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January 30, 2006

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 for filing, please find New England Gas Company's original and nine (9) copies of the Rebuttal Testimony of Robert J. Riccitelli in the above captioned proceeding. Thank you for your attention to this filing. Should you have any questions relative to the information provided herein, please feel free to contact me.

Sincerely,

Cheryl M. Kimball (KAA)

Cheryl M. Kimball
R.I. Bar # 6458

cc: Steve Scialabba
Paul Roberti, Esq.
Service List, Docket No. 3690

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

PUBLIC UTILITIES COMMISSION

NEW ENGLAND GAS COMPANY

DOCKET NO. 3690

REBUTTAL TESTIMONY

OF

ROBERT J. RICCITELLI

January 30, 2006

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert J. Riccitelli. My business address is 100 Weybosset Street, Providence, RI 02903.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?

A. Yes. On September 1, 2005, I submitted testimony on behalf of New England Gas Company (the "Company") in support of the earnings sharing calculation for the Company's fiscal year 2005 operations.

Q. ARE THERE ANY ATTACHMENTS TO YOUR TESTIMONY?

A. Yes, I am sponsoring three exhibits in addition to the exhibits submitted as part of my original direct testimony. These exhibits are as follows:

RJR-5	Revised Earnings Sharing Calculation for FY2005
RJR-6	Calculation of Administrative and General Expenses
RJR-7	Calculation of Accumulated Deferred FIT

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. On January 19, 2006, the Division of Public Utilities and Carriers (the "Division") filed direct testimony by David J. Effron regarding the Company's calculations of the earnings sharing mechanism for FY2005. My rebuttal testimony responds to the recommendations outlined by Mr. Effron.

Q. WOULD YOU PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY?

A. Yes. After reviewing Mr. Effron's testimony, the Company has determined that a few issues raised therein require a response. As discussed below, the Company does not oppose Mr. Effron's recommendations to: (1) exclude certain legal fees from the FY2005 ESM calculation; (2) to amortize legal costs associated with the health, safety and environmental policy review over a period of three years; (3) to amortize costs associated with the termination of the supplemental retirement plan over three years; and (4) correct for an error in the statement of the environmental accrual as of June 2004, which decreases the average depreciation reserve for FY2005.

The Company does have a response to Mr. Effron's recommendations to: (1) exclude certain administrative and general expenses from the FY2005 ESM calculation; and (2) adjust Accumulated Deferred Income Taxes ("ADIT"). As discussed below, the Company does not agree that the Commission should adopt these recommendations as calculated by Mr. Effron.

Q. HAVE YOU PREPARED AN EXHIBIT SUMMARIZING THE NET IMPACT OF THE COMPANY'S RECOMMENDED ADJUSTMENTS ON THE FY2005 EARNINGS SHARING CALCULATION?

A. Yes. The Company's recommended adjustments are discussed in detail below. However, Attachment RJR-5 computes the ESM for FY2005, including the four adjustments noted above. Under the Company's revised calculations, the Company achieved a return on equity of 11.77 percent, which results in a credit to customers through the DAC totaling $423,222. The ultimate impact on customers will be determined as a result of the Commission's order in this proceeding and the Company will provide a bill-impact analysis as part of the compliance filing made pursuant to the Commission's final order.

Q. WOULD YOU PLEASE IDENTIFY THE RECOMMENDATIONS MADE BY THE DIVISION THAT THE COMPANY DOES NOT OPPOSE?

A. Yes. The Company agrees with the Division's recommendation to reduce FY2005 operations and maintenance expense by $223,319 to account for the exclusion of legal fees associated with below-the-line accounts. Moreover, the Company does not oppose the Division's recommendation to amortize over a period of three years costs associated with (1) the Company's comprehensive review of health, safety and environmental policies (reducing FY2005 O&M expense by $382,667); and (2) costs associated with the termination of the supplemental retirement plan (reducing FY2005 O&M expense by $135,000), so long as the Company is able to include one-third of the total expense amount in the FY2006 and FY2007 ESM calculations, as alluded to by the Division. Lastly, the Company agrees with the $1,100,933 diminishment of the average depreciation reserve for FY 2005 (Division Testimony at 13).

Q. WHY DOES THE COMPANY OPPOSE THE ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSE TO THE BELOW-THE-LINE AMOUNTS EXCLUDED FROM THE FY2005 ESM CALCULATION?

A. The Company objects to the allocation of administrative and general expense ("A&G") to the mercury incident on the basis set forth by the Division. The Division states that the Commission should adopt its recommendation to allocate A&G costs because (1) "it is difficult to believe that the NEG management and administrative personnel expended only minimal time and effort related to the mercury release event and that such time was put in only after their normal duties were completed" (Division Testimony at 9-10); and (2) many A&G responsibilities "are by their nature not directly attributable to any particular activity; rather, the responsibilities relate to the Company as a whole" (id. at 10). Neither of these statements provide a conceptual or methodological basis for excluding the amount calculated by the Division of $352,000.

The Company's decision to exclude costs associated with the mercury incident from the calculation of the FY2005 ESM was based on the recognition that the Company's regulators were likely to object to any reduction in FY 2005 earnings subject to the ESM, coming as a result of costs incurred to resolve the mercury incident. Although the Company incurred these costs in the course of providing service to customers, the Company recognized that the costs would not likely be viewed by regulators as a "cost of service," but rather would be viewed as *incremental* costs that should be excluded from the ESM so as to preclude any impact on customers. By allocating normally recurring A&G expenses to the mercury incident, however, the Division is effectively allowing customers to *benefit* from the unfortunate event through a reduction to the normal O&M expense level. This result is no more appropriate than allowing customers to be negatively affected by the incident.

The Company has repeatedly explained that only a very limited number of individuals in the New England division were involved in the management of the incident. To the extent that individuals in the New England division were involved, the individuals were salaried employees, and therefore, the Company did not incur any incremental costs as a result of their involvement. To that end, the Division noted that its "review of the NEG operation and maintenance expenses in FY2005 does not indicate a substantial spike in expenses as a result of the mercury release incident" (id.). Therefore, the Division's recommendation to allocate A&G expenses is not based on a determination that the Company incurred additional costs as a result of the incident that should have been booked to below-the-line accounts as were other costs associated with the incident. Rather, the Division's claims is that it is "difficult to believe" that these employees expended only "minimal time" and that such time was "put in only after their normal duties were completed" (id.).

Therefore, the Division's claim appears to be that the limited involvement of these employees has somehow deprived customers of the benefit to which they are due in paying these individuals to perform their normal duties in managing the Company. However, NEG management bears full responsibility for the operations of the Company regardless of the number of hours logged or the day of the week that they are called upon to log those hours. As a result, although these individuals may have assisted in the response to the incident, they in no way "shirked" or failed to also perform their normal duties to the Company and its customers. Nor does the Division offer any evidence to this effect. In fact, there is no indication that the operations of the Company were negatively affected because these employees were "distracted" or in some way inattentive to their responsibilities as a result of limited involvement with the incident. It is at least equally possible that the work of these individuals resulted in a proficient handling of the incident, which minimized the impact on the Company to the benefit of customers. For instance, had management not handled the response in such a direct and expeditious manner, the incident could have become more prolonged. This could have disrupted the Company's operations and damaged the Company's ability to market gas service to new customers, which would have a detrimental effect on customers.

Therefore, reducing the level of FY2005 A&G expense to "credit" customers for the time spent by management to respond to the incident would provide an inappropriate benefit to customers, who would have incurred this cost even in the absence of the incident, and would inappropriately penalize the Company in calculating the FY2005 ESM.

Q. DO YOU HAVE ANY FURTHER COMMENT ON THE DIVISION'S CALCULATION OF THE APPROPRIATE LEVEL OF A&G EXPENSE TO BE ALLOCATED TO THE MERCURY INCIDENT?

A. Yes. Although it is the Company's position that no allocation of A&G expenses is warranted, consideration should be given to an alternative calculation of the amount should the Commission find it appropriate to do so. As demonstrated below, the Division's approach to calculating the amount is imprecise and results in a substantial overstatement of the amount of A&G expense that would be apportioned to the mercury incident.

Q. Would you please explain?

A. Yes. The Division calculates that mercury-related expenses are 2.66 percent of the sum of the mercury-related expenses plus the "above-the-line" net operation and maintenance expenses (Division Testimony at 11). The Division then applies this percentage to the Company's total A&G salaries of $13,219,000, as shown on Schedule DJE-2 to derive an adjustment of $352,000. This methodology is a "rough-cut" that substantially overstates the level of employee-compensation expense that would possibly be attributable to activities undertaken by the individuals involved in the Company's response.

In the response to Data Request COMM 3-1 (confidential response), the Company provided the FY2005 salary levels for the top ten salaried officers and directors of the New England division, which includes the individuals that were called upon the assist in the Company's response. In Attachment RJR-6, the Company has summed the annual salaries of those individuals, divided the sum by 12 months to derive their monthly compensation, and then multiplied that compensation by 10 percent, which represents the upper bound of the amount of time in a month that an employee may have spent on issues relating to the incident. The Company then multiplied the total by the number of months over which the event spanned (three months including cleanup and remediation), even though these employees were not necessarily involved throughout the duration of the cleanup activities (coordinated by Corporate personnel and performed by outside contractors with costs recorded below-the-line). In addition, the Company allocated employee benefit costs and A&G overhead costs to the resulting total to derive a total of $39,450 in costs attributable to the incident under the Division's theory that customers should be credited for time spent on the Company's response. Therefore, to the extent that an adjustment for A&G expense is deemed appropriate by the Commission, there is no reasonable basis to derive the amount by simply applying a factor of 2.66% to the Company's total FY2005 A&G expense level of $13,219,000. These employees would have had to spend 100 percent of their time in those three months on the mercury incident in order to justify the Division's calculation (i.e., if spending 10% of their time over three months results in an allocation of $39,450, then almost 100% of their time is needed to result in an allocation of $352,000). Therefore, to the extent that the Commission finds it appropriate to allocate A&G expenses to the below-the line amounts, the Company respectfully requests that the Commission accept the Company's calculation of the appropriate amount.

Q. DO YOU HAVE ANY COMMENT ON THE DIVISION'S RECOMMENDATION TO ADJUST THE LEVEL OF ADIT?

A. Yes, but before I address the Division's comments I would like to revise Attachment RJR-2, which was provided with my original testimony in this proceeding. In Attachment RJR-7, I have updated my calculation of ADIT for the six-month period January 1, 2005 thru June 30, 2005, which revises the Company's calculation from a reduction of $211,369 to a decrease of $18,470.

Q. PLEASE EXPLAIN THE BASIS FOR THIS REVISION.

A. My original estimate of a reduction of $211,369 to ADIT was based on the fact that all bonus depreciation tax deduction allowances ended on December 31, 2004. As indicated in the Company's response to Division Data Request 1-12, federal tax law amendments provided for bonus depreciation for qualifying assets placed in service subsequent to September 11, 2001. As a result, the Company's tax depreciation on qualified assets in fiscal years 2001, 2002, 2003 and 2004 were significantly greater than the depreciation expense taken on the Company's books based on the composite method of depreciation. When tax depreciation amounts are greater than the Company's book depreciation expense in any year there will be an increase in the balance of accumulated deferred income taxes. This recognizes the fact that the Company has received a temporary benefit because its higher depreciation expense deduction (because of bonus or accelerated depreciation) results in lower current tax payments. The impact of these bonus depreciation tax deductions is apparent in the significant increases shown in the ADIT balances for fiscal years 2001, 2002, 2003 and 2004, as set forth in Attachment RJR-7.

The impact of bonus depreciation, however, reverses in subsequent years when booked depreciation amounts are greater than the annual amount of tax-deductible depreciation available after bonus depreciation has been used. With the expiration of bonus depreciation allowances at the end of 2004, the Company anticipated that it would have arrived at the point of reversal where book depreciation would be greater than tax depreciation going forward and thus ADIT balances would begin to decline. Accordingly, the Company has determined that instead of the balance for ADIT declining by $211,369 for the first six months of 2005, it is projected to decrease by approximately $18,470.

Q. WOULD YOU COMMENT ON THE DIVISION'S PROPOSAL TO INCREASE ADIT $309,000?

A. Yes. The Division's testimony noted that there had been significant annual increases in ADIT balances in 2001, 2002, 2003 and 2004 and that the Company had not adequately supported its estimated reduction in ADIT. The Division, therefore, recommended an increase to ADIT for the first six months by an amount equal to the average of the ADIT true-up or the years 2002, 2003, and 2004 as shown in Attachment RJR-7. Although the Division's intuition regarding the proposed reduction in the ADIT balance is on point, the magnitude of the ADIT increase proposed by the Division is not appropriate or warranted. The Division's proposal inherently assumes that the level of bonus depreciation that has been available to the Company for the past several years will continue to be available in the first six months of 2005. This is not an accurate premise because bonus depreciation amounts ended on December 31 2004, and therefore, ADIT balances will no longer increase at the rate they have in the past several years. In fact, these balances are likely to begin to decline in the near future.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

NEW ENGLAND GAS COMPANY
EARNINGS SHARING CACULATION
FOR THE TWELVE MONTHS ENDED JUNE 2005

			AS FILED	ADJUSTMENTS	ADJUSTED	
1	Average Rate Base	Rate Base L25	243,396,731	1,022,482	244,419,213	1
2	Equity Component of Rate Base	Capital Structure L8	43.60%	43.60%	43.60%	2
3	Average Common Equity	(L1 * L2)	106,120,975	445,802	106,566,777	3
4						4
5	Net Income Available for Common Stock	Income Statement L61	12,084,575	454,375	12,538,951	5
6	Return on Common Equity	(L3 / L5)	11.39%		11.77%	6
7						7
8	Return on Equity > 11.25% and <12.25%	(Lesser of 1% or L6 - 11.25%)	0.14%		0.52%	8
9	Earnings to be Shared	(L3 * L8)	145,966	404,223	550,188	9
10	Earnings to Customers - 50%	(L9 * 50%)	72,983	202,111	275,094	10
11						11
12	Return on Equity >12.25 %	(If L6 >12.25%, L6 - 12.25%)	0.00%		0.00%	12
13	Earnings to be Shared	(L3 * L12)	0	0	0	13
14	Earnings to Customers - 75%	(L13 * 75%)	0	0	0	14
15						15
16	Total After tax Earnings Credited to Customers	(L10 + L14)	72,983	202,111	275,094	16
17						17
18	Total Earnings Credited to DAC	(L16 / 65%)	112,282	310,940	423,222	18

NEW ENGLAND GAS COMPANY
INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED JUNE 2005

		12 MONTHS ENDED JUNE 2005	ADJUSTMENTS	ADJUSTED 12 MONTHS ENDED JUNE 2005	
1	**OPERATING REVENUES**				1
2					2
3	TOTAL FIRM GAS	$ 402,292,065		$ 402,292,065	3
4	TRANSPORTATION	11,844,288		11,844,288	4
5	OTHER	2,015,180		2,015,180	5
6	COMPANY PORTION NON-FIRM MARGIN	(372,499)		(372,499)	6
7				-	7
8	TOTAL OPERATING REVENUES	415,779,035	-	415,779,035	8
9					9
10	ADJUSTMENTS TO OPERATING REVENUES				10
11	ESM FY '04	(254,935)		(254,935)	11
12	UNBILLED REVENUES	(2,495,940)		(2,495,940)	12
13	INVENTORY FINANCING	(2,411,480)		(2,411,480)	13
14	TOTAL ADJUSTED OPERATING REVENUES	410,616,680	-	410,616,680	14
15					15
16					16
17	**OPERATING EXPENSES**				17
18					18
19	PRODUCTION (GAS COSTS)	263,537,485		263,537,485	19
20	STORAGE	913,746		913,746	20
21	DISTRIBUTION	19,263,662		19,263,662	21
22	CUSTOMER ACCOUNTS	17,932,127		17,932,127	22
23	SALES	364,644		364,644	23
24	ADMINISTRATIVE & GENERAL	35,321,211	(606,319)	34,714,892	24
25	CORPORATE ALLOCATION	2,323,465	(135,000)	2,188,465	25
26	INCENTIVE PAYMENTS / ACCRUALS EXCLUDED	(455,803)		(455,803)	26
27	TOTAL OPERATING EXPENSES	339,200,537	(741,319)	338,459,218	27
28					28
29	ADJUSTMENTS TO OPERATING EXPENSES				29
30					30
31	UNBILLED GAS COSTS	(2,196,345)		(2,196,345)	31
32	SAVINGS IMPUTED IN BASE RATES	2,049,000		2,049,000	32
33					33
34	TOTAL FUNCTIONAL EXP	339,053,192	(741,319)	338,311,873	34
35					35
36	**OTHER EXPENSES**				36
37					37
38	DEPRECIATION & AMORT.	20,753,469		20,753,469	38
39	LOCAL AND OTHER TAXES	10,930,183		10,930,183	39
40	REVENUE RELATED TAXES (GET)	11,312,889		11,312,889	40
41	FEDERAL INCOME TAXES @ 35%	6,754,350	245,702	7,000,052	41
42					42
43	TOTAL OTHER EXPENSES	49,750,891	245,702	49,996,593	43
44					44
45	**INCOME BEFORE INT EXP**	21,812,597	495,617	22,308,214	45
46					46
47					47
48	**INTEREST EXPENSE**				48
49					49
50	SHORT-TERM DEBT	670,807	2,818	673,625	50
51	LONG-TERM DEBT	8,687,243	36,494	8,723,737	51
52	**OTHER**	117,536		117,536	52
53	AFDUC	(206,781)		(206,781)	53
54	TOTAL INTEREST EXPENSE	9,268,805	39,312	9,308,117	54
55					55
56					56
57	**NET INCOME (LOSS)**	12,543,792	456,304	13,000,096	57
58					58
59	PREFERRED DIVIDENDS	459,217	1,929	461,146	59
60					60
61	**NET INC (LOSS) APPL TO CMN STK**	$ 12,084,575	$ 454,375	$ 12,538,951	61

NEW ENGLAND GAS COMPANY
FEDERAL INCOME TAX CALCULATION
FOR THE TWELVE MONTHS ENDED JUNE 2005

		AS FILED	ADJUSTMENTS	ADJUSTED	
1	OPERATING REVENUES	410,616,680	0	410,616,680	1
2					2
3	LESS :				3
4					4
5	OPERATING EXPENSES	339,053,192	(741,319)	338,311,873	5
6	DEPRECIATION & AMORT.	20,753,469	0	20,753,469	6
7	LOCAL AND OTHER TAXES	10,930,183	0	10,930,183	7
8	REVENUE RELATED TAXES (GET)	11,312,889	0	11,312,889	8
9	SHORT-TERM DEBT	670,807	2,818	673,625	9
10	LONG-TERM DEBT	8,687,243	36,494	8,723,737	10
11	OTHER	117,536	0	117,536	11
12	AFDUC	(206,781)	0	(206,781)	12
13					13
14	TOTAL DEDUCTIONS	391,318,538	(702,007)	390,616,531	14
15					15
16	TAXABLE INCOME	19,298,142	702,007	20,000,148	16
17					17
18	FEDERAL INCOME TAX RATE @35%	35%	35%	35%	18
19					19
20	FEDERAL INCOME TAX EXPENSE	6,754,350	245,702	7,000,052	20

NEW ENGLAND GAS COMPANY
APPLICABLE CAPITOL STRUCTURE, INTEREST EXP & PREFERRED DIVIDEND
JUNE 2005

Line		%	AS FILED $	ADJUSTMENTS	ADJUSTED	Line
1	RATE BASE		243,396,731	1,022,482	244,419,213	1
3	**CAPITAL STRUCTURE**					3
5	SHORT TERM DEBT	8.8%	21,418,912	89,978	21,508,891	5
6	LONG TERM DEBT	45.7%	111,232,306	467,274	111,699,580	6
7	PREFERRED STOCK	1.9%	4,624,538	19,427	4,643,965	7
8	COMMON EQUITY	43.6%	106,120,975	445,802	106,566,777	8
9		100.0%	243,396,731	1,022,482	244,419,213	9
10	**INTEREST EXPENSE**					10
13	LONG TERM DEBT PORTION	45.7%	111,232,306	467,274	111,699,580	13
15	COST OF LONG TERM DEBT JUNE 2005		7.81%	7.81%	7.81%	15
17	PROFORMA INTEREST FOR THE 12 MONTHS ENDED JUNE 2005		8,687,243	36,494	8,723,737	17
21	SHORT TERM DEBT PORTION	8.8%	21,418,912	89,978	21,508,891	21
23	COST OF SHORT TERM DEBT JUNE 2005		3.1318%	3.1318%	3.1318%	23
25	PROFORMA INTEREST FOR THE 12 MONTHS ENDED JUNE 2005		670,807	2,818	673,625	25
27	**PREFERRED STOCK**					27
30	PREFERRED STOCK PORTION	1.9%	4,624,538	19,427	4,643,965	30
32	COST OF PREFERRED STOCK JUNE 2005		9.93%	9.93%	9.93%	32
34	PROFORMA PREFERRED STK FOR 12 MONTHS ENDED JUNE 2005		459,217	1,929	461,146	34

NEW ENGLAND GAS COMPANY
RATE BASE
FIVE QUARTER AVERAGE JUNE 2005

		ORIGINAL AS FILED 12 MONTHS ENDED JUNE 2005	ADJUSTMENTS	ADJUSTED 12 MONTHS ENDED JUNE 2005	
1	GAS PLANT IN SERVICE	$ 501,151,812	-	501,151,812	1
2	LESS : ACCUMULATED DEPRECIATION	227,443,339	-	227,443,339	2
3	LESS : CONTRIBUTION IN AID OF CONSTR	1,162,102	-	1,162,102	3
4	LESS : ENVIRONMENTAL EXPENDITURES	5,314,571	(1,100,933)	4,213,638	4
5					5
6	NET PLANT	267,231,800	1,100,933	268,332,733	6
7					7
8	MATERIALS AND SUPPLIES	2,104,940	-	2,104,940	8
9	PREPAID EXPENSES EXCLUDING TAXES	479,930	-	479,930	9
10	DEFERRED DEBITS	2,460,000	-	2,460,000	10
11	GAS INVENTORIES	0	-	-	11
12	CASH WORKING CAPITAL	12,190,407	(20,582)	12,169,825	12
13					13
14		17,235,277	(20,582)	17,214,695	14
15					15
16					16
17	ACCUMULATED DEFERRED FIT	35,160,219	57,869	35,218,088	17
18	ACCUMULATED DEFERRED ITC	1,542,106	-	1,542,106	18
19	CUSTOMER DEPOSITS	2,868,991	-	2,868,991	19
20	INJURY AND DAMAGE RESERVE	1,499,029	-	1,499,029	20
21					21
22		41,070,345	57,869	41,128,214	22
23					23
24					24
25					25
26	***RATE BASE***	$ 243,396,731	1,022,482	244,419,213	26

NEW ENGLAND GAS COMPANY
CASH WORKING CAPITAL CALCULATION
FOR THE TWELVE MONTHS ENDED

		ORIGINAL JUNE 2005	ADJUSTMENT	REVISED JUNE 2005	
1	GAS COSTS	263,537,485	0	263,537,485	1
2	OPERATING EXP LESS CORPORATE OH'S	73,339,587	(606,319)	72,733,268	2
3	PAYROLL TAXES	2,968,037	0	2,968,037	3
4	PROPERTY TAXES	7,691,915	0	7,691,915	4
5	STATE TAXES OTHER	270,231	0	270,231	5
6	RI GROSS EARNINGS TAX	11,312,889	0	11,312,889	6
7	FEDERAL TAXES				7
8	TOTAL	359,120,144	(606,319)	358,513,825	8
9					9
10	DAILY CASH REQUIREMENT	983,891	(1,661)	982,230	10
11					11
12	NET LAG	12.39	12.39	12.39	12
13					13
14	TOTAL WORKING CAPITAL	12,190,407	(20,582)	12,169,825	14

NEW ENGLAND GAS COMPANY
SALARIED POSITIONS - MERCURY ESM 2005
FOR THE TWELVE MONTHS ENDED JUNE 30, 2005

		SALARY		
1	President / COO			1
2	Vice President, Finance			2
3	Vice President, Legal Counsel			3
4	Director of Communications			4
5	Manager Environmental Projects			5
6	**Annual Salary**	**914,777**		6
7				7
8	**Monthly Salary**	**76,231**	Line 6 / 12 Months	8
9				9
10	Allocation of time spent on Mercury Incident	7,623	Line 8 / 10%	10
11				11
12	Months spent on Mercury related information	22,869	Line 10 * 3 Months (Oct 04 - Dec 04)	12
13				13
14	Employee Benefit Overhead 50%	11,435	Line 12 * 50%	14
15				15
16	Administrative & General Overhead 15%	5,146	(Line 12+14) * 15%	16
17				17
18	Salary & Overheads related to Mercury	39,450	Line 12+14+16	18
19				19
20	Effron's Amount	352,000		20
21				21
22	Difference	(346,854)		22

New England Gas Company
Rollforward of Accumulated Deferred Income Taxes

	Valley Gas / Bristol Warren	Providence Gas	Original New England Gas Company	Revised New England Gas Company	
1 Balance @9/20/00	4,560,838	19,131,144	23,691,982	23,691,982	1
2 FY '01 Y/E Accrual	141,743	819,542	961,285	961,285	2
3 Balance @ 6/30/01	4,702,581	19,950,686	24,653,267	24,653,267	3
4 FY '02 Y/E Accrual	287,138	3,133,623	3,420,761	3,420,761	4
5 FY '01 Accrual True-Up		164,510	164,510	164,510	5
6 Balance @ 6/30/02	4,989,719	23,248,819	28,238,538	28,238,538	6
7 FY '03 Y/E Accrual			1,980,834	1,980,834	7
8 FY '02 Accrual True-Up			407,907	407,907	8
9 Balance @ 6/30/03			30,627,279	30,627,279	9
10 FY '04 Y/E Accrual			2,957,227	2,957,227	10
11 FY '03 Accrual True-Up			164,510	164,510	11
12 Balance @ 6/30/04			33,749,016	33,749,016	12
13 FY '05 Six Months 12-31-04 Actual			2,106,591	2,106,591	13
14 FY '05 Six Months 06-30-05 Estimated			(211,369)	(18,470)	14
15 Total			35,644,238	35,837,137	15