not consistent with my testimony or the supporting documentation provided by the Company during the Commission's review of the ERI-2 Settlement Agreement in Docket No. 2581. Therefore, I am providing this affidavit in support of the Company's inclusion of actual cash expenditures for environmental remediation in the accumulated depreciation portion of the rate-base calculation.

5. During my tenure with the New England Division, the Quarterly Earnings Reports required under the terms of the Energize Rhode Island Price Stabilization Plan (the "PSP" or "ERI-1") were prepared under my direct supervision and control. I have attached as Appendix 1, the ERI-1 Quarterly Report for the periods ending September 30,

1999 and June 30, 2000. For each of these reports, I have also included the supporting workpapers that detail the items reflected in the Accumulated Depreciation balance. As shown on these schedules, accrued and actual cash expenditures for environmental remediation costs were included in the calculation of the Accumulated Depreciation balance, and therefore, were also included in the calculation of rate base for purposes of the earnings reports.

6. The ERI-2 Settlement Agreement maintained and extended the treatment accorded to these costs under the PSP, except for two items. First, the Company agreed with the Division to exclude accrued environmental costs from the balance of Accumulated Depreciation (leaving in actual cash expenditures) in calculating the rate-base component of the Company's return on equity under ERI-2. Accrued costs are those that are known and estimable by the Company but not yet incurred, and therefore, the Company agreed to exclude those costs from the return on equity calculation under ERI-2. I discussed and demonstrated this change in response to data request DIV 8-02 in Dkt. No. 2581 (attached) and in my testimony before the Commission (see Dkt. No. 2581, Tr. at 82 (lns. 13-22) and 131 (lns.6-17)).

7. In DIV 8-02, I reconciled the balance of the Accumulated Depreciation account provided in the ERI-1 Quarterly Reports for the periods ending September 30, 1999 and June 30, 2000, with the sample earnings calculation provided in support of the ERI-2 Settlement Agreement as Data Request RIPUC 1-09 (Docket No. 2581). In DIV 8-02, I noted that the only difference between the Accumulated Depreciation account in the ERI-1 Quarterly Reports and the sample earnings calculation in the ERI-2 docket, was the

removal of the accruals for future spending on environmental costs. I also noted that the rate base continued to reflect actual expenditures.

8. Second, because environmental costs were projected to increase during the term of ERI-2, the Company agreed to begin accounting for these costs in a separate “fund,” pending a final determination by the Commission in the Company’s next cost-of-service proceeding as to the appropriate accounting and ratemaking treatment to be accorded these environmental remediation costs going forward (see ERI-2 Settlement Agreement, Section G, paragraph 1(a) and (d)).

9. Because the environmental remediation costs were included in the Accumulated Depreciation portion of rate base under ERI-1 (actual and accrued) and ERI-2 (actual only), 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 (see ERI-2 Settlement Agreement at Section G.1(b)). Thus, this provision has no bearing on the inclusion of actual cash expenditures in the Accumulated Depreciation portion of rate base.

The foregoing statements are signed under the pains and penalties of perjury this 7
day of November, 2002.

Kenneth W. Hogan
Kenneth W. Hogan

State of Rhode Island
County of Providence

In E. Providence, RI in said County on the 7th day of
November, 2002, before me personally appeared Kenneth W. Hogan
each and all to me known, and known by me to be the party executing the foregoing
instrument, and he acknowledged said instrument, by
him executed to be his free act and deed.

Anne W. Connor
Notary Public
Commission Expires 12/23/08

ProvGas
A ProvEnergy Company



ATTACHMENT

December 10, 1999

Ms. Luly Massaro
Public Utilities Commission
100 Orange Street
Providence, RI 02903

Re: Docket No. 2581

Dear Ms. Massaro:

Attached please find the quarterly report for the fourth quarter of Fiscal Year 1999.

Very truly yours,

Timothy S. Lyons

Timothy S. Lyons
Vice President Marketing and
Regulatory Affairs

cc: Service List Docket No. 2581

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PUBLIC UTILITIES COMMISSION

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DOCKET No. 2581

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PROVIDENCE GAS COMPANY

QUARTERLY PUC REPORT

SEPTEMBER 30, 1999

QUARTERLY PUC REPORT
SEPTEMBER 30, 1999

The Providence Gas Company (the "Company") hereby submits the attached information in accordance with the provisions of the Settlement Agreement in Docket No. 2581, the Company's Price Stabilization Plan. The Company maintains its records in conformity with Generally Accepted Accounting Principles. However, the information contained in this report has been prepared based on regulatory directives, including Docket No. 2581, as outlined below:

1. *67% of executive compensation expense for the twelve months ended September 30, 1999 is classified below the line.*

Executive compensation expense: \$355,062

2. *100% of Teamshare compensation for the twelve months ended September 1999 is classified below the line.*

Teamshare compensation expense: \$50,215

3. *The Company 401(k) matching contribution over 40% for the 12 months ended September 1999 is classified below the line.*

401(k) matching contribution over 40%: \$168,313

4. *100% of expenses relating to the Supplemental Employee Retirement Plans (SERP) for the 12 months ended September 1999 are classified below the line.*

SERP expenses: \$480,610

5. *Advertising expenses for the 12 months ended September 1999 disallowed in Docket #2286 have been classified below the line.*

Advertising expenses: \$301,683

6. *Interest on customer arrears for the 12 months ended September 1999 is classified above the line.*

Interest on customer arrears: \$283,953

7. *Federal income taxes associated with the above reclassifications have been classified below the line.*

Federal income tax expense: \$557,544

PROVIDENCE GAS COMPANY
TABLE OF CONTENTS

	<u>PAGE REFERENCE</u>
SUMMARY PAGE	2
RETURN ON EQUITY	3
STATEMENTS OF INCOME	4
NON-OPERATING INCOME	5
SUMMARY OF COMMON EQUITY	6
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES	7
CAPITALIZATION	8
SHORT-TERM DEBT	9
LONG-TERM DEBT	10
RATE BASE	11
CALENDAR DEGREE DAYS	12
THROUGHPUT	13

PROVIDENCE GAS COMPANY
SUMMARY PAGE
(unaudited)

RETURN ON EQUITY:

<u>THREE</u> <u>MONTHS ENDED</u> <u>SEPTEMBER 1999</u>	<u>TWELVE</u> <u>MONTHS ENDED</u> <u>SEPTEMBER 1999</u>
<u>-4.79%</u>	<u>10.87%</u>

In accordance with Docket No. 2581, the Company's Return on Equity is measured based on the fiscal period ended September 30.

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED SEPTEMBER 30, 1999
RETURN ON EQUITY
(unaudited)

	THREE MONTHS ENDED SEPTEMBER 1999	ACTUAL TWELVE MONTHS ENDED SEPTEMBER 1999
<u>RETURN ON EQUITY</u>		
LINE 1: RATE OF RETURN (LINE 2/ LINE 3)	<u>-4.79%</u>	<u>10.87%</u>
LINE 2: NET INCOME AVAILABLE FOR COMMON (EXCLUDES NON-OPERATING INCOME) (1)	(\$4,389,248)	\$9,395,793
LINE 3: AVERAGE COMMON EQUITY	<u>\$91,571,015 (2)</u>	<u>\$86,408,730 (3),(4)</u>

(1) After preferred stock dividend of \$69,600 for the quarter and \$348,000 for the twelve month period.

(2) Average of June 30, 1999 ending balance of \$91,965,088 and September 30, 1999 ending balance of \$91,176,941.

(3) Average of September 30, 1999 ending balance of \$91,176,941 and September 30, 1998 ending balance of \$81,640,519.

(4) The actual average common equity for September 30, 1999 was above the equity cap established in Docket 2581. However, the Company's return on equity did not exceed 10.9% of the equity cap of \$86,200,000 under the terms of Docket 2581. (i.e. \$9,395,793/\$86,200,000 = 10.9%)

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED SEPTEMBER 30, 1999
STATEMENTS OF INCOME
(unaudited)

	JULY 1999	AUGUST 1999	SEPTEMBER 1999	QUARTER ENDED SEPTEMBER 1999	TWELVE MONTHS ENDED SEPTEMBER 1999
OPERATING REVENUES					
TOTAL FIRM GAS	\$ 6,079,899	\$ 5,490,602	\$ 6,875,026	\$ 18,445,527	\$ 174,567,712
CONTRACT AND OTHER	143,337	135,071	173,494	451,902	3,016,471
INTERRUPTIBLE	20,339	20,339	20,339	61,017	245,675
OTHER (A)	95,049	105,801	114,825	315,675	1,792,891
TOTAL OPERATING REV	<u>6,338,624</u>	<u>5,751,813</u>	<u>7,183,684</u>	<u>19,274,121</u>	<u>179,622,749</u>
OPERATING EXPENSES					
PRODUCTION	1,923,280	2,174,263	2,570,522	6,668,065	82,605,371
STORAGE	57,522	68,017	97,699	223,238	1,284,992
DISTRIBUTION	1,148,862	1,027,852	1,266,410	3,443,124	14,869,999
CUSTOMER ACCOUNTS	862,482	688,805	745,982	2,297,269	10,769,879
SALES	48,695	48,043	92,342	189,080	787,069
ADMIN & GEN (B)	882,113	1,775,551	1,615,505	4,273,169	17,153,636
TOTAL FUNCTIONAL EXP	<u>4,922,954</u>	<u>5,782,531</u>	<u>6,388,460</u>	<u>17,093,945</u>	<u>127,470,946</u>
OTHER EXPENSES					
DEPRECIATION & AMORT.	1,383,747	1,274,548	1,629,328	4,287,623	16,565,165
LOCAL AND OTHER TAXES	278,442	1,054,565	675,108	2,008,115	8,229,723
STATE TAXES	189,632	178,832	150,583	519,047	5,330,767
FEDERAL INCOME TAXES	(343,977)	(1,066,301)	(767,859)	(2,178,137)	5,182,466
TOTAL OTHER EXPENSES	<u>1,507,844</u>	<u>1,441,644</u>	<u>1,687,160</u>	<u>4,636,648</u>	<u>35,308,121</u>
OPERATING INCOME	<u>(92,174)</u>	<u>(1,472,362)</u>	<u>(891,936)</u>	<u>(2,456,472)</u>	<u>16,843,682</u>
NON-OPERATING INCOME	<u>69,679</u>	<u>1,549</u>	<u>(111,977)</u>	<u>(40,749)</u>	<u>51,316</u>
INCOME BEFORE INT EXP	<u>(22,495)</u>	<u>(1,470,813)</u>	<u>(1,003,913)</u>	<u>(2,497,221)</u>	<u>16,894,998</u>
INTEREST EXPENSE					
LONG-TERM DEBT	597,925	590,892	590,264	1,779,081	6,805,821
OTHER	2,669	31,565	49,861	84,095	294,068
TOTAL INTEREST EXPENSE	<u>600,594</u>	<u>622,457</u>	<u>640,125</u>	<u>1,863,176</u>	<u>7,099,889</u>
NET INCOME	<u>(623,089)</u>	<u>(2,093,270)</u>	<u>(1,644,038)</u>	<u>(4,360,397)</u>	<u>9,795,109</u>
PREFERRED DIVIDENDS	69,600	-	-	69,600	348,000
NET INC APPL TO CMN STK	<u>\$ (692,689)</u>	<u>\$ (2,093,270)</u>	<u>\$ (1,644,038)</u>	<u>\$ (4,429,997)</u>	<u>\$ 9,447,109</u>

(A) Includes interest on customer arrears.
(B) Includes interest on customer deposits.

PROVIDENCE GAS COMPANY
NON-OPERATING INCOME
(unaudited)

	JULY 1999	AUGUST 1999	SEPTEMBER 1999	QTR ENDED SEPTEMBER 1999	TWELVE MONTHS ENDED SEPTEMBER 1999
<u>INCOME (EXPENSE):</u>					
A.F.U.D.C. (EQUITY)	\$ 67,425	\$ 30,674	\$ 40,151	\$ 138,250	\$ 548,256
AMORTIZATION ITC	13,073	13,073	13,073	39,219	156,876
NON-OPERATING INC TAX	4,723	20,847	84,414	109,984	352,671
ADVERTISING DISALLOWED, DOCKET #2286	(142)	(988)	(177,707)	(178,837)	(301,683)
RENTAL ACTIVITY, NET	(305)	(382)	10	(677)	(5,351)
AMORTIZATION - ACQ ADJ	(2,189)	(2,189)	(2,189)	(6,567)	(26,268)
RIGNEF	(1,473)	-	-	(1,473)	(42,066)
GAIN/LOSS ON SALE OF PROPERTY	-	-	(16,169)	(16,169)	(16,169)
OTHER INC, (EXP)	57,564	26,020	205,454	289,037	439,250
EXECUTIVE COMPENSATION (SHAREHOLDER)	(24,778)	(24,778)	(106,869)	(156,425)	(355,062)
EXCESS 401(k) CONTRIBUTION	(12,514)	(29,654)	(13,076)	(55,244)	(168,313)
SERP EXPENSES (SHAREHOLDER)	(29,032)	(29,032)	(138,523)	(196,587)	(480,610)
TEAMSHARE COMPENSATION (SHAREHOLDER)	(2,673)	(2,042)	(545)	(5,260)	(50,215)
TOTAL	\$69,679	\$1,549	(\$111,976)	(\$40,749)	\$51,316

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED SEPTEMBER 30, 1999
SUMMARY OF COMMON EQUITY
(unaudited)

	<u>QUARTER AVERAGE SEPTEMBER 1999</u>	<u>FISCAL YTD AVERAGE SEPTEMBER 1999</u>
Average Common Equity	<u>\$ 91,571,015</u>	<u>\$ 86,408,730 *</u>
Fiscal 1999 Equity Cap	<u>\$ 86,200,000</u>	<u>\$ 86,200,000</u>

* The actual average common equity for September 30, 1999 was above the equity cap established in Docket 2581. However, the Company's return on equity did not exceed 10.9% of the equity cap of \$86,200,000 under the terms of Docket 2581. (i.e. \$9,395,793/\$86,200,000 = 10.9%)

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED SEPTEMBER 30, 1999
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES
(unaudited)

	<u>TWELVE MONTHS ENDED SEPTEMBER 1999</u>	<u>FISCAL 1999 O&M CAP</u>
Operation and Maintenance Expenses	\$ 44,865,575	\$ 48,406,500
Total Functional Expense	\$ 127,470,946	
Less Production Expense	\$ (82,605,371)	
Operation and Maintenance Expenses	<u>\$ 44,865,575</u>	
Fiscal 1996 Operation and Maintenance Expenses approved in Docket #2581		\$ 46,500,000
Compound Inflation Factor		1.041
Fiscal 1999 Operation and Maintenance Expense Cap		<u>\$ 48,406,500</u>

Inflation Factor (1)	<u>GDP Price Index</u>	<u>Consumer Price Index</u>	<u>Average</u>
Price Index at 9/30/96 (1)	110.60	157.50	
Forecasted Price Index at 9/30/99 (2)	114.50	167.20	
Increase	3.90	9.70	
Inflation Factor	<u>3.53%</u>	<u>6.16%</u>	<u>4.84%</u>
Allowed Inflation			<u>0.85</u>
			<u>4.1%</u>

(1) Information published in Blue Chip Economic Indicators dated December 10, 1997.

(2) Information published in Blue Chip Economic Indicators dated October 10, 1999.

PROVIDENCE GAS COMPANY
CAPITALIZATION
(unaudited)

<u>TYPE OF CAPITAL</u>	<u>JULY 99</u>	<u>AUGUST 99</u>	<u>SEPTEMBER 99</u>	<u>QUARTER AVERAGE SEPTEMBER 99</u>	<u>12 MONTH AVERAGE SEPTEMBER 99</u>
COMMON EQUITY	\$90,090,042	\$88,008,155	\$91,176,941	\$91,571,015 (1)	\$86,408,730 (2)
PREFERRED EQUITY	\$3,200,000	\$3,200,000	\$3,200,000	\$3,200,000	3,733,333 (3)
LONG-TERM DEBT	\$93,734,485	\$92,696,448	\$92,369,214	\$92,933,382	89,008,902 (3)
SHORT-TERM DEBT	\$6,200,000	\$13,600,000	\$11,800,000	\$10,533,333	7,258,333 (3)
TOTAL	<u>\$193,224,527</u>	<u>\$197,504,603</u>	<u>\$198,546,155</u>	<u>\$198,237,730</u>	<u>\$186,409,298</u>

(1) AVERAGE OF JULY 1, 1999 AND SEPTEMBER 30, 1999 MONTH END BALANCES

(2) AVERAGE OF SEPTEMBER 30, 1999 AND SEPTEMBER 30, 1998 MONTH END BALANCES

(3) 12 MONTH AVERAGE BALANCES

PROVIDENCE GAS COMPANY
SHORT-TERM DEBT
(unaudited)

<u>MONTH</u>	<u>WEIGHTED AVERAGE DAILY BALANCE</u>
SEPTEMBER '98	5,468,055
OCTOBER	9,306,740
NOVEMBER	11,444,384
DECEMBER	14,501,507
JANUARY '99	15,616,438
FEBRUARY	3,004,932
MARCH	5,595,572
APRIL	2,912,877
MAY	230,137
JUNE	1,578,082
JULY	4,135,890
AUGUST	9,721,644
SEPTEMBER	<u>12,141,370</u>
QUARTER AVERAGE SEPTEMBER 1999	<u><u>8,666,301</u></u>
THIRTEEN MONTH AVERAGE SEPTEMBER 1999	<u><u>7,358,279</u></u>

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
SEPTEMBER 30, 1999
LONG-TERM DEBT
(unaudited)

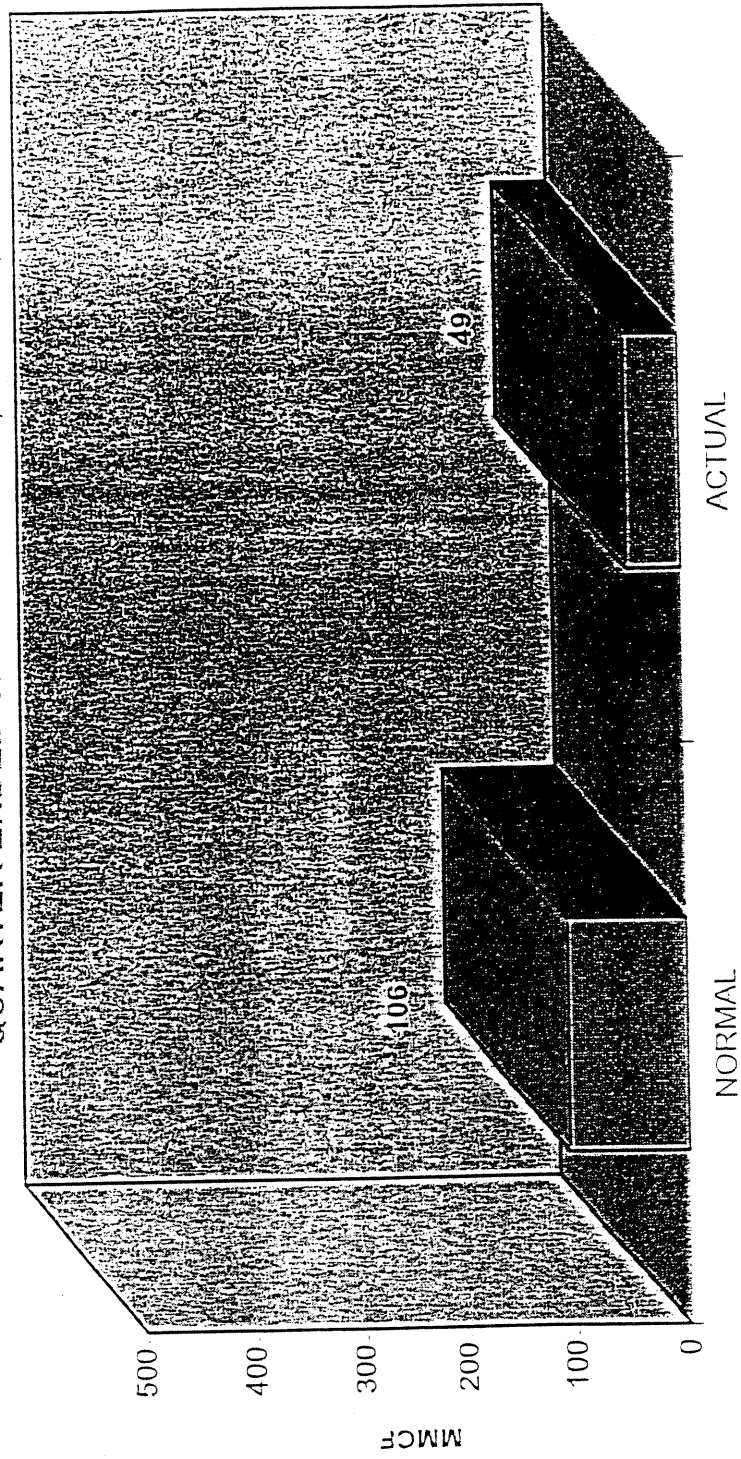
<u>DEBT DESCRIPTION</u>	<u>CURRENT PORTION</u>	<u>LONG-TERM PORTION</u>	<u>TOTAL DEBT</u>
SERIES M 10.25% DUE 7/31/08	\$ 909,000	\$ 910,000	\$ 1,819,000
SERIES N 9.63% DUE 05/30/20	-	\$ 10,000,000	10,000,000
SERIES O 8.46% DUE 09/30/22	-	\$ 12,500,000	12,500,000
SERIES P 8.09% DUE 09/30/22	-	\$ 12,500,000	12,500,000
SERIES Q 5.62% DUE 11/30/03	1,600,000	\$ 6,400,000	8,000,000
SERIES R 7.5% DUE 12/15/25	-	\$ 15,000,000	15,000,000
SERIES S 6.82% DUE 4/1/18	-	\$ 15,000,000	15,000,000
SERIES T 6.50% DUE 2/1/29	-	\$ 15,000,000	15,000,000
OTHER LONG TERM DEBT	663,307	\$ 1,330,849	1,994,156
CAPITAL LEASE	220,694	\$ 335,364	556,058
 TOTAL	 \$3,393,001	 \$88,976,213	 \$92,369,214

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT-RATE BASE
QUARTER ENDED SEPTEMBER 30, 1999
(unaudited)

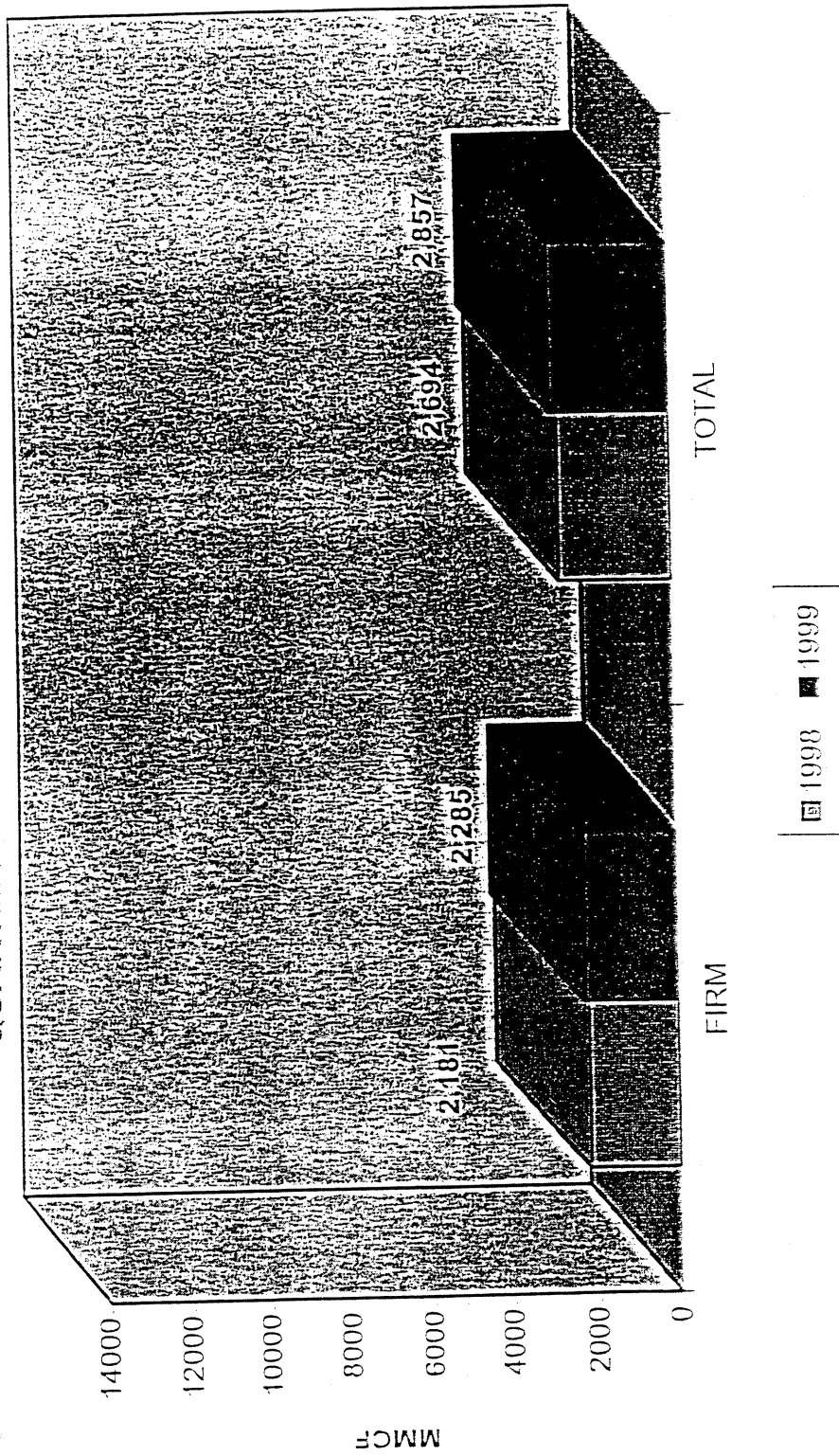
	JULY 1999	AUGUST 1999	SEPTEMBER 1999	QUARTER AVERAGE SEPTEMBER 1999	THIRTEEN MONTH AVERAGE SEPTEMBER 1999
GAS PLANT IN SERVICE	\$ 306,452,129	\$ 307,729,211	\$ 320,503,183	\$ 311,561,508	301,321,182
ACCUMULATED DEPRECIATION	120,953,666	122,242,101	109,300,338	117,498,702	117,006,443
NET PLANT	185,498,463	185,487,110	211,202,845	194,062,806	184,314,739
MATERIALS AND SUPPLIES	1,134,874	1,110,542	993,526	1,079,647	1,103,282
DEFERRED DEBITS	4,795,084	4,884,920	7,443,421	5,707,808	4,342,413
GAS INVENTORIES	-	-	-	-	1
CASH WORKING CAPITAL (1)	5,581,000	5,581,000	5,581,000	5,581,000	5,581,000
	11,510,958	11,576,462	14,017,947	12,368,456	11,026,696
ACCUMULATED DEFERRED FIT	22,747,978	22,929,478	22,463,175	22,713,544	21,971,578
ACCUMULATED DEFERRED ITC	2,066,157	2,053,083	2,040,010	2,053,083	2,118,450
CUSTOMER DEPOSITS	2,816,100	2,901,540	2,923,394	2,880,345	2,926,670
INJURY AND DAMAGE RESERVE	511,240	520,817	494,032	508,696	470,525
	28,141,475	28,404,918	27,920,611	28,155,668	27,487,023
RATE BASE	\$168,867,946	\$168,658,654	\$197,300,181	\$178,275,593	\$167,854,412

(1) Actual cash working capital requirements calculated based on refinements to Docket #2082's methodology is \$11,898,000.

CALENDAR DEGREE DAYS
QUARTER ENDED SEPTEMBER 30, 1999



THROUGHPUT
 QUARTER ENDED SEPTEMBER 30, 1999



ProvGas
A ProvenEnergy Company



August 7, 2000

Ms. Luly Massaro
Public Utilities Commission
100 Orange Street
Providence, RI 02903

Re: Docket No. 2581

Dear Ms. Massaro:

Attached please find the quarterly report for the third quarter of Fiscal Year 2000.

Very truly yours,

Timothy S. Lyons
Vice President Marketing and
Regulatory Affairs

cc: Service List Docket No. 2581

SERVICE LIST
DOCKET No. 2581

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PROVIDENCE GAS COMPANY

QUARTERLY PUC REPORT

JUNE 30, 2000

QUARTERLY PUC REPORT
JUNE 30, 2000

The Providence Gas Company (the "Company") hereby submits the attached information in accordance with the provisions of the Settlement Agreement in Docket No. 2581, the Company's Price Stabilization Plan. The Company maintains its records in conformity with Generally Accepted Accounting Principles. However, the information contained in this report has been prepared based on regulatory directives, including Docket No. 2581, as outlined below:

1. *67% of executive compensation expense for the twelve months ended June 2000 is classified below the line.*

Executive compensation expense: \$384,495

2. *100% of Teamshare compensation for the twelve months ended June 2000 is classified below the line.*

Teamshare compensation expense: \$26,137

3. *The Company 401(k) matching contribution over 40% for the 12 months ended June 2000 is classified below the line.*

401(k) matching contribution over 40%: \$187,089

4. *100% of expenses relating to the Supplemental Employee Retirement Plans (SERP) for the 12 months ended June 2000 are classified below the line.*

SERP expenses: \$571,878

5. *Advertising expenses for the 12 months ended June 2000 disallowed in Docket #2286 have been classified below the line.*

Advertising expenses: \$223,216

6. *Interest on customer arrears for the 12 months ended June 2000 is classified above the line.*

Interest on customer arrears: \$135,560

7. *Federal income taxes associated with the above reclassifications have been classified below the line.*

Federal income tax expense: \$519,648

PROVIDENCE GAS COMPANY
TABLE OF CONTENTS

	<u>PAGE REFERENCE</u>
SUMMARY PAGE	2
" RETURN ON EQUITY	3
STATEMENTS OF INCOME	4
NON-OPERATING INCOME (LOSS)	5
SUMMARY OF COMMON EQUITY	6
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES	7
CAPITALIZATION	8
SHORT-TERM DEBT	9
LONG-TERM DEBT	10
RATE BASE	11
CALENDAR DEGREE DAYS	12
THROUGHPUT	13

PROVIDENCE GAS COMPANY
SUMMARY PAGE
(unaudited)

RETURN ON EQUITY:

<u>THREE MONTHS ENDED JUNE 2000</u>	<u>TWELVE MONTHS ENDED JUNE 2000</u>
<u>-1.45%</u>	<u>9.18%</u>

In accordance with Docket No. 2581, the Company's Return on Equity is measured based on the fiscal period ended September 30.

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED JUNE 30, 2000
RETURN ON EQUITY
(unaudited)

	<u>THREE MONTHS ENDED JUNE 2000</u>	<u>TWELVE MONTHS ENDED JUNE 2000</u>
<i>RETURN ON EQUITY</i>		
LINE 1: RATE OF RETURN (LINE 2/LINE 3)	<u>-1.45%</u>	<u>9.18%</u>
LINE 2: NET INCOME AVAILABLE FOR COMMON (EXCLUDES NON-OPERATING INCOME)	(\$1,474,900)	\$8,838,296 (1)
LINE 3: AVERAGE COMMON EQUITY	<u>\$101,920,958 (2)</u>	<u>\$96,292,842 (3)</u>

(1) After preferred stock dividend of \$214,600 for the twelve month period.

(2) Average of March 31, 2000 ending balance of \$103,221,320 and June 30, 2000 ending balance of \$100,620,596.

(3) Average of June 30, 2000 ending balance of \$100,620,596 and June 30, 1999 ending balance of \$91,965,088.

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED JUNE 30, 2000
STATEMENTS OF INCOME

(unaudited)

	APRIL 2000	MAY 2000	JUNE 2000	QUARTER ENDED JUNE 2000	TWELVE MONTHS ENDED JUNE 2000
<u>OPERATING REVENUES</u>					
TOTAL FIRM GAS	\$ 15,507,471	\$ 8,061,660	\$ 7,867,043	\$ 31,436,174	\$ 178,616,700
CONTRACT AND OTHER	505,945	364,861	377,323	1,248,129	3,867,519
INTERRUPTIBLE	29,164	29,164	29,164	87,492	322,692
OTHER (A)	376,917	385,214	178,964	941,095	2,617,406
TOTAL OPERATING REV	16,419,497	8,840,899	8,452,494	33,712,890	185,424,317
<u>OPERATING EXPENSES</u>					
PRODUCTION	7,364,304	4,380,170	2,896,242	14,640,716	86,142,734
STORAGE	41,797	25,760	20,334	87,891	841,538
DISTRIBUTION	1,325,732	1,201,848	1,122,327	3,649,907	14,439,511
CUSTOMER ACCOUNTS	1,135,623	741,800	750,624	2,628,047	10,211,980
SALES	86,830	91,218	79,021	257,069	774,044
ADMIN & GEN (B)	1,180,489	2,000,276	1,693,051	4,873,816	19,302,499
TOTAL FUNCTIONAL EXP	11,134,775	8,441,072	6,561,599	26,137,446	131,712,306
<u>OTHER EXPENSES</u>					
DEPRECIATION & AMORT.	1,506,256	1,492,830	1,457,461	4,456,547	17,756,938
LOCAL AND OTHER TAXES	768,289	731,301	728,636	2,228,226	8,681,357
STATE TAXES	463,544	263,495	246,822	973,861	5,425,861
FEDERAL INCOME TAXES	630,477	(940,795)	(412,386)	(722,704)	4,822,593
TOTAL OTHER EXPENSES	3,368,566	1,546,831	2,020,533	6,935,930	36,686,749
<u>OPERATING INCOME (LOSS)</u>	1,916,156	(1,147,004)	(129,638)	639,514	17,025,262
<u>NON-OPERATING INCOME (LOSS)</u>	25,678	(5,044)	(404)	20,230	(74,924)
<u>INCOME BEFORE INT EXP</u>	1,941,834	(1,152,048)	(130,042)	659,744	16,950,338
<u>INTEREST EXPENSE</u>					
LONG-TERM DEBT	582,771	582,468	581,864	1,747,103	7,038,263
OTHER	133,521	120,778	113,012	367,311	934,103
TOTAL INTEREST EXPENSE	716,292	703,246	694,876	2,114,414	7,972,366
<u>NET INCOME (LOSS)</u>	1,225,542	(1,855,294)	(824,918)	(1,454,670)	8,977,972
PREFERRED DIVIDENDS	-	-	-	-	214,600
<u>NET INC (LOSS) APPL TO CMN STA</u>	\$ 1,225,542	\$ (1,855,294)	\$ (824,918)	\$ (1,454,670)	\$ 8,763,372

(A) Includes interest on customer arrears.
(B) Includes interest on customer deposits.

PROVIDENCE GAS COMPANY
NON-OPERATING INCOME (LOSS)
(unaudited)

	<u>APRIL</u> 2000	<u>MAY</u> 2000	<u>JUNE</u> 2000	<u>QTR ENDED</u> <u>JUNE 2000</u>	<u>TWELVE</u> <u>MONTHS ENDED</u> <u>JUNE 2000</u>
<i>INCOME (EXPENSE):</i>					
A.F.U.D.C. (EQUITY)	\$ 61,581	\$ 35,325	\$ 39,378	\$ 136,284	\$ 433,983
AMORTIZATION ITC	13,073	13,073	13,073	39,219	156,876
NON-OPERATING INC TAX	24,351	26,776	26,321	77,448	331,768
ADVERTISING DISALLOWED, DOCKET #2286	(667)	(8,247)	(2,467)	(11,381)	(223,216)
RENTAL ACTIVITY, NET	(355)	(120)	(404)	(879)	(5,568)
AMORTIZATION - ACQ ADJ	(2,189)	(2,189)	(2,189)	(6,567)	(26,268)
RIGNEF	-	(28)	(4,146)	(4,174)	(45,496)
GAIN/LOSS ON SALE OF PROPERTY	-	(28,222)	-	(28,222)	(44,391)
OTHER INC. (EXP)	22,042	47,378	18,026	87,446	516,987
EXECUTIVE COMPENSATION (SHAREHOLDER)	(31,353)	(31,353)	(31,353)	(94,059)	(384,495)
EXCESS 401(k) CONTRIBUTION	(17,012)	(13,644)	(13,236)	(43,892)	(187,089)
SERP EXPENSES (SHAREHOLDER)	(41,699)	(41,699)	(41,699)	(125,097)	(571,878)
TEAMSHARE COMPENSATION (SHAREHOLDER)	(2,094)	(2,094)	(1,708)	(5,896)	(26,137)
TOTAL	<u>\$ 25,678</u>	<u>\$ (5,044)</u>	<u>\$ (404)</u>	<u>\$ 20,230</u>	<u>\$ (74,924)</u>

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED JUNE 30, 2000
SUMMARY OF COMMON EQUITY

(unaudited)

QUARTER
AVERAGE
JUNE 2000

Average Common Equity

\$ 101,920,958

Fiscal 2000 Equity Cap

\$ 92,000,000

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
QUARTER ENDED JUNE 30, 2000
SUMMARY OF OPERATION AND MAINTENANCE EXPENSES
(unaudited)

	<i>TWELVE MONTHS ENDED JUNE 2000</i>	<i>FISCAL 2000 O&M CAP</i>
Operation and Maintenance Expenses	\$ 45,569,572	\$ 49,755,000
Total Functional Expense	\$ 131,712,306	
Less Production Expense	(86,142,734)	
Operation and Maintenance Expenses	\$ 45,569,572	
Fiscal 1996 Operation and Maintenance Expenses approved in Docket #2581		\$ 46,500,000
Compound Inflation Factor		1.070
Fiscal 2000 Operation and Maintenance Expense Cap		\$ 49,755,000

	<i>GDP Price Index</i>	<i>Consumer Price Index</i>	<i>Average</i>
Inflation Factor (1)			
Price Index at 9/30/96 (1)	100.2	157.4	
Forecasted Price Index at 9/30/00 (2)	107.0	172.5	
Increase	6.8	15.1	
Inflation	6.79%	9.59%	8.19%
Factor			0.85
Allowed Inflation			7.0%

(1) On October 28, 1999 the U.S. Department of Commerce, Bureau of Economic Analysis (the Bureau) revised the Gross Domestic Product (GDP) Price Indices for changes in their methodologies. The 9/30/96 GDP Price Index reflects this revision and was obtained from information published by the Bureau.

(2) Source of information is the Survey of Professional Forecasters (SPF), as published by the Federal Reserve Bank of Philadelphia.

PROVIDENCE GAS COMPANY
CAPITALIZATION
(unaudited)

<u>TYPE OF CAPITAL</u>	<u>APRIL 00</u>	<u>MAY 00</u>	<u>JUNE 00</u>	<u>QUARTER AVERAGE JUNE 00</u>	<u>12 MONTH AVERAGE JUNE 00</u>
COMMON EQUITY	\$ 103,268,899	\$ 101,429,494	\$ 100,620,596	\$ 101,920,958 (1)	\$ 96,292,842 (2)
PREFERRED EQUITY	0	0	0	0	2,000,000 (3)
LONG-TERM DEBT	89,834,395	89,653,963	89,484,777	89,657,712	90,866,985 (3)
SHORT-TERM DEBT	<u>20,500,000</u>	<u>16,500,000</u>	<u>19,800,000</u>	<u>18,933,333</u>	<u>16,650,000 (3)</u>
TOTAL	<u>\$ 213,603,294</u>	<u>\$ 207,583,457</u>	<u>\$ 209,905,373</u>	<u>\$ 210,512,003</u>	<u>\$ 205,809,827</u>

(1) AVERAGE OF BALANCES AT MARCH 31, 2000 AND JUNE 30, 2000.

(2) AVERAGE OF JUNE 30, 2000 AND JUNE 30, 1999 MONTH END BALANCES

(3) 12 MONTH AVERAGE BALANCES

PROVIDENCE GAS COMPANY
SHORT-TERM DEBT
(unaudited)

<u>MONTH</u>	<u>WEIGHTED AVERAGE DAILY BALANCE</u>
JUNE '99	\$ 1,578,082
JULY	4,135,890
AUGUST	9,721,644
SEPTEMBER	12,141,370
OCTOBER	11,496,986
NOVEMBER	14,265,205
DECEMBER	19,282,192
JANUARY '00	20,751,781
FEBRUARY	23,783,014
MARCH	16,122,740
APRIL	14,564,384
MAY	22,241,096
JUNE	17,132,055
QUARTER AVERAGE JUNE 2000	<u>\$ 17,979,178</u>
THIRTEEN MONTH AVERAGE JUNE 2000	<u>\$ 14,401,265</u>

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT
JUNE 30, 2000
LONG-TERM DEBT
(unaudited)

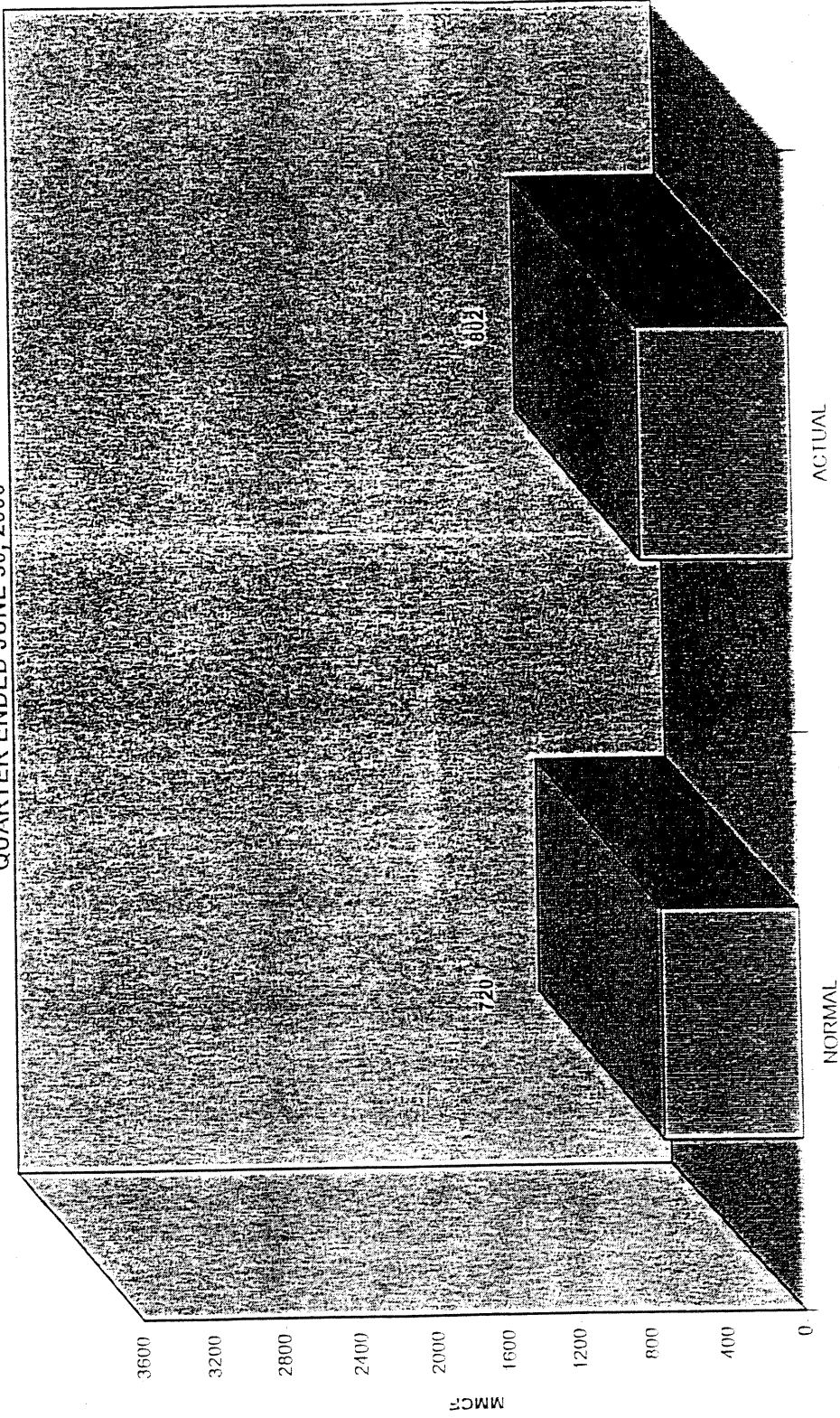
<u>DEBT DESCRIPTION</u>	<u>CURRENT PORTION</u>	<u>LONG-TERM PORTION</u>	<u>TOTAL DEBT</u>
SERIES M 10.25% DUE 7/31/08	\$ 909,000	\$ 910,000	\$ 1,819,000
SERIES N 9.63% DUE 05/30/20	-	10,000,000	10,000,000
SERIES O 8.46% DUE 09/30/22	-	12,500,000	12,500,000
SERIES P 8.09% DUE 09/30/22	-	12,500,000	12,500,000
SERIES Q 5.62% DUE 11/30/03	1,600,000	4,800,000	6,400,000
SERIES R 7.5% DUE 12/15/25	-	15,000,000	15,000,000
SERIES S 6.82% DUE 4/1/18	-	15,000,000	15,000,000
SERIES T 6.50% DUE 2/1/29	-	14,786,000	14,786,000
OTHER LONG TERM DEBT	635,617	580,161	1,215,778
CAPITAL LEASE	125,962	138,037	263,999
TOTAL	<u>\$ 3,270,579</u>	<u>\$ 86,214,198</u>	<u>\$ 89,484,777</u>

PROVIDENCE GAS COMPANY
QUARTERLY PUC REPORT-RATE BASE
QUARTER ENDED JUNE 30, 2000
(unaudited)

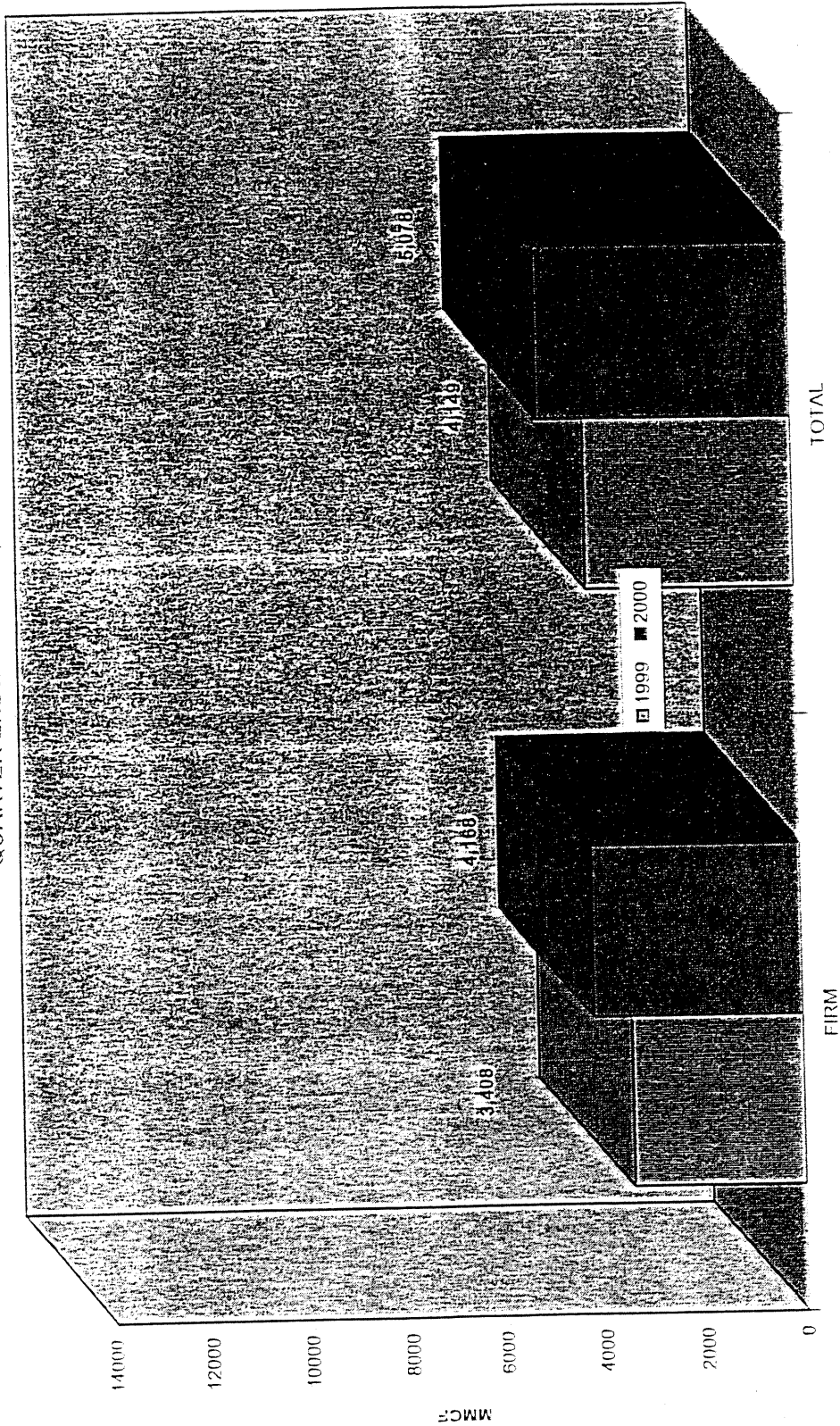
	APRIL 2000	MAY 2000	JUNE 2000	QUARTER AVERAGE JUNE 2000	THIRTEEN MONTH AVERAGE JUNE 2000
GAS PLANT IN SERVICE	\$ 328,844,568	\$ 329,427,349	\$ 334,319,368	\$ 330,863,762	\$ 321,468,387
ACCUMULATED DEPRECIATION	116,095,631	117,119,455	118,388,597	117,201,227	115,301,700
NET PLANT	<u>212,748,937</u>	<u>212,307,896</u>	<u>215,930,771</u>	<u>213,662,535</u>	<u>206,166,687</u>
MATERIALS AND SUPPLIES	949,127	862,467	841,597	884,397	1,006,429
DEFERRED DEBITS	7,174,352	7,118,420	7,065,557	7,119,443	6,748,044
GAS INVENTORIES	-	-	-	-	-
CASH WORKING CAPITAL (1)	5,589,000	5,589,000	5,589,000	5,589,000	5,589,000
	<u>13,712,479</u>	<u>13,569,887</u>	<u>13,496,154</u>	<u>13,592,840</u>	<u>13,343,473</u>
ACCUMULATED DEFERRED FIT	22,800,508	22,848,698	22,896,889	22,848,698	22,695,712
ACCUMULATED DEFERRED ITC	1,948,497	1,935,423	1,922,350	1,935,423	2,000,790
CUSTOMER DEPOSITS	2,720,341	2,726,975	2,666,953	2,704,756	2,877,505
INJURY AND DAMAGE RESERVE	421,956	424,700	433,400	426,685	472,318
	<u>27,891,302</u>	<u>27,935,796</u>	<u>27,919,592</u>	<u>27,915,562</u>	<u>28,046,325</u>
 <i>RATE BASE</i>	 <u>\$ 198,570,114</u>	 <u>\$ 197,941,987</u>	 <u>\$ 201,507,333</u>	 <u>\$ 199,339,813</u>	 <u>\$ 191,463,835</u>

(1) Actual cash working capital requirements calculated based on refinements to Docket #2082's methodology is \$12,057,000.

CALENDAR DEGREE DAYS
QUARTER ENDED JUNE 30, 2000



THROUGHPUT
 QUARTER ENDED JUNE 30, 2000



New England Gas Company
 Providence Gas Divison
 Detail of Accumulated Depreciation
 As of September 30, 1999

Accum Depr. Per quarterly PUC report 9/30/99 109,300,338

Detail

10810000 Plant accum depr	114,884,136
10830000 Mobile equip depr	870,012
10840000 Capital lease accum depr	6,066,957
10850000 Rental equip accum depr	202,731
10850001 Rental equip accum depr	23,065
10860001 Environmental **	(9,718,714)
11130001 Intangible accum depr	(231,860)
11131000 Intangible accum depr	3,496,764
TOTAL ACCUM DEPR 9/30/99	<u>115,593,091</u>

10840000 Capital lease accum backed out	(6,066,957)
10850000 Rental equip accum backed out	(202,731)
10850001 Rental equip accum backed out	(23,065)
	<u>109,300,338</u>

Summary

Total Accum Depr (excl environmental)	119,019,052
Total Environmental cost paid	(4,675,355)
Total Environmental Accrued not paid	(6,145,258)
Total Environmental Amortization	1,101,899
	<u>109,300,338</u>

New England Gas Company
Providence Gas Divison
Detail of Accumulated Depreciation
As of June 30, 2000

Accum Depr. Per quarterly PUC report 6/30/00 118,388,597

Detail

10810000 Plant accum depr	122,389,753
10830000 Mobile equip depr	852,759
10840000 Capital lease accum depr	240,446
10850000 Rental equip accum depr	192,871
10850001 Rental equip accum depr	25,330
10860001 Environmental **	(10,868,254)
11130000 Intangible accum depr	5,969,716
11130001 Intangible accum depr	44,623
	<u>118,847,244</u>
10840000 Capital lease accum backed out	(240,446)
10850000 Rental equip accum backed out	(192,871)
10850001 Rental equip accum backed out	(25,330)
	<u>118,388,597</u>

Summary

Total Accum Depr (excl environmental)	129,256,851
Total Enviromental cost paid	(9,881,387)
Total Environmental Accrued not paid	(2,680,482)
Total Environmental Amortization	1,693,615
	<u>118,388,597</u>

Providence Gas Company
Federal Income Tax Calculation
Adjusted Test Year

Line No.

(01)	Total revenues		\$ 185,986,929
(02)	Cost of service, excluding FIT and interest		<u>170,451,859</u>
(03)	Subtotal	(Line (01) + Line (02))	15,535,070
(04)	Interest expense		<u>9,215,320</u>
(05)	Net taxable income	(Line (03) + Line (04))	<u>6,319,750</u>
(06)	Tax at statutory rate of 35%	(Line (05) * 35%)	2,211,912
(07)	Tax expense of permanent items		<u>100,000</u>
(08)	Total FIT before proposed increase	(Line (06) + Line (07))	<u>\$ 2,311,912</u>

(To Page 1, Line (12), Col. (C))