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Rhode Island Public Utilities Commission

**KEEGAN WERLIN LLP**

ATTORNEYS AT LAW  
265 FRANKLIN STREET

BOSTON, MASSACHUSETTS 02110-3113

(617) 951-1400

TELECOPIERS:

(617) 951- 1354

(617) 951- 0586

September 30, 2005

VIA HAND AND ELECTRONIC DELIVERY

Paul J. Roberti  
Assistant Attorney General  
Department of the Attorney General  
150 South Main Street  
Providence, RI 02903

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

Dear Assistant Attorney General Roberti:

Enclosed please find New England Gas Company's ("Company") responses to the following data requests from the Department of the Attorney General's First Set of Data Requests on behalf of the Rhode Island Division of Public Utilities and Carriers:

DIV 1-01 through 1-18

Thank you for your attention to this filing.

Sincerely,



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

Enclosure

cc: Luly Massaro, Commission Clerk (nine copies)  
David J. Effron  
Bruce Oliver

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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**Q. DIV 1-01** Please provide all supporting work papers for the operating revenues and expenses for the twelve months ended June 30, 2005 on Attachment RJR-1, Page 2. The response should reconcile the revenues expenses on RJR-1, Page 2 to the FERC Form 2.

**A. DIV 1-01** The operating revenues and the expenses listed in Attachment RJR-1, page 2 were derived from the Company's Attachment RJR-4 FERC Form 2, for the period ending June 30, 2005. The attached work-papers detail the adjustments that the Company made to the financial data reported in the Attachment RJR-4 FERC Form 2, in order to perform the earnings-sharing calculation consistent with the Docket Number 3401 settlement provisions and Commission ratemaking principles.

NEW ENGLAND GAS COMPANY  
DETAIL GAS REVENUE  
FOR THE TWELVE MONTHS ENDED

	FIRM SALES	JUNE 2005	
1	RESIDENTIAL	271,933,314	1
2	COMMERCIAL	103,891,759	2
3	INDUSTIAL	9,292,691	3
4	OTHER GAS SALES	358,112	4
5	INTERRUPTIBLE / NON FIRM	12,948,179	5
6	WEATHER MITIGATION FY ' 05	(1,602,000)	6
7	ESM FY '04	254,935	7
8	RECONCILIATION FACTOR & ON SYSTEM CREDIT	327,969	8
9	ESM FY '04 REVERSAL	543,231	9
10	ESM FY '03 REVERSAL	673,240	10
11	WEATHER MITIGATION FY 04 REVERSAL	619,069	11
12	WEATHER MITIGATION FY 03 REVERSAL	555,626	12
13	UNBILLED REVENUES	2,495,940	13
14			14
15	TOTAL FIRM SALES PER FILING - RJR-1 PG.2 LINE 3	<u>402,292,065</u>	15
16			16
17			17
18	TOTAL PER FERC REPORT - PG. 301 LINE 1	<u>402,292,065</u>	18
19			19
20	TRANSPORTATION SALES		20
21			21
22	COMMERCIAL	7,493,185	22
23	INDUSTRIAL	3,445,661	23
24	INTERRUPTIBLE / NON-FIRM	905,442	24
25			25
26	TOTAL TRANSP PER FILING - RJR-1 PG. 2 LINE 4	<u>11,844,288</u>	26
27			27
28			28
29	TOTAL PER FERC REPORT - PG. 301 LINE 7	<u>11,844,288</u>	29

**NEW ENGLAND GAS COMPANY  
DETAIL OTHER REVENUE  
FOR THE TWELVE MONTHS ENDED**

	JUNE 2005	
1 RENT FROM GAS PROPERTY	261,000	1
2 DEFERRED REVENUES - GCC	345,763	2
3 OTHER GAS REVENUE - ( TO - CGA)	11,303	3
4 DISPLACEMENT REVENUE	829,836	4
5 OTHER REVENUE MISC	40,135	5
6 INTEREST ON CUST ARREARS	502,416	6
7 INTEREST ON CUST ARREARS - LDCM	12,606	7
8		8
9 TOTAL OTHER REVENUE PER FILING - RJR-1 PG. 2 LINE 5	<u>2,003,059</u>	9
10		10
11		11
12 TOTAL PER FERC REPORT - PG. 301 LINE 12 & 14	1,142,274	12
13 ADD / (SUBTRACT) :		13
14 LINE 2 MOVED ABOVE THE LINE	345,763	14
15 LINE 6 MOVED ABOVE THE LINE	502,416	15
16 LINE 7 MOVED ABOVE THE LINE	12,606	16
17		17
18		18
19 FERC ADJUSTED	<u>2,003,059</u>	19

NEW ENGLAND GAS COMPANY  
DETAIL GAS COSTS  
FOR THE TWELVE MONTHS ENDED

JUNE 2005

GAS COSTS

1	TOTAL GAS COST PER FILING - RJR-1 PG.2 LINE 19	<u>263,537,485</u>	1
2			2
3			3
4	TOTAL PER FERC REPORT - PG. 320 LINE 97	264,110,907	4
5	ADD / (SUBTRACT) :		5
6	DAC ADJUSTMENT FROM FY 04	(573,422)	6
7			7
8	FERC ADJUSTED GAS COST	<u>263,537,485</u>	8

NEW ENGLAND GAS COMPANY  
DETAIL O & M EXPENSE  
FOR THE TWELVE MONTHS ENDED

JUNE 2005

1	TOTAL STORAGE COST PER FILING - RJR-1 PG. 2 LINE 20	<u>913,746</u>	1
2			2
3	TOTAL PER FERC REPORT - PG. 322 LINE 177	<u>913,746</u>	3
4			4
5			5
6	TOTAL DISTRIBUTION COST PER FILING - RJR-1 PG.2 LINE 21	<u>19,263,662</u>	6
7			7
8	TOTAL PER FERC REPORT - PG. 324 LINE 229	<u>19,263,662</u>	8
9			9
10			10
11	TOTAL CUSTOMER COST PER FILING - RJR-1 PG.2 LINE 22	<u>17,932,127</u>	11
12			12
13	TOTAL CUST COSTS PER FERC RPT - PAGE 325 LINE 237&244	<u>17,932,127</u>	13
14			14
15			15
16	TOTAL SALES COST PER FILING - RJR-1 PG. 2 LINE 23	<u>364,644</u>	16
17			17
18	TOTAL PER FERC REPORT - PG. 325 LINE 251	<u>364,644</u>	18
19			19
20			20
21	TOTAL ADMIN & GEN COST PER FILING - RJR-1 PG. 2 LINE 25	<u>35,321,211</u>	21
22			22
23	TOTAL PER FERC REPORT - PG. 325 LINE 268	35,035,819	23
24	ADD / (SUBTRACT) :		24
25	FERC # 426400-0410 INCLUDED (DONATIONS)	63,813	25
26	FERC # 426710-0630 INCLUDED (DONATIONS)	270,299	26
27	RJR TESTIMONY PAGE 6 OF 13 LINE 9 EXCLUDED (ADVERTISING)	(48,721)	27
28			28
29	FERC ADJUSTED ADMIN & GEN COSTS	<u>35,321,211</u>	29

NEW ENGLAND GAS COMPANY  
DETAIL DEPRECIATION  
FOR THE TWELVE MONTHS ENDED

JUNE 2005

1	TOTAL DEPR & AMORT PER FILING - RJR-1 PG. 2 LINE 38	<u>20,753,468</u>	1
2			2
3	TOTAL DEPR & AMORT FERC REPORT - PG. 114 LINE 6 & 7	<u>20,753,468</u>	3

**NEW ENGLAND GAS COMPANY  
DETAIL TAXES OTHER THAN INCOME  
FOR THE TWELVE MONTHS ENDED**

JUNE 2005

1	TOTAL TAXES OTI PER FILING - RJR-1 PG.2 LINE 39 & 40	<u>22,243,072</u>	1
2			2
3	TOTAL TAXES OTI PER FERC REPORT - PG. 114 LINE 13	<u>22,243,072</u>	3

NEW ENGLAND GAS COMPANY  
DETAIL INTEREST EXPENSE OTHER  
FOR THE TWELVE MONTHS ENDED

JUNE 2005

1	TOTAL INTEREST EXP OTHER PER FILING - RJR-1 PG.2 LINE 52	<u>117,536</u>	1
2			2
3	TOTAL INTEREST EXP OTHER FERC REPORT - PG. 116 LINE 62	279,600	3
4	ADD / (SUBTRACT) :		4
5	FERC # 43100006 EXCLUDED ( D&O INTEREST)	(118,584)	5
6	FERC # 43100001 EXCLUDED (CONS LOAN & OTHER)	(43,480)	6
7			7
8	FERC ADJUSTED INTEREST EXP OTHER	<u>117,536</u>	8

NEW ENGLAND GAS COMPANY  
DETAIL NET INCOME RECONCILIATION  
TWELVE MONTHS ENDED

	JUNE 2005	
1 TOTAL NET INCOME (LOSS) PER FILING - RJR-1 PG.2 LINE 61	<u>12,083,044</u>	1
2		2
3 TOTAL NET INCOME (LOSS) FERC - PAGE 116 LINE 72	27,675,215	3
4		4
5 <b>SUBTRACT:</b>		5
6 CORPORATE ALLOCATION	2,323,465	6
7 FEDERAL INCOME TAXES @ 35%	6,753,525	7
8 INVENTORY FINANCING	2,413,836	8
9 SHORT-TERM DEBT	670,807	9
10 LONG-TERM DEBT	8,687,243	10
11 PREFERRED DIVIDENDS	459,217	11
12 COMPANY PORTION NON-FIRM MARGIN	372,499	12
13 FY 04 OVEREARNINGS	254,935	13
14 SAVINGS IMPUTED IN BASE RATES	2,049,000	14
15 UNBILLED REVENUES	2,495,940	15
16 ITC	<u>204,568</u>	16
17 SUB-TOTAL	26,685,035	17
18		18
19 <b>ADD:</b>		19
20 NON OPERATING INCOME	7,705,230	20
21 INTEREST EXPENSE CONS LOAN & OTHER	162,064	21
22 FY 04 DAC ADJUSTMENT	573,422	22
23 UNBILLED GAS COSTS	2,196,345	23
24 INCENTIVE RELATED TO EARNINGS	<u>455,803</u>	24
25 SUB-TOTAL	11,092,864	25
26		26
27 TOTAL FERC ADJUSTED NET INCOME (LOSS)	<u><u>12,083,044</u></u>	27

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

**Record Request and Response**

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

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- Q. DIV 1-02** Please provide the complete quarterly balance sheets from which the components of rate base for the twelve months ended June 30, 2005 on Attachment RJR-1, Page 5 were taken.
- A. DIV 1-02** Attached please find the corresponding five-quarter FERC Form 2 balance sheets.

Name of Respondent		This Report is:		Date of Report		Year of Report	
New England Gas - RI		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		(Mo, Da, Yr)			
Line No.	Title of Account	Reference Page Number	Filed (in dollars)	Balance at (in dollars)	Balance at (in dollars)	Balance at (in dollars)	Filed (in dollars)
	(a)	(b)	(c)	(d)	(d)	(d)	(d)
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)							
UTILITY PLANT							
1	Utility Plant (101-106, 114)	200-201	793,520,490	793,431,140	779,007,767	806,592,981	809,424,484
2	Construction Work in Progress (107)	200-201	5,850,652	12,937,420	16,016,371	7,432,078	12,941,629
3	TOTAL Utility Plant (Total of Lines 2 and 3)	200-201	799,371,142	806,368,560	795,024,138	814,025,057	822,366,113
4	(Less) Accum. Provision for Deprec., Amort., Depl. (108, 111, 115)		(223,755,018)	(229,357,854)	(216,531,009)	(236,682,412)	(241,811,930)
5	Net Utility Plant (Total of line 4 less 5)		575,616,124	577,010,706	578,493,129	577,342,645	580,554,183
6	Nuclear Fuel (120.1 thru 120.4, and 120.6)						
7	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)						
8	Nuclear Fuel (Total of line 7 less 8)						
9	Net Utility Plant (Total of Lines 6 and 9)		575,616,124	577,010,706	578,493,129	577,342,645	580,554,183
10	Utility Plant Adjustments (116)	122					
11	Gas Stored - Base Gas (117.1)	220					
12	System Balancing Gas (117.2)	220					
13	Gas Stored in Reservoirs and Pipelines - Noncurrent (117.3)	220					
14	Gas Owned to System Gas (117.4)	220					
15	OTHER PROPERTY AND INVESTMENTS						
16	Nonutility Property (121)						
17	(Less) Accum. Provision for Depreciation and Amortization (122)						
18	Investments in Associated Companies (123)	222-223	117	117	117	117	117
19	Investments in Subsidiary Companies (123.1)	224-225					
20	Noncurrent Portion of Allowances						
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)						
22	Other Investments (124)	222-223	411,534	332,584	562,997	43,516	49,286
23	Special Funds (125 thru 128)		411,751	332,701	563,114	43,633	49,403
24	TOTAL Other Property and Investments (Total of lines 17-20, 22-24)		383,150	33,122	1,754,654	1,769,349	907,393
25	CURRENT AND ACCRUED ASSETS						
26	Cash (131)		8,724	1,828	2,144	5,846	6,996
27	Special Deposits (132-134)						
28	Working Funds (135)						
29	Temporary Cash Investments (136)	222-223	(19,547)	(20,046)	(18,728)	(21,306)	
30	Notes Receivable (141)		51,468,852	34,232,555	53,921,181	87,542,285	61,248,903
31	Customer Accounts Receivable (142)		685,785	674,952	604,064	844,433	878,526
32	Other Accounts Receivable (143)		(5,301,934)	(2,917,321)	(8,363,506)	(7,018,842)	(7,101,767)
33	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)						
34	Notes Receivable from Associated Companies (145)		209,209,747	221,677,961	154,020,023	303,101,513	317,844,805
35	Accounts Receivable from Associated Companies (146)		372,644	772,706	488,620	402,617	398,679
36	Fuel Stock (151)						
37	Fuel Stock Expenses Undistributed (152)						
38	Residuals (Elec) and Extracted Products (Gas) (153)		1,482,021	1,605,817	1,331,181	1,589,055	1,663,895
39	Plant Materials and Operating Supplies (154)						
40	Merchandise (155)						
41	Other Materials and Supplies (156)						
42	Nuclear Materials Held for Sale (157)						
43							

complete

complete

Name of Respondent		This Report Is:		Date of Report		Year of Report	
New England Gas - RI		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		(Mo, Da, Yr)			
Line No.	Title of Account (a)	Reference Page Number (b)	Filed 6/30/2004 (in dollars) (c)	Balance at 9/30/2004 (in dollars) (d)	Balance at 12/31/2004 (in dollars) (d)	Balance at 3/31/2005 (in dollars) (d)	Filed 6/30/2005 (in dollars) (d)
COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)							
44	Allowances (158.1 and 158.2)						
45	(Less) Noncurrent Portion of Allowances						71
46	Stores Expense Undistributed (163)					69	
47	Gas Stored Underground - Current (164.1)	220	12,189,350	20,858,394	20,548,336	7,916,074	16,007,288
48	Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3)	220	4,542,452	6,639,246	5,960,662	3,758,021	4,922,766
49	Prepayments (165)	230	33,644,071	33,016,219	33,450,621	2,577,755	41,841,873
50	Advances for Gas (166 thru 167)						
51	Interest and Dividends Receivable (171)						
52	Rents Receivable (172)						
53	Accrued Utility Revenues (173)						
54	Miscellaneous Current and Accrued Assets (174)					29,006,415	5,460,981
55	TOTAL Current and Accrued Assets (Total of lines 27 thru 54)		308,665,295	316,575,433	263,708,409	431,473,284	444,080,754
56	DEFERRED DEBITS						
57	Unamortized Debt Expense (181)						
58	Extraordinary Property Losses (182.1)	230					
59	Unrecovered Plant and Regulatory Study Costs (182.2)	230					
60	Other Regulatory Assets (182.3)	232	12,515,587	12,103,606	11,504,197	11,559,124	11,156,796
61	Preliminary Survey and Investigation Charges (Electric) (183)						
62	Preliminary Survey and Investigation Charges (Gas) (183.1, 183.2)						
63	Clearing Accounts (184)						17,578
64	Temporary Facilities (185)						
65	Miscellaneous Deferred Debits (186)	233	5,920,104	8,009,199	30,189,655	41,748,491	2,648,408
66	Deferred Losses from Disposition of Utility Plant (187)						
67	Research, Development, and Demonstration Expend. (188)						
68	Unamortized Loss on Required Debt (189)						
69	Accumulated Deferred Income Taxes (190)	234-235					
70	Unrecovered Purchase Gas Costs (191)						
71	TOTAL Deferred Debits (Total of lines 57 thru 70)		18,435,691	20,112,805	41,693,852	53,307,615	13,822,782
72	TOTAL Assets and Other Debits (Total of lines 10-15, 25, 55, and 71)		903,128,861	914,031,645	884,458,504	1,062,167,177	1,036,507,122

complete

complete

Name of Respondent		This Report Is:		Date of Report		Year of Report	
New England Gas - RI		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		(Mo, Da, Yr)			
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)							
Line No.	Title of Account (a)	Reference Page Number (b)	Filed 6/30/2004 (in dollars) (c)	Balance at 9/30/2004 (in dollars) (d)	Balance at 12/31/2004 (in dollars) (d)	Balance at 3/31/2005 (in dollars) (d)	Filed 6/30/2005 (in dollars) (d)
PROPRIETARY CAPITAL							
1	Common Stock Issued (201)	250-251					
2	Preferred Stock Issued (204)	250-251					
3	Capital Stock Subscribed (202, 205)	252					
4	Stock Liability for Conversion (203, 206)	252					
5	Premium on Capital Stock (207)	252					
6	Other Paid-In Capital (208-211)	253					
7	Installments Received on Capital Stock (212)	252					
8	(Less) Discount on Capital Stock (213)	254					
9	(Less) Capital Stock Expense (214)	254					
10	Retained Earnings (215, 215.1, 216)	118-119	263,344,332	258,562,064	235,128,748	292,712,829	291,019,547
11	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119					
12	(Less) Required Capital Stock (217)	250-251					
13	TOTAL Proprietary Capital (Total of lines 2 thru 13)		263,344,332	258,562,064	235,128,748	292,712,829	291,019,547
LONG TERM DEBT							
14	Bonds (221)	256-257					
15	(Less) Recquired Bonds (222)	256-257					
16	Advances from Associated Companies (223)	256-257					
17	Other Long-Term Debt (224)	256-257					
18	Unamortized Premium on Long-Term Debt (225)	258-259					
19	(Less) Unamortized Discount on Long-Term Debt-Dr. (226)	258-259					
20	(Less) Current Portion of Long-Term Debt						
21	TOTAL Long-Term Debt (Total of lines 16 thru 22)		-	-	-	-	-
OTHER NONCURRENT LIABILITIES							
22	Obligations Under Capital Leases - Noncurrent (227)		246,719	230,525	297,194	71,414	56,622
23	Accumulated Provision for Property Insurance (228.1)						
24	Accumulated Provision for Injuries and Damages (228.2)						
25	Accumulated Provision for Pensions and Benefits (228.3)					1,703,723	1,794,311
26	Accumulated Miscellaneous Operating Provisions (228.4)						
27	Accumulated Provision for Rate Refunds (229)						
28	TOTAL Other Noncurrent Liabilities (Total of lines 25 thru 30)		246,719	230,525	297,194	1,775,137	1,850,933
complete							

Name of Respondent		This Report is:		Date of Report		Year of Report	
New England Gas - RI		<input checked="" type="checkbox"/> An Original <input type="checkbox"/> A Resubmission		(Mo, Da, Yr)			
Line No.	Title of Account	Reference Page Number (b)	Filed 6/30/2004 (in dollars) (c)	Balance at 9/30/2004 (in dollars) (d)	Balance at 12/31/2004 (in dollars) (d)	Balance at 3/31/2005 (in dollars) (d)	Filed 6/30/2005 (in dollars) (d)
COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(Continued)							
CURRENT AND ACCRUED LIABILITIES							
32	Current Portion of Long-Term Debt						
33	Notes Payable (231)		17,577,014	18,197,569	37,764,510	37,486,379	31,539,116
35	Accounts Payable (232)						
36	Notes Payable to Associated Companies (233)						
37	Accounts Payable to Associated Companies (234)		553,792,346	573,826,787	538,050,500	630,579,716	619,462,486
38	Customer Deposits (235)		2,804,951	2,850,088	2,824,042	2,887,185	2,931,708
39	Taxes Accrued (236)	262-263	(12,200,984)	(10,723,207)	(6,937,827)	(7,279,960)	(11,489,509)
40	Interest Accrued (237)		286,040	305,997	229,957	264,088	287,145
41	Dividends Declared (238)						
42	Matured Long-Term Debt (239)						
43	Matured Interest (240)						
44	Tax Collections Payable (241)		383,181	297,053	981,324	826,390	276,222
45	Miscellaneous Current and Accrued Liabilities (242)	268	20,355,754	18,259,268	17,167,932	24,295,205	24,627,373
46	Obligations Under Capital Leases-Current (243)						
47	TOTAL Current and Accrued Liabilities (Total of lines 33 thru 46)		582,998,302	603,013,555	590,080,338	689,059,003	667,634,541
DEFERRED CREDITS							
48	Customer Advances for Construction (252)						
49	Accumulated Deferred Investment Tax Credits (255)		1,644,390	1,593,248	1,746,874	1,490,964	1,439,822
51	Deferred Gains from Disposition of Utility Plant (256)						
52	Other Deferred Credits (253)	269	20,315,204	22,208,903	27,326,878	33,957,187	34,298,815
53	Other Regulatory Liabilities (254)	278	2,263,425	(3,893,139)	(2,437,817)	10,855,662	9,947,069
54	Unamortized Gain on Required Debt (257)	260					
54.1	Contributions in aid of Construction (271)						
55	Accumulated Deferred Income Taxes (281-283)	276-277	32,316,489	32,316,489	32,316,489	32,316,395	32,316,395
56	Operating Reserves						
57	TOTAL Deferred Credits (Total of lines 49 thru 55)		56,539,508	52,225,501	58,952,224	78,620,208	78,002,101
58	TOTAL Liabilities and Other Credits (Total of lines 14, 23, 31, 47, and 56)		903,128,861	914,031,645	884,458,504	1,062,167,177	1,038,507,122

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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**Q. DIV 1-03** Please provide all supporting work papers for the components of rate base for the twelve months ended June 30, 2005 on Attachment RJR-1, Page 5. The response should reconcile the components of rate base on RJR-1, Page to the FERC Form 2 as of June 30, 2004 and June 30, 2005.

**A. DIV 1-03** Attached are the supporting work-papers reconciling the components of rate base on RJR-1, page 5, to Attachment RJR-4 FERC Form 2 as of June 30, 2004, and June 30, 2005.

NEW ENGLAND GAS COMPANY  
DETAIL RATE BASE RECONCILIATION  
FOR THE MONTHS ENDING

		JUNE 2004	JUNE 2005	
1	<b>GAS PLANT IN SERVICE</b>			1
2	PLANT HELD FOR FUTURE USE			2
3	CONSUMER PREM EQUIP (PRI)			3
4	LEASED PROPERTY UNDER CAP LEASE			4
5	GOODWILL			5
6	MERCURY REGULATORS			6
7	ACCOUNTING SYSTEM			7
8	BILLING SYSTEM			8
9				9
10				10
11				11
12	<b>ACCUMULATED DEPRECIATION</b>			12
13	ACCUM DEPR - CAPITAL LEASE			13
14	ACCUM DEPR - ENVIRONMENTAL			14
15	ACCUM DEPR - RENTAL EQUIP			15
16				16
17				17
18				18
19	<b>MATERIALS AND SUPPLIES</b>			19
20				20
21				21
22				22
23	<b>PREPAID EXPENSES</b>			23
24	NON UTILITY PREPAID			24
25	PREPAID TAXES			25
26	PREPAID PENSION - FAS 87			26
27	PREPAID PENSION - SERP			27
28				28
29				29
30				30
31	<b>DEFERRED DEBITS</b>			31
32	EXCLUDE ALL EXCEPT Y2K			32
33				33
34				34
35				35
36	<b>GAS INVENTORIES</b>			36
37	EXCLUDE ALL			37
38				38
39				39
40				40
41	<b>CASH WORKING CAPITAL</b>			41
42				42
43				43
44	<b>ACCUMULATED DEFERRED FIT</b>			44
45	Adjustment per ESM Calculation FY 04-05			45
46				46
47				47
48				48
49	<b>ACCUMULATED DEFERRED ITC</b>			49
50				50
51				51
52				52
53	<b>CUSTOMER DEPOSITS</b>			53
54				54
55				55
56				56
57	<b>INJURY AND DAMAGE RESERVE</b>			57
58	** NOTE : RECLASS FY 2005 FERC FORM 2			58
59	PAGE 112 LINE 38			59

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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- Q. DIV 1-04** Please provide work papers showing how all adjustments to operating revenues and expenses to incorporate Commission ratemaking principles and prior Commission findings in DAC dockets were calculated.
- A. DIV 1-04** Please refer to DIV 1-01, page 8 of 8. All adjustments to operating revenues and expenses are consistent with the prior ESM filings.

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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- Q. DIV 1-05** Please provide workpapers and calculations supporting the "Corporate Allocation" of \$2,323,465 on Attachment RJR-1, Page 2. The response should clearly identify the amounts associated with the Corporate Incentive Compensation Plan and show how those costs were eliminated.
- A. DIV 1-05** Please refer to the attached schedules.

**SOUTHERN UNION COMPANY**  
**CORPORATE**  
**FISCAL YEAR 2004 PROFIT PLAN**  
**Corporate Company 5000**  
**June 2005**

	Jul-Dec ACTUAL	Jan-Jun ACTUAL	Total	
<b>Operating &amp; Maintenance Expense</b>				
1 311 Exempt Labor	4,077,758	4,492,767	8,570,525	1
2 312 Non-Exempt Labor - Fixed	33,890	89,086	122,976	2
3 314 Part-Time Labor	7,005	8,409	15,414	3
4 315 Overtime Labor	754	731	1,485	4
5 316 Temporary Labor	2,968	5,831	8,799	5
6 317 Sales Commissions	0	0	0	6
7 319 Other Direct Wages	728,653	593,102	1,321,755	7
8 326 Profit Incentive	2,363,743	1,416,666	3,780,409	8
9 <b>Payroll Subtotal</b>	<b>7,214,771</b>	<b>6,606,592</b>	<b>13,821,363</b>	9
10				10
11 320 Employee Benefits	282,548	804,624	1,087,171	11
12 321 Medical	669,823	651,383	1,321,206	12
13 322 Pension Cost	125,636	236,062	361,697	13
14 323 401-K Match Cost	417,271	139,538	556,809	14
15 324 Life, AD&D, & LTD Insurance Cost	31,687	51,283	82,970	15
16 360 Dental	102,922	33,196	136,118	16
17 361 FAS 106	0	0	0	17
18 362 Supplemental Retirement	172,674	3,341,013	3,513,687	18
19 020 Employee Benefits Clearing	0	0	0	19
20 <b>Employee Benefits Subtotal</b>	<b>1,802,560</b>	<b>5,257,098</b>	<b>7,059,658</b>	20
21				21
22 325 Operating Reserves	0	0	0	22
23 327 Insurance Premiums	139,030	26,767	165,797	23
24 328 I&D Claims Reserve	(130,004)	0	(130,004)	24
25 035 Injuries & Damages Clearing	0	0	0	25
26 <b>Injuries and Damages Subtotal</b>	<b>9,026</b>	<b>26,767</b>	<b>35,793</b>	26
27				27
28 432 Professional Fees - Accounting	3,679,424	3,106,634	6,786,059	28
29 433 Professional Fees - Legal	939,466	2,922,286	3,861,752	29
30 434 Professional Fees - Internal Audit	0	0	0	30
31 436 Professional Fees - Other	247,321	17,904	265,225	31
32 <b>Total Professional Fees</b>	<b>4,866,212</b>	<b>6,046,824</b>	<b>10,913,036</b>	32
33				33
34 440 IT Costs - System Software	0	442,786	442,786	34
35 442 IT Costs - Application Software	180,115	0	180,115	35
36 444 IT Costs - Hardware / Environ. Maint.	0	0	0	36
37 446 IT Costs - Equipment Leases	372	1,990	2,362	37
38 448 IT Costs - Miscellaneous	0	0	0	38
39 450 IT Costs - PC Hardware Supplies	0	14,389	14,389	39
40 452 IT Costs - PC Software Supplies	1,675	55	1,730	40
41 454 IT Costs - PC & Printer Repair/Maint	0	4,330	4,330	41
42 455 IT Costs - Data Processing Supplies	0	0	0	42
43 <b>IT Costs Subtotal</b>	<b>182,162</b>	<b>463,550</b>	<b>645,712</b>	43
44				44
45 650 Postage & Freight	30,742	38,256	68,997	45
46 070 CSS Billing Allocation	0	0	0	46
47 <b>Postage Subtotal</b>	<b>30,742</b>	<b>38,256</b>	<b>68,997</b>	47
48				48
49 690 Uncollectibles	0	0	0	49
50 691 Bad Debt Reserve	0	0	0	50
51 <b>Total Uncollectibles</b>	<b>0</b>	<b>0</b>	<b>0</b>	51
52				52

	Jul-Dec ACTUAL	Jan-Jun ACTUAL	Total	
53 330 Training	21,068	12,450	33,518	53
54 335 Mileage	289	1,746	2,035	54
55 340 Travel	1,194,929	1,571,627	2,766,556	55
56 341 Meals and Entertainment	46,283	41,525	87,808	56
57 342 Time Sheet Meals	0	0	0	57
58 343 Parking	6,779	8,936	15,715	58
59 390 Other Employee Related Expenses	121,118	57,410	178,529	59
60 410 Dues & Memberships	361,557	150,726	512,283	60
61 429 Damage Reimbursement	0	0	0	61
62 431 General Utility Subcntrct Lbr	0	0	0	62
63 439 Other Outside Services	393,212	361,331	754,543	63
64 490 Communications / Telephone	96,664	83,049	179,713	64
65 511 Inventory Issues	0	0	0	65
66 512 Direct Purch.-Non Stock	0	0	0	66
67 520 Business Forms	0	0	0	67
68 522 Office Supplies	78,623	86,107	164,730	68
69 528 Printing & Reproduction	5,102	19,962	25,064	69
70 570 Rents & Leases	760,615	520,690	1,281,305	70
71 591 Company Used Gas	0	0	0	71
72 594 Electricity / Utilities	0	0	0	72
73 598 Vehicular Fuel	0	0	0	73
74 610 Advertising	712	1,283	1,995	74
75 700 Miscellaneous Expense	397,250	(605,686)	(208,436)	75
76 710 Depreciation and Amortization	0	0	0	76
77 760 Permits, Licenses, Fees	(70)	8,482	8,412	77
78 815 Other Financing Costs	328,496	321,580	650,077	78
79 870 Financial Reporting Expenses	190,317	182,050	372,367	79
80 960 Directors' and Officers' Costs	247,018	394,845	641,863	80
81 010 Time Off w/ Pay(NPT) Load	0	0	0	81
82 050 Stores Load	0	0	0	82
83 060 Vehicles Load	25,243	24,233	49,475	83
84 998 Meter Installation Transfers	0	0	0	84
85 <b>Total Other</b>	<b>4,275,205</b>	<b>3,242,345</b>	<b>7,517,550</b>	85
86				86
87 <b>Total Operating &amp; Maintenance Expense</b>	<b>18,380,677</b>	<b>21,681,432</b>	<b>40,062,109</b>	87
88				88
89 751 Payroll Taxes	183,532	324,272	507,804	89
90 752 Property Taxes	0	0	0	90
91 754 Other Taxes	(426,526)	124,696	(301,831)	91
92 Taxes Other than on Income and Revenue	(242,995)	448,968	205,973	92
93				93
94 710 Depreciation	400,680	333,382	734,062	94
95 710 Miscellaneous Amortization	0	471,528	471,528	95
96 Depreciation & Misc. Amortization	400,680	804,910	1,205,590	96
97				97
98 820 Amortization of Acquisition Adjustment	0	0	0	98
99 810 Other Interest Charges	4,799,587	4,189,196	8,988,783	99
100 810 Long Term Interest Charges (a)	33,987,139	37,088,102	71,075,241	100
101 Net Other Expense (Income)	2,581,518	180,409	2,761,928	101
102				102
103 <b>TOTAL EXPENSES</b>	<b>59,906,607</b>	<b>64,393,017</b>	<b>124,299,623</b>	103
104				104
105 <b>(LOSS) BEFORE TAXES</b>	<b>(59,906,607)</b>	<b>(64,393,017)</b>	<b>(124,299,623)</b>	105
106				106
107				107
108 Payroll (less Incentive and Bonus)	6,108,467	10,178,193	16,286,660	108
109 Non PR	8,927,794	9,915,671	18,843,465	109
110 Depreciation	400,680	804,910	1,205,590	110
111 Total Allocation Amount			<b>36,335,715</b>	111
112				112

	Jul-Dec ACTUAL	Jan-Jun ACTUAL	Total		
113	<b>PAYROLL RECONCILIATION</b>			113	
114				114	
115	311 Exempt Labor	4,077,758	4,492,767	8,570,525	115
116	312 Non-Exempt Labor - Fixed	33,890	89,086	122,976	116
117	314 Part-Time Labor	7,005	8,409	15,414	117
118	315 Overtime Labor	754	731	1,485	118
119	316 Temporary Labor	2,968	5,831	8,799	119
120	317 Sales Commissions	0	0	0	120
121	319 Other Direct Wages	728,653	593,102	1,321,755	121
122	326 Profit Incentive	2,363,743	1,416,666	3,780,409	122
123	751 Payroll Taxes	183,532	324,272	507,804	123
124	<b>Payroll &amp; PR Taxes Subtotal</b>	<b>7,398,303</b>	<b>6,930,864</b>	<b>14,329,167</b>	124
125					125
126	320 Employee Benefits	282,548	804,624	1,087,171	126
127	321 Medical	669,823	651,383	1,321,206	127
128	322 Pension Cost	125,636	236,062	361,697	128
129	323 401-K Match Cost	417,271	139,538	556,809	129
130	324 Life, AD&D, & LTD Insurance Cost	31,687	51,283	82,970	130
131	360 Dental	102,922	33,196	136,118	131
132	361 FAS 106	0	0	0	132
133	362 Supplemental Retirement	172,674	3,341,013	3,513,687	133
134	020 Employee Benefits Clearing	0	0	0	134
135	<b>Benefits Subtotal</b>	<b>1,802,560</b>	<b>5,257,098</b>	<b>7,059,658</b>	135
136	<b>LESS INCENTIVE COMPENSATION</b>			136	
137	319 Other Direct Wages	(728,653)	(593,102)	(1,321,755)	137
138	326 Profit Incentive	(2,363,743)	(1,416,666)	(3,780,409)	138
139					139
140	<b>Total Payroll (less Incentive and Bonus)</b>	<b>6,108,467</b>	<b>10,178,193</b>	<b>16,286,660</b>	140
141					141
142	<b>NON - PAYROLL RECONCILIATION</b>			142	
143					143
144	432 Professional Fees - Accounting	3,679,424	3,106,634	6,786,059	144
145	433 Professional Fees - Legal	939,466	2,922,286	3,861,752	145
146	434 Professional Fees - Internal Audit	0	0	0	146
147	436 Professional Fees - Other	247,321	17,904	265,225	147
148	<b>Professional Fees Sub-Total</b>	<b>4,866,212</b>	<b>6,046,824</b>	<b>10,913,036</b>	148
149					149
150	440 IT Costs - System Software	0	442,786	442,786	150
151	442 IT Costs - Application Software	180,115	0	180,115	151
152	444 IT Costs - Hardware / Environ. Maint.	0	0	0	152
153	446 IT Costs - Equipment Leases	372	1,990	2,362	153
154	448 IT Costs - Miscellaneous	0	0	0	154
155	450 IT Costs - PC Hardware Supplies	0	14,389	14,389	155
156	452 IT Costs - PC Software Supplies	1,675	55	1,730	156
157	454 IT Costs - PC & Printer Repair/Maint	0	4,330	4,330	157
158	455 IT Costs - Data Processing Supplies	0	0	0	158
159	<b>IT Costs Subtotal</b>	<b>182,162</b>	<b>463,550</b>	<b>645,712</b>	159
160					160
161	650 Postage & Freight	30,742	38,256	68,997	161
162	<b>Postage Subtotal</b>	<b>30,742</b>	<b>38,256</b>	<b>68,997</b>	162
163					163
164	754 Other Taxes	(426,526)	124,696	(301,831)	164
165	<b>Other Taxes Subtotal</b>	<b>(426,526)</b>	<b>124,696</b>	<b>(301,831)</b>	165
166					166

	Jul-Dec ACTUAL	Jan-Jun ACTUAL	Total	
167 330 Training	21,068	12,450	33,518	167
168 335 Mileage	289	1,746	2,035	168
169 340 Travel	1,194,929	1,571,627	2,766,556	169
170 341 Meals and Entertainment	46,283	41,525	87,808	170
171 342 Time Sheet Meals	0	0	0	171
172 343 Parking	6,779	8,936	15,715	172
173 390 Other Employee Related Expenses	121,118	57,410	178,529	173
174 410 Dues & Memberships	361,557	150,726	512,283	174
175 429 Damage Reimbursement	0	0	0	175
176 431 General Utility Subcntrct Lbr	0	0	0	176
177 439 Other Outside Services	393,212	361,331	754,543	177
178 490 Communications / Telephone	96,664	83,049	179,713	178
179 511 Inventory Issues	0	0	0	179
180 512 Direct Purch.-Non Stock	0	0	0	180
181 520 Business Forms	0	0	0	181
182 522 Office Supplies	78,623	86,107	164,730	182
183 528 Printing & Reproduction	5,102	19,962	25,064	183
184 570 Rents & Leases	760,615	520,690	1,281,305	184
185 591 Company Used Gas	0	0	0	185
186 594 Electricity / Utilities	0	0	0	186
187 598 Vehicular Fuel	0	0	0	187
188 610 Advertising	712	1,283	1,995	188
189 700 Miscellaneous Expense	397,250	(605,686)	(208,436)	189
190 710 Depreciation and Amortization	0	0	0	190
191 760 Permits, Licenses, Fees	(70)	8,482	8,412	191
192 815 Other Financing Costs	328,496	321,580	650,077	192
193 870 Financial Reporting Expenses	190,317	182,050	372,367	193
194 960 Directors' and Officers' Costs	247,018	394,845	641,863	194
195 010 Time Off w/ Pay(NPT) Load	0	0	0	195
196 050 Stores Load	0	0	0	196
197 060 Vehicles Load	25,243	24,233	49,475	197
198 Other O&M Expense Subtotal	4,275,205	3,242,345	7,517,550	198
199				199
200 Total Non PR	8,927,794	9,915,671	18,843,465	200



Southern Union Company  
 Summary of JCC Payroll Related Costs Allocation  
 By Functional Area  
 12 Months Ending June 2005

Attachment to DIV 1-05  
 Docket No. 3690  
 September 30, 2005  
 Page 6 of 7

Company	Average Distribution	Total	Audit	Chairman	CFO & Pres	Accounting Corporate	Human Resources	Legal	Risk	Treasurer
21 SUG	0.00000%	-	-	-	-	-	-	-	-	-
23 MGE	9.07426%	1,477,893	74,563	154,920	119,204	153,614	842,376	67,756	28,145	37,316
47 SUGAir (includes Co 64)	0.00000%	-	-	-	-	-	-	-	-	-
26 PG Energy (includes Honesdale)	6.23488%	1,015,453	51,242	106,466	81,921	105,569	578,907	46,564	19,141	25,645
60 PEI Power	0.23637%	38,496	1,951	4,053	3,119	4,019	22,040	1,773	565	976
61 PG Energy Services	0.08157%	13,285	679	1,410	1,085	1,398	7,669	617	87	340
xx Other Non-Regulated (RI)	0.09223%	15,022	760	1,580	1,215	1,566	8,589	691	241	380
70 Providence (RI)	7.41221%	1,207,202	60,827	126,381	97,244	125,316	687,195	55,274	24,523	30,442
71 Valley Resources (RI)	1.30666%	212,811	10,874	22,592	17,384	22,402	122,844	9,881	1,392	5,442
72 Fall River (MA)	1.40155%	228,266	11,470	23,831	18,337	23,631	129,583	10,423	5,251	5,740
73 North Attleboro Gas (MA)	0.15602%	25,411	1,293	2,685	2,066	2,663	14,602	1,175	280	647
98 Panhandle Eastern Pipe Line	28.85463%	4,862,322	246,782	512,743	394,533	508,423	2,788,040	224,254	64,039	123,507
97 Transwestern	12.25452%	1,995,852	101,539	210,968	162,330	209,191	1,147,138	92,269	21,599	50,817
98 Citrus	31.89511%	5,194,650	264,777	550,131	423,301	545,496	2,991,338	240,606	46,486	132,513
	<b>100.00000%</b>	<b>16,286,663</b>	<b>826,755</b>	<b>1,717,761</b>	<b>1,321,740</b>	<b>1,703,288</b>	<b>9,340,321</b>	<b>751,282</b>	<b>211,749</b>	<b>413,767</b>
Out of Balance										
			826,755	1,717,761	1,321,740	1,703,288	9,340,321	751,282	211,749	413,767
Less: Costs reduced for Expense Ratio										
Net Costs included in JCC Model		<b>16,206,663</b>	<b>826,755</b>	<b>1,717,761</b>	<b>1,321,740</b>	<b>1,703,288</b>	<b>9,340,321</b>	<b>751,282</b>	<b>211,749</b>	<b>413,767</b>

**Southern Union Company**  
**Summary of Non-Employee Related Costs**  
**12 months ending June 2005**

Attachment to DIV 1-05  
Docket No. 3690  
September 30, 2005  
Page 7 of 7

Company Number	Company Name	Total	Subtotal Causal Pools	Insurance Activity 200703	All Entities 200801
<b>Total Costs</b>					
21	SUG	0	0	0	0
23	MGE	1,701,772	1,701,772	7,265	1,694,507
47	SUGAir (includes Co 64)	0	0	0	0
26	PG Energy (includes Honesdale)	1,169,459	1,169,459	4,941	1,164,518
60	PEI Power	44,481	44,481	146	44,335
61	PG Energy Services	15,449	15,449	22	15,427
xx	Other Non-Regulated (RI)	17,339	17,339	62	17,277
70	Providence (RI)	1,388,678	1,388,678	6,330	1,382,348
71	Valley Resources (RI)	247,471	247,471	359	247,111
72	Fall River (MA)	262,022	262,022	1,356	260,666
73	North Attleboro Gas (MA)	29,446	29,446	72	29,373
99	Panhandle Eastern Pipe Line	5,624,899	5,624,899	16,531	5,608,368
97	Transwestern	2,313,137	2,313,137	5,576	2,307,561
98	Citrus	6,029,317	6,029,317	12,000	6,017,317
TOTAL		<u>18,843,469</u>	<u>18,843,469</u>	<u>54,661</u>	<u>18,788,808</u>

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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- Q. DIV 1-06** Please reconcile gas costs recovery included in revenue to purchased gas costs included in operating expenses for the twelve months ended June 30, 2005.
- A. DIV 1-06** Please refer to the attached schedule.

**NEW ENGLAND GAS COMPANY  
RECONCILIATION GAS COST RECOVERY  
FOR THE TWELVE MONTHS ENDED JUNE 2005**

1	Total GCR Revenues (Gas Costs included in Revenues)	250,854,617	Annual GCR Schedule 1 Page 2	1
2				2
3	Gas Cost per book	263,537,485	Attachment RJR-1, Page 2, Line 19	3
4	Less:			4
5	Purchased Gas Costs Adjustments	(11,256,341)	Annual GCR, Schedule 2, Page 2	5
6	Non-firm	(9,930,677)	Annual GCR, Schedule 2, Page 2	6
7	Company Use	(427,146)	Annual GCR, Schedule 2, Page 2	7
8	Manchester St. Balancing	(46,947)	Annual GCR, Schedule 2, Page 2	8
9	Marketer Overtakes	(401,147)	Annual GCR, Schedule 2, Page 2	9
10	Marketer Withdrawals	(1,014,985)	Annual GCR, Schedule 2, Page 2	10
11	Def. Resp. (Sales to Transp) (July - October)	(52,283)	Annual GCR, Schedule 1, Page 1	11
12	FERC 717	(89,993)	Attachment RJR-4, Page 317a, Line 1	12
13	FERC 735	(1,121)	Attachment RJR-4, Page 317a, Line 3	13
14	FERC 741	(405)	Attachment RJR-4, Page 317a, Line 4	14
15	FERC 742	(12,713)	Attachment RJR-4, Page 317a, Line 5	15
16	LNG Demand to DAC	(674,327)	Annual GCR, Schedule 1, Page 1	16
17	Supply related LNG to DAC	(1,420,692)	Annual GCR, Schedule 1, Page 2	17
18	Other	(65,623)		18
19	Add:			19
20	Pipeline surcharge credit	544,845	Annual GCR, Schedule 2, Page 2	20
21	Marketer Undertakes	697,650	Annual GCR, Schedule 2, Page 2	21
22	Marketer Injections	107,158	Annual GCR, Schedule 2, Page 2	22
23	Supply related LNG O&M	518,894	Annual GCR, Schedule 1, Page 1	23
24	Supply related LNG O&M	365,465	Annual GCR, Schedule 1, Page 2	24
25	Inventory financing - LNG	484,491	Annual GCR, Schedule 1, Page 2	25
26	Inventory financing - UG	1,865,143	Annual GCR, Schedule 1, Page 2	26
27	Inventory financing - LP	61,844	Annual GCR, Schedule 1, Page 2	27
28	GCR Working Capital	1,007,887	Annual GCR, Schedule 1, Page 2	28
29	Total Costs - Add lines 3 through 28	<u>243,796,462</u>		29
30				30
31	GCR Revenue less Gas Costs	7,058,155	Line 1 less Line 29	31
32				32
33	GCR Interest Applied	345,426	Annual GCR, Schedule 1, Page 2	33
34				34
35	GPP Incentives	321,271	Annual GCR, Schedule 1, Page 2	35
36				36
37	<b>Net change in the Deferred Balance</b>	<u><u>6,391,458</u></u>	Line 31 less lines 33 and 35	37
38				38
39	GCR Deferred Beginning Balance	2,451,089	Annual GCR Schedule 1 Page 2	39
40	GCR Deferred Ending Balance	(3,940,369)	Annual GCR Schedule 1 Page 2	40
41	<b>Net change in the Deferred Balance</b>	<u><u>6,391,458</u></u>	Annual GCR Schedule 1 Page 2	41
42				42
43	Variance	0	Line 37 less 41	43

New England Gas Company  
Docket No. 3690

Record Request and Response

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

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- Q. DIV 1-07 **Please provide documentation and calculations supporting the Company's portion of non-firm margins of \$372,499.**
- A. DIV 1-07 Please refer to Attachment PCC-4 to the testimony of Peter C. Czekanski filed under coverletter dated August 1, 2005. Note the amount included in Attachment RJR-1, at page 2, line 6, was an estimate and was not changed to reflect the above attachment. The FY2005 revenues should be reduced by \$15,713.

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- Q. DIV 1-08** Please provide documentation and calculations supporting the elimination of unbilled revenue and associated operating expenses.
- A. DIV 1-08** In accordance with the Docket 3401 settlement provisions, the Company eliminated the unbilled revenues recorded on the books from the calculation of operating revenues for the fiscal year ended June 30, 2005. The calculation of unbilled revenues for the fiscal year is attached.

New England Gas-Rhode Island Division  
Unbilled Revenue

	<u>Jun-05</u>		
	2.70%		
Total Sendout - Sales (dth)	953,873		
Total Sendout	953,873		
- Non-firm	120,911		
- Navy	0		
- NGV	1,818		
- Transportation overtakes	2,606		
- Transportation undertakes	(4,146)		
- Transportation storage injections	5,747		
- Transportation storage w/drawals	0		
- Transportation MIA/DIA	<u>(886)</u>		
Firm Sendout	827,823		
- Line loss at 2.70%	(22,351)		
<b>(A) Adjusted Sendout</b>	<b>805,471</b>		
Firm (Res & C&I) Sales	1,260,764		
Firm FT-2 Transportation	0		
TSS Customers	541		
+ Company use	8,014		
+ Manchester Street Use	1,105		
+ Gas lifes	288		
Sales	<u>1,270,712</u>		
- Prior month Unbilled	(921,262)		
<b>(B) Adjusted Firm Sales</b>	<b>349,449</b>		
Unbilled Balance (A - B)	456,022		
<b>Current month unbilled mcf</b>	<b>(465,240)</b>		
Weighted avg. Distribution margin per dth	\$2.49		
Weighted avg. GCR/DAC Collections per dth	\$9.48		
Weighted avg. Variable Collections per dth	\$11.98		
Unbilled revenue balance	\$5,460,981		
<b>Current month unbilled \$</b>	<b>(\$5,100,700)</b>		
	July 1, 2004	June 30, 2005	
Unbilled Rev Balance	\$2,965,041	\$5,460,981	<b>\$2,495,940</b>
Unbilled Gas Cost Bal	\$2,128,224	\$4,324,741	<b>\$2,196,517</b>
Unbilled Margin Balance	\$836,817	\$1,136,239	<b>\$299,422</b>

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- Q. DIV 1-09** Referring to Riccitelli testimony, Page 5, Lines 10-12, please explain where the adjustment for FY2004 ESM over-earnings appears.
- A. DIV 1-09** Please refer to the Company's response to DIV 1-01, at pages 1 and 8.

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**Q. DIV 1-10** Referring to Attachment RJR-1, Page 2, please explain why the \$254,935 for ESM FY'04 is shown as a reduction to actual test year revenue.

**A. DIV 1-10** Consistent with the ESM for FY03 and FY04, the Company eliminates the over-earnings entry when calculating the ESM. This adjustment is necessary since the over-earnings booked during FY04 reduced earnings in excess of \$254,935. The \$254,935 represents the difference between the original 2004 ESM over-earnings amount and the final Commission ruling. Since the original amount booked during FY04 exceeded this amount, the Company needed to properly record the adjustment for these revenues during FY05.

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- Q. DIV 1-11 Referring to Attachment RJR-1, Page 5, please provide the details of prepaid expenses included in rate base.**
- A. DIV 1-11 Please refer to the attached materials.**

NEW ENGLAND GAS COMPANY  
DETAIL PREPAID EXPENSE  
FOR THE TWELVE MONTHS ENDED JUNE 2005

DESCRIPTION	JUNE 2004	SEPTEMBER 2005	DECEMBER 2005	MARCH 2005	JUNE 2005	AVERAGE
1						
2 INSURANCE	0		655,648	241,942		179,518
3 SOFTWARE MAINT	270,389	230,254	128,088	229,590	391,005	249,865
4 POSTAGE	57,465	79,450	26,147	12,497	17,481	38,608
5 EXPENSES / CWIP	59,695					11,939
6	387,548	309,704	809,883	484,029	408,486	479,930

	ACCOUNT INCLUDED	JUNE 2003	SEPTEMBER 2003	DECEMBER 2003	MARCH 2003	JUNE 2004
<b>PREPAID EXPENSES</b>	<b>Prepayments &amp; Other</b>	<b>32,301,166</b>	<b>31,773,564</b>	<b>31,550,960</b>	<b>31,835,826</b>	<b>31,167,616</b>
RECLASS CREDIT AMOUNTS	Less 166820	0	187,500	375,000	38,124	
PREPAID PENSION - FAS 87	166830	(27,596,821)	(27,596,821)	(27,596,821)	(27,846,821)	(27,596,821)
PREPAID PENSION - SERP	166840	<u>(3,167,218)</u>	<u>(3,167,218)</u>	<u>(3,167,218)</u>	<u>(3,167,218)</u>	<u>(3,167,218)</u>
		<u>1,537,127</u>	<u>1,197,025</u>	<u>1,161,921</u>	<u>859,911</u>	<u>403,577</u>

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**Q. DIV 1-12 Referring to Attachment RJR-1, Page 5, why does the balance of Accumulated Deferred FIT decrease in March 2005 and June 2005?**

**A. DIV 1-12** As a result of the special depreciation allowance for qualifying property placed in service subsequent to September 11, 2001(bonus depreciation), New England Gas Company deducted for federal tax purposes, 30 percent of the qualified assets basis for the periods September 11, 2001 through June 30, 2002, July 1, 2002 through June 30, 2003 and July 1, 2003 through June 30, 2004. For the short year, July 1, 2004 through December 31, 2004, 50 percent of the qualified assets basis was deducted for tax purposes.

Due to these bonus depreciation deductions, the asset basis for tax purposes is significantly lower than for book purposes. This results in book depreciation exceeding tax in calendar year 2005. As a corresponding result, when book depreciation exceeds tax depreciation accumulated deferred federal income tax decreases.

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- Q. DIV 1-13** Referring to Attachment RJR-2, Page 5, why is the change in the balance of Accumulated Deferred FIT estimated instead of actual for the six months ended June 2005?
- A. DIV 1-13** An estimate was necessary for the six months ended June 30, 2005, since the Company changed its fiscal year from June 30<sup>th</sup> to December 31<sup>st</sup>. See Testimony of Robert J. Riccitelli at page 7, lines 14 through 17.

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**Q. DIV 1-14** Referring to Attachment RJR-1, Page 9, please explain why the items on Lines 2 and 3 are treated as non-operating income.

**A. DIV 1-14** Line 2 represents rental revenues associated with non-utility property and therefore is appropriately excluded from the ESM calculation and consistent with the prior ESM filings.

Line 3 (Miscellaneous Non-Operating Income) includes \$100,000 from the Company's fulfillment of a Portland Natural Gas Transmission contract for monitoring services which ended December 31, 2004, and \$3,595 of various miscellaneous non-utility revenues. Treatment of the income from Portland Natural Gas Transmission below the line is consistent with Docket No. 3401.

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- Q. DIV 1-15 Referring to Attachment RJR-1, Page 9, please provide documentation for the Mercury expenses of \$8,640,215.
- A. DIV 1-15 Please refer to the Company's response to DIV 1-16.
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**Q. DIV 1-16** Please provide a complete description of the Company's accounting for expenditures related to the mercury-release incident. The response should include an explanation of how administrative and general expenses and any other indirect costs were allocated to activities associated with the mercury release incident.

**A. DIV 1-16** In October 2004, New England Gas Company ("NEGAS") was notified that a Company-owned facility located at the Tidewater site was entered and vandalized by an unknown third party. Upon inspection, the Company detected that a release of mercury stored at the site had occurred. NEGAS personnel immediately contacted the appropriate government officials (including RIDEM), as well as a local environmental clean-up contractor to assess and remediate the incident.

Shortly thereafter, the Company was notified that mercury had been detected at a location off-site of the Company's property. When this occurred, Southern Union's corporate environmental department assumed control of the situation under the direction of Southern Union's Vice President of Safety and Risk Management and the General Counsel. Other than the President and COO of the New England division, local management was involved only tangentially in the resolution of the issue from that point forward and, because of the sensitive nature of the issues involved, very few individuals at the local level were involved in *any* capacity or were provided with any information whatsoever regarding the incident. Specifically, local management generally handled communications with the media, provided occasional consultation to Southern Union management and assisted in the processing of purchase orders and payment of invoices relating to the incident. Otherwise, no

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information was circulated by management within the local operations.

Although local management took immediate steps following the initial discovery of the mercury release to secure the Tidewater site and to commence clean up activities at that site, no monies were paid out by NEGAS in relation to those activities prior to the discovery of mercury at the off-premise location. As soon as Southern Union assumed management responsibility of the issue, which occurred when mercury was detected at a location off-site, a tightly controlled accounting process was established to track all costs associated with the incident. All costs incurred in relation to the incident were documented and/or invoiced to the Company. All invoices were reviewed and approved by either Southern Union's project manager or Southern Union's legal department. Amounts invoiced to the project were kept isolated from the Company's general accounting process and were charged to newly established accounts. All of these accounts were treated as below-the-line costs in preparing the earnings-sharing calculation.

In that regard, *all of the costs* incurred by the Company in relation to the release fell within one of the following specially designated accounts:

- ◆ Clean up and remediation costs paid to a professional environmental consultant;
- ◆ Legal fees for assistance with investigations, remediation and mitigation for affected persons;
- ◆ Security expenses, including the charges to secure sites during clean-up and engage police and fire details;
- ◆ Mitigation costs, including the cost of housing, clothing, food and any other costs that benefited displaced individuals and families;
- ◆ All other related costs, including fees and expenses of Southern Union's project manager and media relations activities.

Although the Company does, on occasion, incur environmental remediation costs, these costs are routinely tracked separately by project. Therefore, it is possible to verify that no amounts are recorded in accounts included in the ESM for FY2004.

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The Company did not charge "administrative and general" expenses or other types of indirect costs to the Incident accounts. As described above, the activities of local management were strictly limited and the process was predominantly controlled and conducted at the corporate level. Moreover, all costs incurred were isolated and tracked for direct assignment to the New England operations for financial reporting purposes (below-the line, as noted above), and therefore, are not included in the corporate allocation.

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**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

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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)**

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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.

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- 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  
TWELVE 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  
FERC ACCOUNT 925 DETAIL  
TWELVE MONTHS ENDED JUNE 30, 2005

	AMOUNT	
1 Workers' Comp Labor	74,674	1
2 Workers' Comp Insurance	193,821	2
3 Workers' Comp I & D Reserve	1,370,672	3
4 Safety Driver Training	46,064	4
5 Other - Miscellaneous Items < \$5,000 [1]	126,696	5
6 Total	<u>1,811,927</u>	6

[1] Items such as safety shoes, DOT physicals, safety equipment, drug & alcohol testing.

NEW ENGLAND GAS COMPANY  
FERC ACCOUNT 926 DETAIL  
TWELVE MONTHS ENDED JUNE 30, 2005

	AMOUNT	
1 Sick Pay	993,964	1
2 Medical Insurance	5,477,715	2
3 Dental Insurance	503,429	3
4 Pension	4,424,769	4
5 FAS 106	3,172,812	5
6 401 (k) Match	1,370,769	6
7 Group Life, LTD Insurance	326,470	7
8 Other - Miscellaneous <\$10,000	99,915	8
9 Total	<u>16,369,843</u>	9

NEW ENGLAND GAS COMPANY  
FERC ACCOUNT 928 DETAIL  
TWELVE MONTHS ENDED JUNE 30, 2005

	AMOUNT	
1 Adler Pollock & Sheehan	93,908	1
1 Keegan, Werlin & Pabian	123,899	1
2 HAH Partridge Snow & Hahn	164	2
3 Ira B. Lukens	76	3
4 PUC Assess-RI	936,289	4
5 Rhode Island Division of Public Utilities	42,574	5
6 Rate Case Amortization	182,475	6
7 Misc	6,211	7
8 Total	<u>1,385,595</u>	8

NEW ENGLAND GAS COMPANY  
FERC ACCOUNT 930.2 DETAIL  
TWELVE MONTHS ENDED JUNE 30, 2005

	AMOUNT	
1 DSM Rebate	315,619	1
2 Low Income Assistance Expense	1,682,834	2
3 Weatherization Program Expense	200,000	3
4 Amortization Integration Expenses	572,050	4
5 NEGA Training	11,119	5
6 Automotive Overhead	148,517	6
7 Philanthropy - Sponsorship	44,714	7
8 Other - Miscellaneous items < \$10,000	18,708	8
9 Total	<u>2,993,561</u>	9