

November 16, 2004

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

Re: NEGAS Docket 3548

Dear Luly,

Enclosed are additional schedules to accompany David Effron's surrebuttal testimony in the above-referenced Docket. These schedules do not represent any change in the position filed by Mr. Effron on November 8 in his surrebuttal testimony. In the schedules accompanying his testimony on November 8, he presented the Division's position as it compared to the Company's position in its original filing of September 3, 2004. The attached schedules present the same Division position compared to the Company position as presented in its rebuttal testimony filed on November 1, 2004.

Very truly yours,

Stephen Scialabba
Chief Accountant

NEW ENGLAND GAS COMPANY
CALCULATION OF EARNINGS SHARING
(\$000)

1	Net Income Available for Common Equity	\$ 12,374
2	Common Equity Supporting Rate Base	<u>104,878</u>
3	Earned Return on Common Equity	11.80%
4	Benchmark Return on Common Equity	<u>11.25%</u>
5	Return on Equity above Benchmark	0.55%
6	Earnings above Benchmark	576
7	Company Share of Earnings above Benchmark - 50/50 Sharing	288
8	Company Share of Earnings above Benchmark - 75/25 Sharing	<u>-</u>
9	Ratepayer Share of Earnings above Benchmark	288
10	Revenue to be Refunded	\$ 443
11	FY03 Incremental Earnings Credited to DAC	<u>99</u>
12	Total Earnings Credited to DAC	542
13	Firm Throughput (000 Therms)	<u>355,694</u>
14	Earnings Sharing Factor (\$/therm)	<u>\$ 0.0015</u>

Line Notes

1	Net Income Available for Common Equity		DJE-2R, Page 1
2	Rate Base	\$240,545	DJE-2R, Page 3
	Common Equity Ratio	<u>43.60%</u>	DJE-2R, Page 4
	Common Equity Supporting Rate Base	<u>\$104,878</u>	
3	Line 1 / Line 2		
4	Per Settlement		
5	Line 3 - Line 4		
6	Line 5 * Line 2		
7	Line 5 (up to 1.00%) * Line 2 / 2, not Less than Zero		
8	((Line 5 - 1.00%)*Line 2)/4, not Less than Zero		
9	Line 6 - Line 7 - Line 8		
10	Line 9 /.65 (1- Tax Rate)		
11	Attachment PCC-8, RJR-3, Page 2	76+0.75*31	
12	Line 10 + Line 11		
13	Attachment PCC-8		
14	Line 12 / Line 13		

NEW ENGLAND GAS COMPANY
RESULTS OF OPERATIONS
YEAR ENDED JUNE 30, 2004
(\$000)

	(1) Company <u>Position</u>	<u>Adjustments</u>		Division <u>Position</u>
Revenue	\$ 381,630			\$ 381,630
Operation and Maintenance Expense	312,877	(573)	(2)	312,304
Depreciation and Amortization	19,730			19,730
Other Taxes	20,942			20,942
Income Taxes	<u>6,692</u>	<u>216</u>	(2)	<u>6,907</u>
Operating Expenses	360,241	(357)		359,883
Operating Income	21,390	357		21,747
Interest on Short-Term Debt	429	(1)	(3)	428
Interest on Long-Term Debt	8,609	(24)	(3)	8,585
Other Interest	153	(20)	(2)	133
AFUDC	<u>(228)</u>	<u>-</u>		<u>(228)</u>
Total Interest Expense	8,963	(45)		8,918
Net Income	12,427	357		12,828
Preferred Dividends	<u>455</u>	<u>(1)</u>	(3)	<u>454</u>
Net Income for Common Equity	<u>\$ 11,972</u>	<u>\$ 403</u>		<u>\$ 12,374</u>

Sources:

(1)	Attachment RJR-5, Page 2		
(2)	Schedule DJE-2R, Page 2		
(3)	Rate Base	\$240,545	DJE-2R, Page 3
	Interest on Short-Term Debt	0.18%	428 DJE-2R, Page 5
	Interest on Long-Term Debt	3.57%	8,585 DJE-2R, Page 5
	Preferred Dividends	0.19%	454 DJE-2R, Page 5

NEW ENGLAND GAS COMPANY
DIVISION ADJUSTMENTS TO INCOME
YEAR ENDED JUNE 30, 2004
(\$000)

Operation and Maintenance Expense:

Charge to Environmental Remediation Cost	(1)	(573)
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Interest Expense:

Interest on Conservation Loan Program	(2)	(20)
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Income Taxes:

Revenue	(3)	381,630
Operating Expenses	(3)	352,976
Interest	(3)	<u>8,918</u>
Taxable Income		19,736
Income Tax Expense	35%	<u>6,907</u>

Sources:

- (1) Attachment RJR-5, Page 2
- (2) Response to DIV 2-09
NEG did not CLP eliminate interest, although it agreed elimination was appropriate.
- (3) Schedule DJE-2R, Page 1

NEW ENGLAND GAS COMPANY
RATE BASE
YEAR ENDED JUNE 30, 2004
(\$000)

	(1) Company <u>Position</u>	<u>Adjustments</u>		Division <u>Position</u>
Utility Plant in Service	\$483,606			\$483,606
Less- Reserve for Depreciation	<u>(221,101)</u>			<u>(221,101)</u>
Net Plant	\$262,505			\$262,505
Add:				
Materials & Supplies	1,723			1,723
Prepaid Expenses	1,027	(133)	(2)	894
Deferred Debits	2,700			2,700
Gas Inventories	-			-
Cash Working Capital	9,851	1,255		11,106
Deduct:				
Accumulated Deferred FIT	(31,252)	(1,019)	(2)	(32,271)
Accumulated Deferred ITC	(1,747)			(1,747)
Contributions in Aid of Construction	-	(759)	(2)	(759)
Customer Deposits	(2,775)			(2,775)
Injury and Damages Reserve	<u>(832)</u>	<u>-</u>		<u>(832)</u>
Rate Base	<u>\$241,200</u>	<u>(\$655)</u>		<u>\$240,545</u>

Source:

- (1) Attachment RJR-5, Page 5
- (2) Schedule DJE-2R, Page 4

NEW ENGLAND GAS COMPANY
RATE BASE ADJUSTMENTS
YEAR ENDED JUNE 30, 2004
(\$000)

Prepaid Assessment			
Balance	Jun-03		-
	Sep-03	(1)	(221)
	Dec-03	(1)	(441)
	Mar-04	(2)	253
	Jun-04		<u>-</u>
	Average		(82)
	Average per Company		<u>51</u>
	Adjustment to Company Position		<u>(133)</u>

Accumulated Deferred FIT			
Balance	Jun-03	(3)	30,792
	Sep-03	(4)	31,531
	Dec-03	(4)	32,271
	Mar-04	(4)	33,010
	Jun-04	(4)	<u>33,749</u>
	Average		<u>32,271</u>

Contributions in Aid of Construction			
Balance	Jun-03	(5)	526
	Sep-03	(5)	823
	Dec-03	(5)	862
	Mar-04	(5)	698
	Jun-04	(5)	<u>885</u>
	Average		<u>759</u>

Sources:

- (1) Annual expense of \$882 (DIV 2-17, p. 4), accrued over the fiscal year
- (2) Response to DIV 2-11
- (3) Attachment RJR-2 30627+165
- (4) Attachment RJR-2 \$2,957 accrued over fiscal year
- (5) Response to Follow-up Information Requests 11/1/2004

NEW ENGLAND GAS COMPANY
RATE OF RETURN

	<u>Ratio</u>	<u>Cost Rate</u>	<u>Wtd. Cost</u>
Short Term Debt	8.80%	2.02%	0.18%
Long Term Debt	45.70%	7.81%	3.57%
Preferred Stock	1.90%	9.93%	0.19%
Common Equity	<u>43.60%</u>	11.25%	<u>4.91%</u>
Total	<u>100.00%</u>		<u>8.84%</u>

Source: Settlement, Section II.F
Attachment RJR-1, Page 10 for Short Term Debt Rate