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December 8, 2005

VIA HAND DELIVERY

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

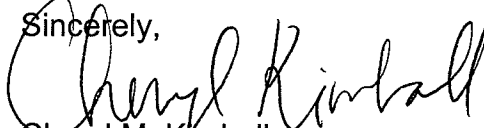
RE: Docket No. 3690, Distribution Adjustment Charge

Dear Ms. Massaro:

Enclosed herewith is the Company's Response to the Attorney General's Motion to Compel, filed on November 22, 2005 in relation to the Attorney General's First Set of Data Requests (issued on November 1, 2005).

Thank you for your attention to this matter. Please feel free to contact me should you have any questions relative to the information provided herein.

Sincerely,


Cheryl M. Kimball
R.I. Bar # 6458

Cc: Service List

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RHODE ISLAND PUBLIC UTILITIES COMMISSION

New England Gas Company)
Distribution Adjustment Charge)

Docket No. 3690

**REPLY OF NEW ENGLAND GAS COMPANY TO THE ATTORNEY
GENERAL'S MOTION TO COMPEL RESPONSES TO THE ATTORNEY
GENERAL'S FIRST SET OF INFORMATION REQUESTS**

New England Gas Company (the "Company") hereby replies to the Motion To Compel The New England Gas Company's Responses To The Attorney General's First Set of Data Requests (the "Motion to Compel"), as filed with the Rhode Island Department of Public Utilities (the "Commission") on November 22, 2005 in this proceeding. In the Motion to Compel, the Attorney General seeks to compel responses to his First Set of Information Requests to the Company issued on November 1, 2005 requesting the Company to provide certain information concerning the Tidewater Site mercury-release incident. The Company filed an objection to the Attorney General's First Set of Information Requests on November 10, 2005, stating that the requested information is outside the scope of the Distribution Adjustment Charge ("DAC") proceeding as it relates to the Earnings Sharing Mechanism ("ESM"), wherein the Commission is investigating whether the Company has properly calculated the ESM for fiscal year ended June 30, 2005.

The Company is submitting today under separate cover responses to the Attorney General's central issue in the First Set of Data Requests. In these responses, the Company

responds to the central issues embodied in the Attorney General's questions, which is the issue of whether the costs collected through the Environmental Response Cost factor properly exclude costs associated with the Tidewater Site mercury-release incident. The responses submitted today under separate cover definitively address this point, as well as providing other information requested by the Attorney General to the extent that such information is relevant and within the scope of this proceeding.

To the extent that the Attorney General's information requests relate to actions taken in relation to the Tidewater Site, or costs incurred that were kept below-the-line, the Company maintains that this type of information is outside the scope of this proceeding. As stated in the testimony of Robert J. Riccitelli, the Company excluded all expenses relating to the mercury release at Tidewater from Operating Expense for the purpose of calculating the ESM component of the DAC. As indicated in response to COMM-RR-1, filed under separate cover on this date, the Company has confirmed through internal review that costs recovered for mercury removal through the ERC since its inception (as part of ERI I in 1997) relate only to the cost of removal of equipment from customer premises and disposal of materials off-site of Company property. As a result, further inquiry by the Attorney General into the circumstances and costs of the Tidewater Site incident are not germane to this proceeding.

There are a couple of additional points that the Company would like to make. First, from the outset of the proceeding, the Division has taken an active role to verify that costs *included* in the ESM and ERC components of the DAC properly exclude costs associated with the Tidewater Site incident. In that regard, the Division has the primary statutory

obligation to protect the public interest and to provide for the fair regulation of public utilities. R.I. Gen. Laws Section 39-1-1. The Rhode Island Supreme Court concurs.

In our opinion it is the function of the [D]ivision to serve the [C]ommission in bringing to it all relevant evidence, facts, and arguments that will lead the [C]ommission in its quasi-judicial capacity to reach a just result.

Providence Gas Company v. Burke, 419 A.2d 263, 270 (1980).

The Company anticipates that the Division will take the actions that it feels necessary in this proceeding to verify that amounts included in the DAC for recovery from customers are appropriate.

Second, the Attorney General claims that the Company does not want the Commission or the other parties to this proceeding to delve further into the ERC Factor (Motion to Compel at 3, fn.3). This assertion is contradicted by the detailed testimony, exhibits and other documentation provided in the initial filing, as well as to the Division in response its first and second set of data requests in this case. The Company has consistently provided all of the data and supporting exhibits that would be needed to investigate the nature and amount of costs recovered through the ERC. The Company has filed detailed listings of its costs and project sites. Evidentiary hearings have been held where the Company's witnesses have been subject to cross-examination by the Attorney General, the Division and the Commission. Moreover, the Company has testified that the accounting records and invoices that support cost recovery through the ERC are available for review:

QUESTION: On a going forward basis do you know how we can be assured that the expenses that we see go through the ERC mechanism do not relate to the October 2004 incidents?

WITNESS CZEKANSKI: Our records associated with the expenses incurred by the company for any of these environmental sites are available to the Division and the Commission to review. We have invoices for any

work that has been done and is reflected in the costs that we're asking recovery for so that would be available.

Transcript at 91 (October 25, 2005).

In particular, the Attorney General makes the claim that the Company "has consistently failed to provide evidence to justify the ERC factor" (Motion to Compel, at 3, fn. 3). However, the Attorney General may not be aware of various data exchanges occurring outside of the hearing room and not specifically referenced in a Commission order. For example, the Attorney General may not be aware that in the fall of 2004, the Company presented a comprehensive overview to the Division at a meeting attended by Mr. Oliver concerning the Company's ERC factor and insurance-recovery strategies. This presentation was not recorded on transcript, but Mr. Oliver later testified before the Commission that:

[T]he presentation that we were provided yesterday I think was very detailed and discussing the processes and the rationales which underlie the decision making process.

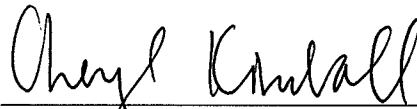
Transcript at 163-164 (November 19, 2004) (Docket No. 3548). Therefore, contrary to the Attorney General's argument, the Company has, in fact, endeavored to provide the Division with all information that is relevant and necessary to evaluate the Company's year-to-year proposals for cost recovery through the ERC, as well as the ESM.

WHEREFORE, the Company respectfully requests that the Commission deny the Attorney General's Motion to Compel in its entirety.

Respectfully submitted,

NEW ENGLAND GAS COMPANY

By its attorney,

A handwritten signature in cursive script that reads "Cheryl Kimball". The signature is written in black ink and is positioned above a horizontal line.

Cheryl M. Kimball, Esq. (RI #6458)
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Boston, MA 02110
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Dated: December 8, 2005