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October 6, 2005

VIA HAND AND ELECTRONIC DELIVERY

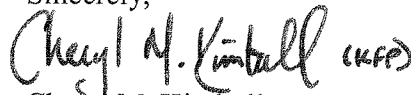
Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, Rhode Island 02888

RE: Docket No. 3690, Earnings Sharing Mechanism and Distribution Adjustment Charge Filing

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of New England Gas Company's responses to the Public Utilities Commission's First Set of Data Requests in the above captioned docket. Thank you for your attention to this filing.

Sincerely,



Cheryl M. Kimball
(R.I. Bar #6458)

Enclosure

cc: Luly Massaro, Commission Clerk (nine copies)
service list, docket no. 3690

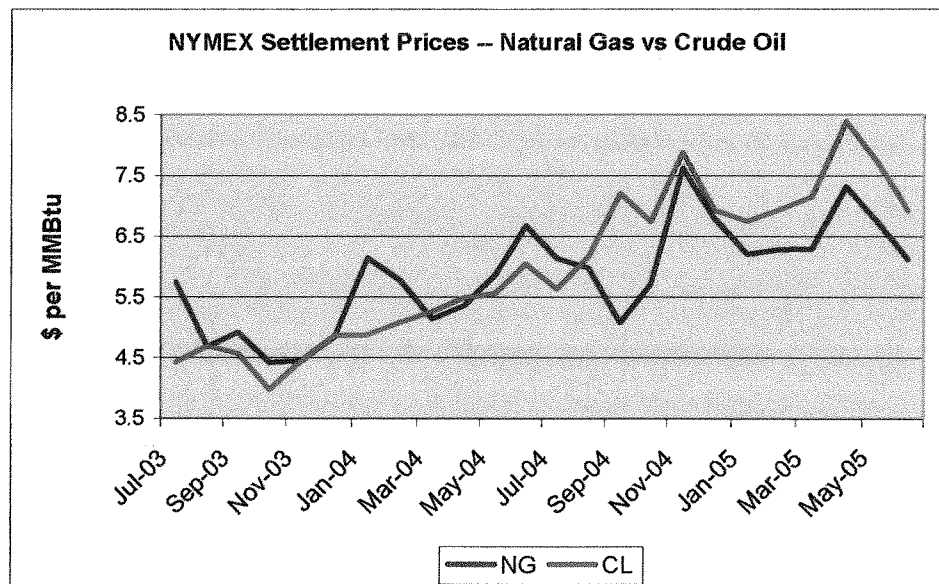
New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: September 15, 2005

Q. COMM 1-01 What are the principal reasons that non-firm margins increased significantly in fiscal year 2005 (an increase from \$1.9 million to \$3.2 million)?

A. COMM 1-01 One of the principal reasons that non-firm margins increased significantly in fiscal year 2005 is that one of the Company's non-firm customers constructed a new power plant and chose natural gas as its major fuel source. This account's consumption increased 500,000 Dths over the previous year. Another principal reason for the increased non-firm margin was the higher prices of oil compared to natural gas. Under the terms of the Company's tariff, the charges paid by non-firm customers are generally based on a discount off the price of oil, so the higher the price of oil is relative to natural gas, the higher the non-firm margin. The relationship of natural gas and oil prices over the past two years is illustrated on the following chart which graphs the NYMEX settlement prices for natural gas and light sweet crude.



New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: September 15, 2005

- Q. COMM 1-02** Approximately what volume of LNG is utilized to allocate LNG costs to the DAC (i.e. at PCC-2, what volume of LNG is associated with the \$9.9 million total cost of LNG)?
- A. COMM 1-02** The volume of LNG associated with the \$9.9 million total cost is 676,821 dekatherms.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission

Respondent: Robert Riccitelli

Issue Date: September 15, 2005

Q. COMM 1-03 What, if any, is the amount of supplemental employee pension plan expense for the year ended June 30, 2005?

A. COMM 1-03 There is no supplemental employee pension plan expense for the year ended June 30, 2005.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission

Respondent: Robert Riccitelli

Issue Date: September 15, 2005

Q. COMM 1-04 What, if any, amount of SERP expense is recorded 'above the line' in calculating net income for sharing purposes?

A. COMM 1-04 There is no "above the line" SERP expense included in calculating net income for sharing purposes.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-05 What is the total compensation for the ten highest paid management positions at New England Gas? Provide the job position/title, the wages, the amount of incentive compensation (total amount of incentive, including amounts excluded for the sharing calculation), and the amount of any other compensation (i.e.-use of auto, stock options, etc.)

A. COMM 1-05 Listed below is the total compensation for the ten highest paid Management positions at New England Gas Company.

	SALARY	INCENTIVE	AUTO	TOTAL
President / COO	*		*	*
Vice President, Human Resources	*		*	*
Vice President, Finance	*		*	*
Vice President, Customer Service	*		*	*
Vice President, Legal Counsel	*		*	*
Vice President, Operations	*		*	*
Director of Gas Supply	*		*	*
Director of Marketing & Business	*		*	*
Director of Communications	*		*	*
Director of Compensation & Benefits	*		*	*
			*	
	<u>1,795,217</u>	<u>26,289</u>	<u>12,393</u>	<u>1,833,899</u>

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-06 Provide a summary of the total incentives earned (by incentive program) by NEGas management and employees for fiscal year 2005. Show the 'below-the-line' adjustment amounts for each incentive program, and the resulting net incentive total that was used to arrive at the net earnings for sharing purposes.

A. COMM 1-06

NEGAS Management Incentive	\$455,803
NEGAS Employee Incentive	<u>130,840</u>
Total Incentive	\$586,643

The incentive amount excluded from the ESM calculation was \$455,803. See Attachment RJR-1 Page 2 Line 26.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-07 Did any of the incentive programs allowed in fiscal year 2005 change from the incentive programs (or program operation) provided to management and employees in fiscal year 2004?

A. COMM 1-07 Yes. The Employee Incentive Plan included the Safety and Customer Service Goal only, and therefore the entire amount was included in the ESM calculation. The Management Incentive Plan was based on safety and customer service goals which 100% was excluded from the ESM calculation.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-08** For fiscal year 2005, provide the specific capital budget limitation amount included as a financial goal for employees to receive a profit sharing incentive.
- A. COMM 1-08** The Employee Incentive Plan did not include a specific capital budget limitation or financial goal. The Management Incentive Plan originally included a financial goal, however, this goal was changed and no incentive was paid based on the financial goal. The Management Plan did not have an incentive based on a specific capital budget limitation.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission

Respondent: Robert Riccitelli

Issue Date: September 15, 2005

Q. COMM 1-09 For fiscal year 2005, provide the specific earnings amount included as a financial goal for employees to receive a profit sharing incentive.

A. COMM 1-09 The incentive plans did not include an incentive based on an earnings amount.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-10 Provide a summary of the number employees at the end of each calendar quarter, starting with September 30, 2004 through September 30, 2005. Provide the employee count separately for management and non-management employees.

A. COMM 1-10 Please refer to the table below.

	Exempt (Salary) Management	Non-Exempt (Hourly) Non-Management	
1 September 30, 2004	177	412	1
2 December 31, 2004	181	410	2
3 March 31, 2005	178	402	3
4 June 30, 2005	182	407	4
5 September 30, 2005	181	408	5

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-11 The Administrative and General Salaries (Account 920) decreased \$1.3 million from approximately \$11.1 million in fiscal year 2004 to \$9.8 million in 2005. Was this decrease the result of a workforce reduction? If not, please state the reasons for the decrease.**
- A. COMM 1-11** The majority of the decrease of \$1.3 million is the result of a decrease in the amount of incentive paid. In FY 04, total incentive paid was \$1,478,013 (see Docket No. 3548, Company response to COMM 3-01, at attachment Column A, lines 2, 3, 8, and 9) compared to the FY 05 total incentive paid of \$586,643 (see Docket No. 3690, Company response to COMM 1-06), or a decrease of \$891,370. The remaining favorable variance is the result of timing of retirements and replacement. Also, replaced employees generally have a lower starting salary.

New England Gas Company
Docket No. 3548

Data Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: November 5, 2004

Q. COMM 3-01 The Company's response to Commission request 2-6 states that increased incentive compensation was one of two reasons for the increase in the Administrative and General Salaries Account expenses (Account 920). For fiscal years 2003 and 2004, provide a summary showing the total incentive compensation payments:

- a. allocated from corporate to NEGas;
- b. for management of NEGas;
- c. for NEGas non-management personnel;
- d. the portion of each amount shown above that is charged to earnings in the earnings sharing calculation;
- e. for the amounts provided in (d) above, show how the Company has complied with the Commission's prior decisions on allowing incentive compensation to be charged "above the line".

A. COMM 3-01

- a. No incentive compensation was allocated from Corporate. In accordance with Order No. 17971, the Company included the corporate allocation of overhead expenses, less all amounts associated with the Corporate Incentive Compensation Plan.
- b. Please see the attached schedule.
- c. Please see the attached schedule.
- d. Please see the attached schedule.
- e. In accordance with Order No. 17971, the Company included 100 percent of the Divisional Incentive related to safety and customer service goals and excluded 50 percent of the incentive related to achievement of earnings.

**NEW ENGLAND GAS COMPANY
DIVISIONAL INCENTIVE COMPENSATION PLAN**

	FISCAL 2004		FISCAL 2003		
	COLUMN A	COLUMN B	COLUMN A	COLUMN B	
1 Non-Union, Non-Director, Non-Officer Plan					1
2 - Customer Service & Safety Goals	44,800		25,000		2
3 - Earnings and Capital Goal	197,908		237,000		3
4 - Less 50% of Line 3	<u>(98,954)</u>	143,754	<u>(118,500)</u>	143,500	4
5					5
6					6
7 Management Plan					7
8 - Customer Service & Safety Goals	59,926				8
9 - Earnings and Capital Goal	1,175,379 (fn.1)		110,000		9
10 - Less 50% of Line 9	<u>(587,690)</u>	647,616	<u>(55,000)</u>	55,000	10
11					11
12 Amt included in ESM (Col. B, Line 4+10)		<u>791,370</u>		<u>198,500</u>	12
13					13
14 Amt excluded from ESM (Col. A, Line 4+10)	<u>(686,644)</u>		<u>(173,500)</u>		14

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-12** Property Insurance (Account 924) decreased from \$1.3 million (as adjusted in Company data response 2-8 in Docket 3548) to \$830,000 in fiscal year 2005. This represents a decrease of \$470,000 or 36%. Explain the reasons for the decrease in this account.
- A. COMM 1-12** The majority of the decrease is a result of an adjustment made during FY 2004. Please see attached response previously filed in response to Docket No. 3548, COMM 2-08.

New England Gas Company
Docket No. 3548

Data Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: October 8, 2004

Q. COMM 2-08 Property Insurance (Account 924) increased from \$932,961 to \$1,676,754 in fiscal year 2004. This represents an increase of \$743,793 or 80%. Explain the reasons for the significant increase in this account.

A. COMM 2-08 The majority of this increase results from an under-accrual of insurance costs in FY2003. Specifically, insurance costs for FY2003 and FY2004 should have been \$1,354,873 and \$1,254,842, respectively. The Company identified the under-accrual while reconciling prepaid insurance with Corporate in May 2004. As a result of this understatement, the Company has altered its procedures to ensure that prepaid insurance balances are reconciled prior to the year-end closing.

It should be noted that the under-accrual of property insurance expense in FY2003 resulted in an overstatement of earnings subject to the ESM calculation in FY2003.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-13 Employee Pensions and Benefits (Account 926) expenses decreased from \$17.4 million for fiscal year 2004 to \$16.4 million for fiscal year 2005. Provide a summary comparison of the component costs/benefits for fiscal years 2005 and 2004. Provide the reasons for significant changes in the cost of pensions and benefits.

A. COMM 1-13 Please refer to the table below in response to this question.

	2005	2004	INCREASE / DECREASE	
1 Sick pay	993,964	903,257	90,707	1
2 Medical	5,477,715	4,466,588	1,011,127	2
3 Dental	503,429	471,414	32,015	3
4 Pension	4,424,769	6,263,958	(1,839,189)	4
5 FAS 106	3,172,812	3,365,940	(193,128)	5
6 401 (k) Match	1,370,769	1,551,468	(180,699)	6
7 Group Life, LTD Insurance	326,470	289,239	37,231	7
8 Employee Christmas Gift Cards	0	13,230	(13,230)	8
9 Lee Hecht & Harrison	0	17,000	(17,000)	9
10 Other - Miscellaneous <\$10,000	99,915	83,167	16,748	10
11	16,369,843	17,425,261	(1,055,418)	11

Medical increases are directly related to health-related costs and the experience rate. The majority of the favorable Pension variance is due to an increase in the Expected Return on Assets of \$1.7 million. Increased Service and Interest Costs were offset by a favorable Amortization of Net(Gain) or Loss which, accounted for the remaining favorable variance. The majority of the favorable FAS 106 variance is due to an increase in the

**New England Gas Company
Docket No. 3690**

Record Request and Response

Expected Return on Assets. The 401(k) Match is directly related to employee participation. There was no change in the plans, year over year.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-14 Provide the amount of contributions to pension funding made by the Company for fiscal years 2003, 2004, and 2005?

A. COMM 1-14 The contributions made in the last three fiscal years are as follows:

Fiscal Year Ended June 30, 2003:	\$1,350,000
Fiscal Year Ended June 30, 2004:	\$599,990
Fiscal Year Ended June 30, 2005:	\$4,064,772

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-15 What was the maximum tax deductible contribution amounts for pension funding for fiscal years 2003, 2004 and 2005?

A. COMM 1-15 The Company maintains four separate pension plans remaining from the legacy operations. The maximum tax deductibility for contributions to the plan are calculated on a tax year basis, which runs from January 1st through December 31st of each year. For CY'03, the maximum allowable tax-deductible contribution for the four plans in total was \$3,565,408. For CY'04, the maximum allowable tax-deductible contribution for the four plans in total was \$3,166,028. The Company's fiscal year has run July 1 through June 30 of each year, until December 31, 2004 (Short period six months ended December 31, 2004). Therefore the 2005 information will not be available until 2006.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission

Respondent: Robert Riccitelli

Issue Date: September 15, 2005

Q. COMM 1-16 Provide a summary of the significant charges/expenses that are recorded in the Miscellaneous General Expenses (#930.2) for fiscal years 2004 and 2005.

A. COMM 1-16 Please refer to the table below.

	2005	2004	
1 DSM Rebate	315,619	316,276	(657) 1
2 Low Income Assistance Expense	1,682,834	1,686,751	(3,917) 2
3 Weatherization Program Expense	200,000	200,000	0 3
4 Amortization Integration Expenses	572,050	572,050	0 4
5 NEGA Training	11,119	9,979	1,140 5
6 Automotive Overhead	148,517	132,001	16,516 6
7 Philanthropy - Sponsorship	44,714	34,310	10,404 7
8 Other - Miscellaneous items < \$10,000	18,708	15,897	2,811 8
9 Total	<u>2,993,561</u>	<u>2,967,264</u>	<u>26,297 9</u>

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-17 The Outside Services Account (#923) increased from \$1.478 million in fiscal year 2004 to \$2.355 million for fiscal year 2005. Provide a summary of the significant charges/expenses incurred in fiscal year 2005 for 'Outside Services'.

A. COMM 1-17 In addition to the table provided below, please refer to the Company's attached responses to DIV 1-17 and DIV 1-18.

FERC 923 Outside Services Employed	<u>2005</u>	<u>2004</u>	Inc / (Dec) 2005 vs. 2004
Contract Labor Legal	72,292	0	72,292
Prof Fees - Accounting	42,387	43,556	(1,169)
Prof Fees - Legal	815,742	290,279	525,463
Prof Fees - Other	462,282	120,494	341,787
Prof Fees - Outside Serv	872,846	1,040,899	(168,053)
Misc.	89,453	(16,707)	106,160
Total	2,355,002	1,478,522	804,188

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Division
Respondent: Robert Riccitelli
Issue Date: September 9, 2005

Q. DIV 1-17 Referring to Attachment RJR-4, please explain the changes in the expenses charged to the following accounts for the twelve months ended June 30, 2005 from the prior year:

- a. 886 – Maintenance of Structures and Improvements
- b. 887 – Maintenance of Mains
- c. 892 – Maintenance of Services
- d. 893 – Maintenance of Meters and House Regulators
- e. 903 – Customer Records and Collections Expenses
- f. 909 – Information and Instructional Expenses
- g. 923 – Outside Services Employed

**A. DIV 1-17 FERC 886 – Maint. of Structures and Improvements
(Increase \$290,517)**

The increase in FERC 886 is the result of a shift of internal labor from FERC 932 – Maint. of General Plant to FERC 886 of approximately \$100,000. In addition, in FY 2004, the Company performed a comprehensive review and audit at the Division level of all health, safety and environmental policies including recommendations for change and implementation to ensure conformance with current laws and regulations. This review was used to develop an up-to-date regulation and procedures manual. As a result of this audit, the Company increased security services at its facilities, including the LNG facilities, which caused an increase in costs of approximately \$175,000. The remaining increase is higher utility costs.

**FERC 887 – Maintenance of Mains
(Increase \$271,463)**

During Fiscal-Year 2005 the Company experienced an increase in Grade 1 and 2 O&M leak repairs. Specifically more leak repairs were conducted in Warwick as a result of ongoing municipal sewer work. The increased leaks

New England Gas Company
Docket No. 3690

Record Request and Response

were discovered when the streets were opened for routine sewer work, which resulted in increased maintenance costs. The increased cost are as follows: Internal Labor \$90,000, Outside Services \$45,000, Materials \$112,000, Permits \$10,000, Vehicle Overhead (directly related to internal labor and vehicle costs) \$15,000.

FERC 892 – Maintenance of Services
(Increase \$175,599)

As indicated above under FERC 887, during Fiscal-Year 2005 the Company experienced an increase in Grade 1 and 2 O&M leak repairs. The increased costs are as follows: Internal Labor \$95,000, Outside Services \$45,000, Materials \$16,000, Permits \$2,000, Vehicle Overhead (directly related to internal labor and vehicle costs) \$18,000.

FERC 893 – Maint. of Meters and House Regulators
(Increase \$131,683)

The increase in FERC 893 is the result of additional resources (internal labor) assigned to the meter shop to catch up on the backlog of periodic meter testing (PTs) totaling approximately \$60,000, and Outside Services for meter repairs to catch-up on the PTeD meters of approximately \$67,000, and materials and miscellaneous expenses of \$5,000.

FERC 903 – Cust. Records and Collections Expenses
(Increase \$441,087)

The majority of the increase in FERC 903 is the result of additional outside services, specifically for the Call Center due to increased inbound and outbound collection calls of \$300,000 and increased collection and credit reporting agency costs of \$325,000. Another increase represents the pay station increase of \$86,000. This unfavorable variance was offset by favorable variance in both internal labor and postage (savings incurred in sending delinquency notices with the bill) of approximately \$257,000 and a miscellaneous favorable of \$13,000.

FERC 909 – Information and Instructional Expenses
(Increase \$146,709)

**New England Gas Company
Docket No. 3690**

Record Request and Response

The majority in the increased variance is the result of an incorrect FERC account number used during Fiscal-Year 2004. The Company classified informational advertising to FERC 911 Supervision, which accounts for \$83,000 of the unfavorable variance. As a result of the above correction, amounts previously charged to FERC 912 (Demonstrating and Selling Expense) and FERC 916 (Miscellaneous Sales Expense) are now correctly classified to FERC 909 resulting in the remaining unfavorable variance.

FERC 923 – Outside Services Employed

(Increase \$804,188 S/B \$521,854. See ESM 2004 Data request DIV 2-16 FERC 925 and DIV 2-17).

The difference in the variances is due to a reversal between FERC accounts. For comparative purposes please refer to FY 2004 DIV 2-16, FERC 925, and FY 2004 DIV 2-17, which details the correct amount for FERC 923. The majority of the unfavorable variance was the result of the Company's comprehensive review and audit of all health, safety and environmental policies noted above. This review was used to develop an up-to-date regulation and procedures manual, which resulted in increased costs of \$574,000. The other unfavorable variance in this account is due to increased legal expense of \$100,000. These unfavorable variances were offset by decreased use of temporary help of \$95,000 and decreased miscellaneous costs of \$57,000.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Division
Respondent: Robert Riccitelli
Issue Date: September 9, 2005

- Q. DIV 1-18 Referring to Attachment RJR-4, please provide an itemization of charges to following accounts for the twelve months ended June 30, 2005:**
- a. 923 – Outside Services Employed
 - b. 925 – Injuries and Damages
 - c. 926 – Employee Pensions and Benefits
 - d. 928 – Regulatory Commission Expenses
 - e. 930.2 – Miscellaneous General Expenses
- A. DIV 1-18 Please refer to the attached schedules.**

NEW ENGLAND GAS COMPANY
FERC ACCOUNT 923 DETAIL
TWELEVE MONTH ENDED JUNE 30, 2005

	AMOUNT	DESCRIPTION	
1 Adler Pollock & Sheeh	364,831	Legal	1
2 Professional Security Service	265,783	Security	2
3 Saftey & Health Compliance Solutions	203,109	Legal	3
4 Kaspwitz, Benson, Torres & Freidman	150,136	Legal	4
5 Herbert Clark Co.	149,959	Legal	5
6 Millennium Consulting	101,308	IT Consultant	6
7 RDW Group, Inc.	81,535	Informational Advertising	7
8 Clean Management Inc	79,286	Janitorial	8
9 Watson, Bishop, London Brophy, PC	73,183	Legal	9
10 Bridge Technical Solutions	71,740	Temporary Help	10
11 Cross Country Energy Services LLC	70,520	Legal	11
12 Occupations Unlimited	69,151	Temporary Help	12
13 Ira B. Lukens	67,400	Legal	13
14 Eliassen Group	46,461	Temporary Help	14
15 Fleischman and Walsh	93,179	Legal	15
16 Partridge Snow & Hahn	45,299	Legal	16
17 Lathroop & Gage Law Office	39,156	Legal	17
18 Aventel Softech Inc	37,687	IT Consultant	18
19 Carroll Kelly & Murphy	36,288	Legal	19
20 Randstad	31,573	Temporary help	20
21 Schiff Hardin	30,592	Legal	21
22 APW Incorporated	30,000	Develop Oper Proc. Manual	22
23 Metropark LTD	22,000	Parking	23
24 Bob Passeri	21,194	Tax Services	24
25 Strauss Factor Laing	16,039	Legal	25
26 CFS Consulting Inc	14,686	Salary Review Consultant	26
27 Thornton Group LLC	10,500	Legal	27
28 57 Other Misc. items <\$10,000	132,407	Other	28
29			29
30 Total	<u>2,355,002</u>		30

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-18** Deferred Pension/FASB 87 costs increased for \$16.8 million at 6/30/04 to \$30.65 million at 6/30/05. [Page 269 of annual FERC report.] Explain and provide support for the nearly \$14 increase in this deferred credit. What, if any, impact did the increase in the deferral have on pension expense for fiscal year 2005?
- A. COMM 1-18** The increase in the Deferred Pension FASB 87 of \$14.0 million is the result of \$4.4 million of expense (see also response to COMM 1-13) and the reconciliation of the Prepaid Pension and Accrued Pension accounts to the Actuary Report of \$13.0 million offset by payments made of \$3.4 million.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-19 What is the AFUDC rate used for fiscal year 2005? [Note-Page 206 of the annual FERC report fails to disclose the rate.] What is the amount of AFUDC income recorded for fiscal year 2005?

A. COMM 1-19 The AFUDC Capitalization Ratio Percentage is as follows:

Short-Term Interest	8.8%
Long-Term Debt	45.7%
Preferred Stock	1.9%
Common Equity	43.6%

See FERC Form II, page 218, column (c)

The AFUDC Cost Rate Percentage is as follows:

Short-Term Interest	3.13%
Long-Term Debt	7.81%
Preferred Stock	1.9%

See FERC Form II, page 218, column (d)

The amount of AFUDC income recorded during FY'05 is \$206,781 (See RJR-1, page 2, line 53).

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-20** Accrued post-retirement benefits (FAS 106) have increased from a balance of \$12 million at 6/30/04 to \$14.5 million at 6/30/05. [Page 268 of annual FERC report.] Explain and provide support for the \$2.5 million increase in the accrual.
- A. COMM 1-20** The increase in the Accrued FAS 106 Liability of \$2.5 million is the result of \$3.2 million of expense (see also the response to COMM 1-13) offset by payments made for post retirement benefits of \$740,000.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

- Q. COMM 1-21** Accrued pensions increased from a 'negative' \$604,000 at 6/30/04 to \$2.26 million at 6/30/05. [Page 268 of annual FERC report.] Explain and provide support for the \$2.8 million increase in the accrual.
- A. COMM 1-21** The increase in the Accrued Pension of \$2.8 million is the result of the reconciliation of the Prepaid Pension and Accrued Pension accounts to the Actuary Report of \$3.4 million, offset by payments made of \$600,000.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-22 At 6/30/04, there was a \$3.5 million accrual for vacations. At 6/30/05, there is no vacation accrual. [Page 268 of annual FERC report.] Explain why the vacation accrual is eliminated. Was the 6/30/04 accrual completely expensed in fiscal year 2005?

A. COMM 1-22 The vacation accrual was not eliminated. The FERC Form 2, page 268, line 1, column (b) should have included \$3,321,919 for Vacation Accrual, or a total of \$24,627,373. This amount agrees with the Balance Sheet found at page 113, line 45.

The vacation accrual is reconciled on a calendar year (CY) basis. The amount expensed during CY04 is the amount the employees' earned during FY04 and taken during CY05. When the employees' take their vacation in CY05 they charge the balance sheet account (Accrued Vacation). Any vacation time not taken in the following year remains classified as a liability in accordance with GAAP. In accordance with Company policy, this vacation time is either rolled over to the next fiscal year or cashed out.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-23 How many miles of mains were replaced in fiscal years 2004 and 2005? [Show miles for each period.]

A. COMM 1-23 The miles of mains replaced for fiscal years 2004 and 2005 are as follows:

	2005	2004
CAST IRON	5.58	2.42
BARE STEEL	10.20	13.99
TOTAL	<u>15.78</u>	<u>16.41</u>

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Robert Riccitelli
Issue Date: September 15, 2005

Q. COMM 1-24 The Company experienced uncollectible expense of \$7,733,557 in fiscal year 2005; the 2004 expense was \$9.15 million. Did the percent of sales that is reflected as uncollectible expense decrease from fiscal year 2004?

A. COMM 1-24 As the first table below will show, the uncollectible expense percentage for FY04 and FY05 as a two-year average is 2.15%. Additionally, the Company has updated the response provided last year in Docket No. 3548, COMM 1-08, to show the most recent six-year average, which is 2.06% (Table 2).

		<u>TABLE 1</u>		<u>TWO-YEAR AVERAGE</u>		
	NET	UNCOLLECTIBLE	RELATED	UNCOLL EXPENSE		
YEAR	CHARGE-OFFS	EXPENSE	REVENUES	PERCENTAGE		
1	2004	10,455,346	9,149,630	372,059,385	2.46%	1
2	2005	7,042,158	7,733,557	412,764,283	1.87%	2
3	TOTAL		<u>16,883,187</u>	<u>784,823,668</u>	2.15%	3
4						4
5						5
6						6
		<u>TABLE 2</u>		<u>SIX-YEAR AVERAGE</u>		
7	2000	3,696,476	6,254,307	244,265,585	2.56%	7
8	2001	7,616,555	6,163,725	320,667,456	1.92%	8
9	2002	8,329,393	6,059,715	283,649,000	2.14%	9
10	2003	5,650,615	5,362,050	340,022,374	1.58%	10
11	2004	10,455,346	9,149,630	372,059,385	2.46%	11
12	2005	7,042,158	7,733,557	414,136,353	1.87%	12
13	TOTAL		<u>40,722,984</u>	<u>1,974,800,153</u>	2.06%	13

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Derek Tomka
Issue Date: September 15, 2005

Q. COMM 1-25 What environmental sites are expected to incur significant expenditures (in excess of \$100,000) in fiscal year 2006?

A. COMM 1-25 Expenditures in excess of \$100,000 are only anticipated at two environmental sites, 642 Allens Avenue in Providence and Tidewater Street in Pawtucket.

642 Allens Avenue, Providence: This site is a former manufactured gas plant site. The Company completed a remedial action on a portion of the site in December 2002. Remediation of the remaining 37.5 acres of the site (known as "Phase 2") is pending review and approval by the Rhode Island Department of Environmental Management ("RIDEM") of Phase 1 remedial actions as well as the Site Investigation Report. The Company continues to monitor groundwater at the site.

Additionally, the Company anticipates beginning the process to remove the two former gasholders at this site during CY2006. These activities are discussed further in the Company's responses to COMM 1-26 and 1-28.

Tidewater Street, Pawtucket: This is a former manufactured gas plant site. The Company is currently working in cooperation with National Grid to complete some additional site investigation activities on the manufactured gas plant and electric substation properties. The Company anticipates that fieldwork will be initiated in 2005 and a summary report issued to RIDEM in 2006. The next step would likely involve the development of a Remedial Action Work Plan.

**New England Gas Company
Docket No. 3690**

Record Request and Response

Requestor: Commission
Respondent: Derek Tomka
Issue Date: September 15, 2005

Q. COMM 1-26 Does the Company have an estimate of the cost to finish removing the gasholder structures at 642 Allens Ave?

A. COMM 1-26 The Company has estimated costs associated with the drainage and the physical removal of the holder structures, however the cleaning and removal cost of any residual sludge within the holders has not yet been estimated.

Costs associated with the drainage and discharge of the stormwater within the holders is estimated at \$130,000 and will be distributed somewhat evenly throughout the duration of the discharge. During this process, samples of the sludge will be collected and evaluated to determine the most appropriate manner in which to manage any residual solids. Since this evaluation has not yet been conducted, it is premature to estimate sludge cleaning and disposal costs.

Although the steel gasholder shells cannot be removed until the stormwater has been drained and any residual sludge has been removed, the Company has solicited input from contractors that estimate their cost to dismantle and remove the steel structures will be fully recouped by the value of the scrap steel, provided there is not a significant decrease in the value of scrap steel between now and when the structures are dismantled.

Sludge cleaning and structure removal will likely occur in CY2007.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission

Respondent: Robert Riccitelli

Issue Date: September 15, 2005

Q. COMM 1-27 Has the Company recovered the remaining cost of removal in depreciation rates (i.e.-negative salvage) for the gas holders?

A. COMM 1-27 Since the costs associated with the removal are not known (see response to COMM 1-26), a calculation to determine whether the Company has recovered the remaining cost of removal in depreciation rates cannot be determined. However, the gas holders were retired during FY'00, and according to the last Providence Gas Company Depreciation Study dated September 30, 1994, the estimated cost of removal was \$1,369,095.

New England Gas Company
Docket No. 3690

Record Request and Response

Requestor: Commission
Respondent: Derek Tomka
Issue Date: September 15, 2005

Q. COMM 1-28 Does the Company have a timetable for removal of the above noted gasholders?

A. COMM 1-28 Resuming removal of the two former gasholders at 642 Allens Avenue in Providence is anticipated to begin in CY2006.

It should be noted that the former gasholders are currently full of stormwater that must be drained prior to cleaning and removing the structures. The Company has already obtained a discharge permit from the Narragansett Bay Commission (NBC) and the infrastructure is already in place to commence the discharge.

It is estimated that the water from both holders will take approximately 12 months to drain given the flowrate limitations provided in the NBC discharge permit. Once the water is drained, the holders will be cleaned of any residual sludge and the steel from the holders can be dismantled. The removal process is expected to extend into CY2007.