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August 1, 2006

VIA HAND DELIVERY

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

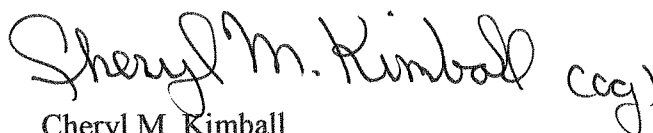
Re: Docket No. Distribution Adjustment Charge Filing

Dear Luly:

In accordance with the provisions of the Distribution Adjustment Clause ("DAC") Tariff, RIPUC NEGC No. 101, Section 3, Schedule A, enclosed for filing please find an original and nine copies of the New England Gas Company's ("Company") annual DAC filing. The filing consists of the prefiled testimony of Peter C. Czekanski with associated attachments in support of changes to various components of the DAC. Whereas the underlying data for other components of the DAC only become available subsequent to August 1st, the Company will supplement this filing on or before September 1, 2006 and provide a proposed DAC rate incorporating factors for all components.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me.

Sincerely,


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

Enc.

cc: Paul Roberti, Esq.
Steve Scialabba
Bruce Oliver
David Effron

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

NEW ENGLAND GAS COMPANY
DOCKET NO. _____

DIRECT TESTIMONY

OF

PETER C. CZEKANSKI

August 1, 2006

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Peter C. Czekanski. My business address is 100 Weybosset Street,
3 Providence, RI 02903.

4 **Q. WHAT IS YOUR POSITION AND RESPONSIBILITIES?**

5 A. I am Director of Pricing for the New England Gas Company ("NEGC" or
6 "Company"). My responsibilities include overseeing the design, implementation and
7 administration of rates charged by NEGC. I also direct the development of the
8 Company's sales and revenue forecasts.

9 **Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?**

10 A. I was first employed by Providence Gas Company ("ProvGas") in January 1995 as a
11 Pricing Analyst with responsibility for assisting in rate design, tariff administration
12 and other regulatory activities. I was promoted to my current position in March 1998.
13 I have previously testified in numerous proceedings before this Commission,
14 including: (1) Docket No. 3401, the Company's most recent rate case proceeding; (2)
15 Docket Nos. 3696 and 3436, the Gas Cost Recovery filings; (3) Docket Nos. 1673
16 and 1736, the former ProvGas and Valley Gas cost of gas adjustment filings; (4)
17 Docket No. 2902, enhancements to the Business Choice Program; and (5) in the
18 Docket Nos. 3690, 3459 and 3548 in support of the Distribution Adjustment Charge.

1 I have also testified before the Massachusetts Department of Telecommunications and
2 Energy on behalf of North Attleboro Gas Company in Dockets D.T.E. 01-17 and
3 D.T.E. 01-47 and Fall River Gas Company in Docket D.T.E. 04-06.

4 Prior to joining NEGC, I was employed by NYNEX (now Verizon) for 24 years
5 where I held various positions in the Regulatory, Government Relations and
6 Marketing departments. While part of the Regulatory department at NYNEX, I
7 prepared and filed testimony and testified in various dockets before the Rhode Island,
8 Massachusetts and Vermont regulatory commissions on matters related to rate design,
9 pricing and cost issues.

10 My educational background includes a Bachelor of Science degree in Electrical
11 Engineering from Brown University. In addition, during my career at NYNEX, I
12 completed a variety of business and management courses.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of this testimony is to describe the changes to the various components of
15 the Distribution Adjustment Charge (“DAC”) and to propose updated factors to be
16 effective November 1, 2006. In addition, this testimony will describe the
17 reconciliation of various DAC components for fiscal year 2006 (“FY2006”).

18 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

1 A. My testimony is composed of four (4) general sections: *I.* the Introduction; *II.* a DAC
2 Summary; *III.* the DAC Component Details; and *IV.* the DAC FY2006
3 Reconciliation.

4 **Q. ARE THERE ANY ATTACHMENTS ACCOMPANYING YOUR**
5 **TESTIMONY?**

6 A. Yes. I am sponsoring the following Attachments:

7	PCC-1	Summary of Distribution Adjustment Charges
8	PCC-2	System Pressure
9	PCC-3	DSM Rebate Account Balance
10	PCC-4	Environmental Response Cost
11	PCC-5	On-System Margin Credits
12	PCC-6	Weather Normalization
13	PCC-7	FY2006 Reconciliation

II. DAC SUMMARY

14 **Q. PLEASE DESCRIBE THE DAC AND THE VARIOUS COMPONENTS THAT**
15 **ARE INCLUDED.**

16 A. The DAC was established in Docket No. 3401 to provide for the recovery and
17 reconciliation of the costs of identifiable special programs, as well as to facilitate the
18 timely rate recognition of incentive provisions. As described in the Company's tariff
19 NEGC No. 101 in Section 3, Schedule A, the DAC includes an annual System
20 Pressure factor, a Demand Side Management ("DSM") factor, a Low Income
21 Assistance Program ("LIAP") factor, an Environmental Response Cost ("ERC")

1 factor, an On-System Margin Credit factor, a Weather Normalization ("WN") factor,
2 an Earnings Sharing factor and a Reconciliation factor for the previous year.

3 **Q. WHAT IS THE PROPOSED DAC RATE?**

4 A. The proposed DAC rate has not been finalized as of August 1st because underlying
5 data for the development of some components only becomes available later in the
6 month. As discussed later in this testimony, the Company will supplement this filing
7 on or before September 1, 2006. Such supplemental filing will provide a proposed
8 DAC rate incorporating factors for all DAC components and include a bill impact
9 analysis. A preliminary summary of the various components with rates as currently
10 available is provided here as Attachment PCC-1 and shows a rate of \$0.0019 per
11 therm. The currently effective DAC rate is (\$0.0031) per therm. Consistent with the
12 provisions of the Company's tariff NEGC 101, Section 3, Schedule A, the updated
13 DAC rates are proposed to be effective with consumption starting November 1, 2006.

III. DAC COMPONENT DETAILS

14 **Q. WHAT IS THE SYSTEM PRESSURE COMPONENT**

15 A. Maintaining proper operating pressures on the Company's distribution system
16 requires the occasional use of the Company's LNG facilities. The system pressure
17 component reflected in the DAC represents the associated projected LNG costs for
18 the period November 1, 2006 through October 31, 2007. This component reflects the

1 product of forecasted 2006-07 LNG costs (withdrawal commodity, inventory
2 financing, and supplier demand) and the percentage of local storage used to maintain
3 system pressures. As established in Docket No. 3401, NEGC's system balancing
4 percentage is 20.39 percent. The LNG system pressure portion of LNG Operating
5 and Maintenance costs was established at the time of the Company's last rate case and
6 is recovered in base rates.

7 **Q. HOW DID THE COMPANY ESTABLISH THE LNG COSTS REFLECTED IN**
8 **THIS FILING?**

9 A. The LNG costs reflected in this filing are based on preliminary cost estimates that
10 will be updated as part of the Company's September 1, 2006 Gas Cost Recovery
11 ("GCR") filing. In the GCR filing, non-economic dispatch LNG related commodity
12 costs are calculated for the future 12-month period November 2006 through October
13 2007. The system pressure component is then subtracted out for purposes of
14 calculating the GCR charge. This DAC filing incorporates that system pressure
15 component for the 12-month period November 2006 through October 2007. A
16 detailed discussion on the development of the forecasted LNG commodity related
17 costs will be included in the Company's September 1, 2006 GCR filing. See
18 Attachment PCC-2 for preliminary cost estimates.

19 **Q. PLEASE DESCRIBE THE DSM PROGRAM.**

1 A. The existing DSM program was established in Docket No. 2025 to promote
2 development of energy-efficient natural gas technologies that increase utilization of
3 natural gas during periods of low demand. Increased off-peak usage reduces the unit
4 cost of gas for all customers by generating distribution revenues to support fixed costs
5 associated with resources needed during peak periods. The DSM program provides
6 rebates for technologies such as natural gas powered fleet vehicles, chilling systems,
7 electrical generators, process heating, desiccant dehumidifiers, as well as for
8 residential high efficiency space heating equipment.

9 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE DSM**
10 **PROGRAM?**

11 A. Not as part of this filing. A complete review of the DSM program will be undertaken
12 as part of the merger with National Grid and as a result of implementing the recently
13 enacted Comprehensive Energy Conservation Efficiency and Affordability Act of
14 2006.

15 **Q. WHAT IS THE CURRENT LEVEL OF FUNDING?**

16 A. Under Commission Order No. 17381 in Docket No. 3401, funding was included in
17 base rates at an annual level of \$300,000. Since the Company is not proposing any
18 change to the existing program or level of funding at this time, there is no proposed
19 adjustment to the base rate annual funding. The DSM component of the DAC
20 remains at zero.

1 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR NEW PROJECTS IN**
2 **FY2007?**

3 A. At the end of FY2006, the DSM Rebate account had a balance of \$346,655.
4 Consistent with the Commission's decision at the October 26, 2005 open meeting,
5 this balance reflects interest accrued during the year and the transfer of \$613,305
6 from the DSM rebate account to the Low Income Heating Energy Assistance
7 Program. There are three approved DSM projects with rebates totaling \$305,267
8 awaiting full implementation. This results in a balance of \$41,388 not designated for
9 specific projects and being carried over from FY2006. The sum of the non-
10 designated carry over balance plus the above mentioned annual funding of \$300,000
11 equates to a total of \$341,388 available for new projects in FY2007. Attachment
12 PCC-3 shows the monthly DSM Rebate account balance activity.

13 **Q. PLEASE DESCRIBE THE LOW INCOME ASSISTANCE PROGRAMS.**

14 A. The low-income assistance programs included with this DAC component are the Low
15 Income Heating Energy Assistance Program ("LIHEAP") and the Low Income
16 Weatherization Program. LIHEAP is a federally-funded, state-administered program
17 providing funding to assist low income customers in paying their heating bills. The
18 NEGC program piggybacks on the State program and provides additional credits on
19 customers' gas bills. The Low Income Weatherization Program provides
20 supplemental funding to the weatherization program administered by the Rhode
21 Island Energy Office. Under Commission Order No. 17381 in Docket No. 3401,

1 funding for LIHEAP and the weatherization program was included in base rates at an
2 annual level of \$1,585,000 and \$200,000, respectively. The Company is not
3 proposing any change to the existing program or level of funding at this time.
4 Accordingly, the Low Income Assistance Programs component of the DAC remains
5 at zero.

6 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR LOW INCOME**
7 **ASSISTANCE PROGRAMS IN FY2007?**

8 A. For FY2007, the Company has available \$1,585,000 for LIHEAP and \$200,000 for
9 the low income weatherization program. There are also additional funds totaling
10 \$17,400 being carried over from FY2006 for Company match LIHEAP.

11 **Q. PLEASE EXPLAIN THE PURPOSE OF THE ENVIRONMENTAL**
12 **RESPONSE COST FACTOR.**

13 A. The ERC Factor is designed to allow NEGC to recover its reasonable and prudently
14 incurred costs for evaluation, remediation and clean-up of the sites associated with
15 NEGC's ownership and operation of manufactured gas plants ("MGP"), manufactured
16 gas storage facilities, and MGP-related off-site waste disposal locations. In addition,
17 the ERC Factor includes recovery of environmental costs for removing and replacing
18 mercury regulators and addressing meter disposal issues.

19 **Q. PLEASE DESCRIBE THE PROPOSED ERC FACTOR.**

1 A. Consistent with the Company's Tariff, NEGC No. 101, Section 3, Schedule A, Item
2 3.4, the ERC factor is a per-therm charge that reflects the 10-year amortization of
3 Environmental Response Costs. As shown on Attachment PCC-4 page 1, the
4 proposed ERC factor reflects annual amortization expenses totaling \$659,735. A
5 breakdown of this amortization expense is provided on Attachment PCC-4 page 2.
6 Environmental project specific expenses for the most recent year, FY2006, are
7 provided on page 3 of the attachment. Descriptions of the various environmental
8 projects and the FY2006 activities can be found in the annual environmental report
9 filed with the Commission under separate cover letter dated August 1, 2006. Netting
10 the total amortization expenses against the \$1,310,000 of ERC funding embedded in
11 base rates leaves a balance of \$650,265 to be refunded to ratepayers over the
12 November 2006 through October 2007 period. It should be noted that the FY2006
13 data is considered preliminary and if there are any changes when the Company's
14 books are finalized for the fiscal year, the Company will file an updated calculation.

15 **Q. WHAT IS THE CREDITING OF MARGINS FROM ON-SYSTEM NON-FIRM**
16 **SALES AND TRANSPORTATION?**

17 A. The crediting of margins from on-system non-firm sales and transportation services
18 provides an offset to some of the distribution system costs. Under the provisions in
19 NEGC No. 101 Section 3, Schedule A 3.5, an annual threshold level for non-firm
20 sales and transportation margins is established at \$1.6 million. For each twelve-
21 month period beginning July 1st, all margins derived from non-firm sales and

1 transportation over the threshold level shall be shared on a 75 percent 25 percent basis
2 between customers and shareholders, respectively. If the annual margins are less than
3 the threshold, the shortfall will be recovered from customers.

4 **Q. PLEASE DESCRIBE THE CALCULATION OF NON-FIRM MARGINS AND**
5 **ANY AMOUNTS AVAILABLE FOR SHARING WITH CUSTOMERS.**

6 A. Non-firm margins are calculated as the difference between non-firm sales and
7 transportation revenues and non-firm gas costs. For the 12-months ending June 30,
8 2006, the Company recorded \$3,496,294 of non-firm margins net of gross earnings
9 tax, \$1,896,294 more than the \$1.6 million threshold. Seventy-five percent of the
10 \$1,896,294, or \$1,422,220 will be credited to customers and twenty five percent, or
11 \$474,073 will be retained by the Company. Attachment PCC-5 shows the non-firm
12 usage, revenue and margins and the calculation of the margin sharing.

13 **Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION COMPONENT.**

14 A. The weather normalization clause provides for crediting/debiting customers when
15 weather over the past winter is colder/warmer than normal. In the November
16 through April period, if weather was more than 2 percent colder than normal or more
17 than 2 percent warmer than normal a credit/debit is calculated at the rate of \$9,000
18 per degree day. During the winter period November 2005 through April 2006, the
19 weather was warmer than normal and there were 103 degree days in excess of the
20 threshold, which equates to \$927,000 to be debited to the DAC account and collected

1 from customers. Attachment PCC-6 the calculation of the weather normalization
2 factor.

3 **Q. PLEASE DESCRIBE THE EARNINGS SHARING COMPONENT.**

4 A. Under the provisions of the Commission approved settlement agreement in Docket
5 No. 3401, an incentive-based Earnings Sharing Mechanism (“ESM”) was established
6 to provide for the sharing of consolidation savings between the Company and its
7 customers. The ESM is based on a benchmark return on equity of 11.25 percent,
8 excluding the Company’s portion of non-firm margins described earlier in this
9 testimony. Any annual earnings over 11.25 percent in the prior fiscal year, up to and
10 including 100 basis points, will be shared 50 percent to customers and 50 percent to
11 the Company. Any earnings in excess of 12.25 percent will be shared 75 percent to
12 customers and 25 percent to the Company.

13 **Q. HAS THE COMPANY PERFORMED THE EARNINGS SHARING**
14 **CALCULATION FOR INCLUSION IN THIS TESTIMONY?**

15 A. The Company has not yet performed the earnings sharing calculation because the
16 Company’s financial data for the fiscal year ending June 30, 2006 has not yet been
17 completed. As soon as the data is available, the Company will perform this
18 calculation and will supplement this filing with testimony supporting the calculation
19 no later than September 1, 2006.

1 **Q. LAST OCTOBER THE COMMISSION APPROVED INTERIM EARNINGS**
2 **SHARING AT THE LEVEL OF \$104,802 AND MADE ADJUSTMENTS AT**
3 **AN OPEN MEETING IN MAY, 2006. ARE THESE ADJUSTMENTS IN THIS**
4 **FILING?**

5 A. No, they will be included with the Company's earnings sharing supplement filing
6 mentioned above.

7 **Q. SHOULD THERE BE A COMPONENT IN THE DAC FOR PENALTIES**
8 **UNDER THE COMPANY'S SERVICE QUALITY PROGRAM?**

9 A. In the Service Quality Docket No. 3476, it was agreed that any penalty amounts
10 resulting from the approved Service Quality Plan would be passed on to customers in
11 the DAC as part of the Company's annual DAC filing. As reflected in the
12 Company's Fiscal Year 2006 Annual Report on Service Quality Plan (filed with the
13 Commission under cover letter dated July 28, 2006) the performance was within the
14 established benchmarks and no penalties were applicable. Accordingly, there are no
15 service quality penalties included in the current DAC filing.

IV. DAC FY2005 RECONCILIATION

16 **Q. WHAT IS COVERED UNDER THE RECONCILIATION COMPONENT OF**
17 **THE DAC?**

1 A. The unit DAC rates for the previously described components are established on the
2 basis of a projected level of consumption. The reconciliation component of the DAC
3 allows for the reconciliation of the actual costs and revenues with the previous
4 projections. The individual items being reconciled fall into one of two general
5 groupings, those being reconciled on the basis of FY2006 going from July 2005
6 through the end of June 2006 and those being reconciled on the basis of the gas year
7 which goes from November 2005 through the end of October 2006. A summary of
8 the various items being reconciled is shown on Attachment PCC-7, page 1. The first
9 three items shown relate to the reconciliation of actual levels of revenues collected
10 versus the level of funding that was incorporated in the establishment of base rates.
11 For example, at the time of the Company's last rate case, Docket No. 3401, it was
12 agreed to include in the development of base distribution rates, low income assistance
13 funding at the level of \$1,785,000 plus a working capital allowance. The
14 reconciliation accounts for any differences in total consumption or firm throughput
15 during FY2006 versus at the time of Docket No. 3401 to insure that low income
16 assistance funding is maintained at the annual level of \$1,785,000. Similarly, DSM
17 funds and ERC funds are reconciled with the approved base rate levels of \$300,000
18 plus a working capital allowance and \$1,310,000, respectively.

19 **Q. PLEASE DESCRIBE THE DSM RECONCILIATION.**

20 A. As described above, the DSM base rates reconciliation accounts for actual DSM
21 revenues collected versus the FY2006 level of funding built into base rates. During

1 FY2006, revenue collected was less than projected due to the warmer than normal
2 winter and customers using less gas than forecast resulting in an undercollection as of
3 June 30, 2006 of \$17,952 as shown on Attachment PCC-7 page 1.

4 **Q. WHAT ABOUT THE LIAP AND ENVIRONMENTAL BASE RATE**
5 **RECONCILIATION AMOUNTS?**

6 A. Similar to the situation with DSM there were undercollections resulting in June 30,
7 2006 balances of \$102,424 and \$74,798 for the LIAP and Environmental base rates
8 items, respectively. These amounts are shown on Attachment PCC-7 page 1, with
9 monthly details shown on pages 2 and 3.

10 **Q. PLEASE DESCRIBE THE RECONCILIATION OF SYSTEM PRESSURE.**

11 A. When the current DAC was established on November 1, 2005, the system pressure
12 component was calculated on the basis of projected LNG costs included in the
13 Company's September 2005 GCR filing. This past winter was warmer than normal,
14 resulting in less LNG being used than projected and at the same time the cost of the
15 LNG commodity was less than projected. As shown on page 1 of Attachment PCC-7,
16 the net result is an overcollection for system pressure with a deferred cost balance of
17 (\$137,910) as of the end of October 2006. A detailed calculation of the deferred
18 balance is provided on Attachment PCC-7, page 4.

1 **Q. WHAT IS THE ENVIRONMENTAL – DAC RECONCILIATION ITEM**
2 **SHOWN ON ATTACHMENT PCC-7, PAGE 1, LINE 5.**

3 A. Whereas the previously described environmental reconciliation item was a true-up to
4 the level of funding reflected in base distribution rates, the environmental-DAC
5 reconciliation is a true-up of the incremental revenues incorporated in the 2005-2006
6 DAC. The 2005-2006 DAC reflected a net credit to customers of \$693,867. Due to
7 the warmer than normal winter in FY2006, total thru-put was less than projected
8 resulting in crediting customers less than the \$693,867. This reconciliation item
9 reflects a deferred balance of \$87,297 to be credited to customers in the upcoming
10 year. A detailed calculation is shown on Attachment PCC-7, page 4.

11 **Q. PLEASE DESCRIBE THE ON-SYSTEM MARGIN CREDIT**
12 **RECONCILIATION.**

13 A. In the 2005-2006 DAC, there was a credit of \$1,164,637 as a result of FY2005 non-
14 firm margins in excess of the \$1.6 million dollar threshold established in Docket No.
15 3401. The On-System Margin Credit reconciliation calculates that the deferred
16 balance of that account at the end of October 2006 will be (\$139,848) meaning
17 customers received credits less than the \$1,164,637.

18 **Q. WHAT ABOUT THE REMAINING RECONCILIATION ITEMS?**

19 A. The Weather Normalization reconciliation is similar to the Environmental-DAC and
20 On-System Margin Credit items described above. In the 2005-2006 DAC, this item

1 reflected a credit going to customers and as a result of less thru-put due to warmer
2 than normal weather, the deferred balance is (\$199,253) reflecting additional credits
3 still to be refunded to customers. The ESM component is an undercollection of \$37.
4 The last reconciliation item, the Previous Reconciliation Factor, is slightly different in
5 that in the 2005-2006 DAC, this component was intended to collect \$493,577 based
6 on projected October 31, 2005 ending balances. Actual account ending balances were
7 an undercollection \$29,706 higher than projected (see Attachment PCC-7, pages 7-9)
8 resulting in a revenue requirement of \$523,283 at the start of the 2005-2006 DAC
9 year. With actual collections through June 30, 2006, the ending October 31, 2006
10 projected deferred balance is an undercollection of \$76,743.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. At the current time, yes. As stated earlier, this testimony will be supplemented on or
13 before September 1, 2006 with additional data including the proposed DAC rate
14 incorporating factors for all DAC components and a bill impact analysis.

Preliminary Summary of Distribution Adjustment Charge
 (\$ Per Therm)

Line No.	Description	reference	Factor
1	System Pressure	Attach. PCC2	\$0.0059 #
2	Demand Side Management (DSM)	PCC Testimony	\$0.0000
3	Low Income Assistance Programs (LIAP)	PCC Testimony	\$0.0000
4	Environmental Response Cost (ERC)	Attach. PCC-4	(\$0.0019)
5	On-System Margin Credits (MC)	Attach. PCC-5	(\$0.0041)
6	Weather Normalization (WN)	Attach. PCC-6	\$0.0027
7	Earnings Sharing Mechanism (ESM)	PCC Testimony	- #
8	Reconciliation Factor (R)	Attach. PCC-7	(\$0.0008) #
9	Subtotal	sum ([1]:[8])	\$0.0018
10	Uncollectible Percentage	Dkt 3401	2.10%
11	DAC adjusted for uncollectible	[9] / (1 - [10])	\$0.0018 per therm

note # Preliminary - to be updated with supplemental filing

Calculation of System Pressure Factor

	LNG Commodity Related Costs			Total
	Withdrawal Commodity	Inventory Costs	Demand from GCR	
Nov-06	\$142,599	\$63,179	\$283,425	\$489,203
Dec-06	\$476,573	\$63,643	\$270,241	\$810,457
Jan-07	\$2,903,394	\$62,371	\$268,567	\$3,234,332
Feb-07	\$967,083	\$43,160	\$266,279	\$1,276,521
Mar-07	\$405,335	\$44,136	\$263,300	\$712,771
Apr-07	\$202,123	\$45,779	\$236,183	\$484,084
May-07	\$207,719	\$47,385	\$237,425	\$492,529
Jun-07	\$198,476	\$52,692	\$283,425	\$534,593
Jul-07	\$204,348	\$53,897	\$283,425	\$541,671
Aug-07	\$203,649	\$55,855	\$246,625	\$506,130
Sep-07	\$196,347	\$59,904	\$237,425	\$493,676
Oct-07	\$202,631	\$61,929	\$237,425	\$501,985
Total	\$6,310,277	\$653,930	\$3,113,745	\$10,077,952
System Balancing Factor (Dkt 3401)	0.2039	0.2039	0.2039	
GCR Costs allocated to DAC	\$1,286,665	\$133,336	\$634,893	\$2,054,894
Firm Thru-put				34,893,906 dth
System Pressure Factor				\$0.0589 per dth
System Pressure Factor				\$0.0059 per Therm

DSM Rebate Account Balance

Account	Jul-05 31	Aug-05 31	Sep-05 30	Oct-05 31	Nov-05 30	Dec-05 31	Jan-06 31	Feb-06 28	Mar-06 31	Apr-06 30	May-06 31	Jun-06 30	Total
Beginning Balance	\$1,290,330	\$1,288,707	\$1,301,957	\$1,316,178	\$968,065	\$972,043	\$885,826	\$488,890	\$340,011	\$341,611	\$343,225	\$344,954	\$640,903
Rebate Disbursements	\$0	\$0	\$0	\$0	\$0	\$90,279	\$400,000	\$150,624	\$0	\$0	\$0	\$0	\$352,711
* Other Disbursements	\$0	\$0	\$0	\$352,711	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$993,614
Sub-total Disbursements	\$0	\$0	\$0	\$352,711	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$993,614
DAC-DSM Revenue Collections	\$9,586	\$8,375	\$9,292	\$0	\$0	\$90,279	\$400,000	\$150,624	\$0	\$0	\$0	\$0	\$27,253
** Other Revenue Adjustments	(\$15,855)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$15,855)
Sub-total Collections	(\$6,269)	\$8,375	\$9,292	\$0	\$0	\$90,279	\$400,000	\$150,624	\$0	\$0	\$0	\$0	\$11,398
Preliminary Ending Balance	\$1,284,061	\$1,297,082	\$1,311,249	\$963,467	\$968,065	\$881,764	\$485,826	\$338,266	\$340,011	\$341,611	\$343,225	\$344,954	\$640,903
Month's Average Balance	\$1,287,196	\$1,292,895	\$1,306,603	\$1,139,823	\$968,065	\$926,904	\$685,826	\$413,578	\$340,011	\$341,611	\$343,225	\$344,954	\$640,903
Bk America Rate less 200 Basis Points	4.250%	4.440%	4.590%	4.750%	5.000%	5.160%	5.260%	5.500%	5.540%	5.750%	5.930%	6.000%	\$352,711
Interest Applied	\$4,646	\$4,875	\$4,929	\$4,598	\$3,978	\$4,062	\$3,064	\$1,745	\$1,600	\$1,614	\$1,729	\$1,701	\$993,614
Ending Balance	\$1,288,707	\$1,301,957	\$1,316,178	\$968,065	\$972,043	\$885,826	\$488,890	\$340,011	\$341,611	\$343,225	\$344,954	\$344,954	\$38,541
													\$346,655

* per October 26th PUC Open Meeting, DSM rebate funds not committed to specific projects were to be transferred to the LIHEAP fund. Through the end of FY06 total funds not committed to DSM rebates were \$613,305 of which \$272,861 was to be collected from the DAC-DSM component between October and June. The difference, or \$352,711 was transferred from the DSM Rebate Account to the LIHEAP account in October, 2005.

** Adjustment reflects prior year overcollection being refunded through DAC reconciliation factor

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Environmental Response Cost (ERC) Factor

Line No.	Description	reference	Amount
1	Amortization of Pre-FY2003 expenses - year 5 of 10	page 2	\$ 1,251,025
2	Amortization of FY2003 expenses - year 4 of 10	page 2	\$ (601,267)
3	Amortization of FY2004 expenses - year 3 of 10	page 2	\$ (47,296)
4	Amortization of FY2005 expenses - year 2 of 10		\$ 13,671
5	Amortization of FY2006 expenses - year 1 of 10	page 2 and 3	\$ 43,602
6	Subtotal	sum ([1];[5])	<u>\$659,735</u>
7	Base Rate Embedded ERC Funding	Dkt 3401	<u>\$1,310,000</u>
8	Net Requirement	[5] - [6]	<u>(\$650,265)</u>
9	Firm Thru-put Nov 05 - Oct 06 (Dth)		34,893,906 Dth
10	Environmental Response Cost Factor per Dth	[7] / [8]	(\$0.0186) per Dth
11		[9] / 10	(\$0.0019) per therm

ENVIRONMENTAL RESPONSE COST RECOVERY

	EY2002	EY2003	EY2004	EY2005	EY2006	EY2007	EY2008	EY2009	EY2010	EY2011	EY2012	EY2013	EY2014	EY2015	EY2016
ENVIRONMENTAL AMORTIZATION															
June 30, 2002															
NET ERC costs net of insurance	\$12,510,252	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,027	\$ -	\$ -	\$ -	\$ -
Amortization Period (years)	10														
FY 2003															
NET ERC costs net of insurance															
Amortization Period (years)	10														
FY 2004															
NET ERC costs net of insurance															
Amortization Period (years)	10														
FY 2005															
NET ERC costs net of insurance															
Amortization Period (years)	10														
FY 2006															
NET ERC costs net of insurance															
Amortization Period (years)	10														
Amortization Expense sub-total	\$ -	\$ 1,251,025	\$ 649,758	\$ 602,462	\$ 616,133	\$ 659,735	\$ 659,735	\$ 659,735	\$ 659,735	\$ 659,735	\$ 659,737	\$ (591,293)	\$ 9,977	\$ 57,270	\$ 43,602
ENVIRONMENTAL REMEDIATION COSTS															
Beginning Balance	\$12,510,252	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346
Environmental Expenditures, net of Insurance		\$ (6,012,673)	\$ (472,960)	\$ 136,707	\$ 436,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Ending Balance	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346	\$ 6,597,346
ACCUMULATED ENVIRONMENTAL REMEDIATION															
Beginning Balance	\$ -	\$ -	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,779,113	\$ 4,438,848	\$ 5,098,583	\$ 5,758,318	\$ 6,418,053	\$ 7,077,790	\$ 6,486,497	\$ 6,496,474	\$ 6,553,744
Amortization Expense (1)			1,251,025	649,758	602,462	616,133	659,735	659,735	659,735	659,735	659,737	(591,293)	9,977	57,270	43,602
Ending Balance	\$ -	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,779,113	\$ 4,438,848	\$ 5,098,583	\$ 5,758,318	\$ 6,418,053	\$ 7,077,790	\$ 6,486,497	\$ 6,496,474	\$ 6,553,744	\$ 6,597,346
NET ENVIRONMENTAL REMEDIATION COSTS															
	\$12,510,252	\$ 5,246,554	\$ 4,123,836	\$ 3,658,081	\$ 3,477,968	\$ 2,818,233	\$ 2,158,498	\$ 1,498,763	\$ 839,028	\$ 179,293	\$ (480,444)	\$ 110,849	\$ 100,872	\$ 43,602	\$ -

(1) Amortization Expense is shown on a FY basis for this exhibit, actual booking of amortization expense is on the DAC year (November through October)

Environmental Response Cost (ERC) - FY2006

Environmental Projects		Bal @	Bal @	FY06
A/C # 10860001		6/30/2005	6/30/2006	Activity
I. Environmental Expenses				
907-1	Blackstone Street	\$0	\$0	\$0
907	Envir Phase II @ Allens Ave	\$1,435,531	\$1,473,941	\$38,410
908	Allens Avenue	\$3,345,791	\$3,340,361	(\$5,430)
908 - 01	Allens Avenue	\$13,776,131	\$13,776,445	\$315
306	Insur Pol, no Pollution Excl	\$40,002	\$40,002	\$0
307	PCB Reg Pipe Abandon.	\$73,581	\$122,831	\$49,249
309	Manchester Street	\$152,861	\$152,861	\$0
317	Plympton	\$77,333	\$77,333	\$0
379	Petroleum Site	\$493,991	\$494,423	\$432
700	18 & 21 Holders COR	\$59,791	\$79,972	\$20,181
161	Canal Street, Westerly	\$29,133	\$29,133	\$0
963	Narr. Electric, South St.	\$2,400	\$2,400	\$0
170	IAG Insurance Investment	\$47,987	\$47,987	\$0
170	General Enviro Issues	\$62,012	\$62,012	\$0
178	Site Inv Connell Hwy Newp	\$43,518	\$44,092	\$575
144	Westerly Soil Investigation	\$82,184	\$82,184	\$0
171	Contaminated Regulators	\$1,255,930	\$1,540,573	\$284,643
781	Mendon Road	\$121,355	\$121,355	\$0
782	Tidewater	\$324,530	\$364,210	\$39,679
783	Hamlet	\$96,961	\$104,928	\$7,967
784	Environmental Study	\$12,847	\$12,847	\$0
785	Gooding Ave	\$34,079	\$34,079	\$0
786	Plympton	\$23,382	\$23,382	\$0
787	Site Inv 19 Brown St, Warren RI	\$9,728	\$9,728	\$0
Sub-Total		\$21,601,060	\$22,027,352	\$436,020
II. Insurance Recovery/Settlement				
910	Environ Insur Settlement	\$10,408,756	\$10,408,756	\$0
III. Net FY2006 Environmental Response Costs				\$436,020

On-System Margin Credit

	FY 2006

Non-firm (dth)	
Sales	1,258,036
Transportation	1,541,756
sub-total	2,799,793
Non-firm Revenue	
Sales	\$15,733,930
Transportation	\$804,194
sub-total	\$16,538,124
less GET	\$16,040,857
Total Gas Costs	\$12,544,564
NF Margin	\$3,496,294
Sharing Threshold	\$1,600,000
Margin in excess of Base Rate threshold	\$1,896,294
Company @ 25%	\$474,073
Ratepayers @ 75%	\$1,422,220
Annual Dt Nov 05 - Oct 06	34,893,906
On-System Margin (\$/Dt)	\$0.0408
On-System Margin (\$/Therm)	\$0.0041

Worksheet for Weather Normalization Clause

Tariff: RIPUC NEGC No. 101, Section 3, Schedule 3.6 Weather Normalization:

The Company shall compare actual heating degree days ("DD") to normal heating degree days at the end of each peak season (November through April). For each DD greater than 4,874 (2% colder than normal), the Company shall credit the Weather Normalization Account an amount equal to \$9,000 per DD. For each DD less than 4,682 (2% warmer than normal), the Company shall debit the Weather Normalization Account at \$9,000 per DD.

Calculation of Winter Season 2005-2006 Weather Normalization

	Actual Heating Degree Days	Normal
Nov-05	567	625
Dec-05	1004	892
Jan-06	856	1,073
Feb-06	928	914
Mar-06	797	798
Apr-06	427	476
TOTAL	4,579	4,778
Degree Day Threshold (warmer than normal)	4,682	
Degree Days in Excess of Threshold	103	
Mitigation \$ per Degree Day	\$9,000	
Weather Mitigation	\$927,000	
Annual Dt Nov 06 - Oct 07	34,893,906	
Weather Normalization Factor (\$/Dt)	\$0.0266	
Weather Normalization Factor (\$/therm)	\$0.0027	

Distribution Adjustment Charge Reconciliation Factor
(\$ per Therm)

Line No.	Description	reference	Ending Balance
1	DSM Factor - Base Rates	PCC-6, page 2	\$17,952
2	LIAP Factor - Base Rates	PCC-6, page 2	\$102,424
3	Environmental - Base Rates	PCC-6, page 3	\$74,798
4	System Pressure	PCC-6, page 4	(\$137,910)
5	Environmental - DAC	PCC-6, page 4	(\$87,297)
6	On-System Margin Credits	PCC-6, page 5	(\$139,848)
7	Weather Normalization	PCC-6, page 5	(\$199,253)
8	Earnings Sharing Mechanism	PCC-6, page 5	\$37
9	Previous Reconciliation Factor	PCC-6, page 6	\$76,743
10	Total	sum ([1]:[9])	(\$292,354)
11	Firm Thru-put	Nov 2006 - Oct 2007	34,893,906 dth
12	Reconciliation Factor	[10] / [11]	(\$0.0084) per dth
13	Reconciliation Factor	[12] / 10	(\$0.0008) per therm

Distribution Adjustment Charge Reconciliation Factor

Base Rate / Fiscal Year Reconciling Components

SOURCE	12-mth end											
	Jul-05 31 (actual)	Aug-05 31 (actual)	Sep-05 30 (actual)	Oct-05 31 (actual)	Nov-05 30 (actual)	Dec-05 31 (actual)	Jan-06 31 (actual)	Feb-06 28 (actual)	Mar-06 31 (actual)	Apr-06 30 (actual)	May-06 31 (actual)	Jun-06 30 (actual)
DSM Factor - Base Rates	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087
LIAP Factor - Base Rates	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519
Environmental - Base Rates	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379
RI Firm through-put (dth)	1,101,830	962,623	1,068,013	1,411,680	2,122,367	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156
	\$0	\$246	\$1,253	\$642	\$1,570	\$6,099	\$4,816	\$10,563	\$26,743	\$26,051	\$28,650	\$29,352
DSM Recon. Acct Beg. Bal.	1,130,067	1,078,005	997,326	1,517,965	2,641,173	4,080,126	5,788,557	6,130,227	4,902,274	3,903,366	2,313,064	1,348,748
Fcst Firm Thru-put	\$9,832	\$9,379	\$8,677	\$13,206	\$22,978	\$35,497	\$50,360	\$53,333	\$42,650	\$33,959	\$20,124	\$11,734
Fcst DSM Collections	1,101,830	962,623	1,068,013	1,411,680	2,122,367	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156
Actual Firm Thru-put	\$9,586	\$8,375	\$9,292	\$12,282	\$18,465	\$36,804	\$44,647	\$37,232	\$43,466	\$31,489	\$19,567	\$13,043
Actual DSM Collections	\$246	\$1,004	(\$615)	\$924	\$4,513	(\$1,307)	\$5,713	\$16,101	(\$816)	\$2,470	\$557	(\$1,309)
Ending Balance	\$246	\$1,250	\$638	\$1,566	\$6,083	\$4,792	\$10,529	\$26,664	\$25,927	\$28,521	\$29,207	\$28,043
Average Balance	\$123	\$748	\$946	\$1,104	\$3,827	\$5,446	\$7,672	\$18,614	\$26,335	\$27,286	\$28,928	\$28,698
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%	5.00%	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%
Interest Applied	\$0	\$3	\$4	\$4	\$16	\$24	\$34	\$79	\$124	\$129	\$146	\$142
DSM End Balance	\$246	\$1,253	\$642	\$1,570	\$6,099	\$4,816	\$10,563	\$26,743	\$26,051	\$28,650	\$29,352	\$28,185
Under/(over) Recovery	\$246	\$1,007	(\$611)	\$928	\$4,529	(\$1,283)	\$5,747	\$16,180	(\$692)	\$2,599	\$703	(\$1,167)

DSM Recon. Adjustment - Base Rates

	Target Collection	Actual
DSM Recon. Acct Beg. Bal.	\$28,650	\$29,352
Fcst Firm Thru-put	2,313,064	1,348,748
Fcst DSM Collections	\$20,124	\$11,734
Actual Firm Thru-put	2,249,040	1,499,156
Actual DSM Collections	\$19,567	\$13,043
Collection Variance	\$557	(\$1,309)
Ending Balance	\$29,207	\$28,043
Average Balance	\$28,928	\$28,698
Bk America Rate less 200 Basis Points	5.93%	6.00%
Interest Applied	\$146	\$142
DSM End Balance	\$29,352	\$28,185
Under/(over) Recovery	\$703	(\$1,167)
		\$17,952

LIAP Recon. Adjustment - Base Rates

	Target Collection	Actual
LIAP Recon. Acct Beg. Bal.	\$170,916	\$175,108
Fcst Firm Thru-put	2,313,064	1,348,748
Fcst LIAP Collections	\$70,000	\$1,859,623
Actual Firm Thru-put	2,249,040	1,499,156
Actual LIAP Collections	\$176,725	\$77,806
Collection Variance	\$3,323	(\$4,806)
Ending Balance	\$174,239	\$167,302
Average Balance	\$172,578	\$171,205
Bk America Rate less 200 Basis Points	5.93%	6.00%
Interest Applied	\$869	\$844
LIAP End Balance	\$175,108	\$168,146
Under/(over) Recovery	\$4,192	(\$6,962)
		\$102,424

Distribution Adjustment Charge Reconciliation Factor

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Base Rate / Fiscal Year Reconciling Components

source	Jul-05		Aug-05		Sep-05		Oct-05		Nov-05		Dec-05		Jan-06		Feb-06		Mar-06		Apr-06		May-06		Jun-06		12-mth end Jun 06
	31 (actual)		31 (actual)		30 (actual)		31 (actual)		30 (actual)		31 (actual)		31 (actual)		28 (actual)		31 (actual)		30 (actual)		31 (actual)		30 (actual)		
Environmental Recon. Adjust - Base Rates	\$0		\$1,073		\$5,458		\$2,795		\$6,842		\$26,573		\$20,982		\$46,022		\$116,504		\$113,489		\$124,813		\$127,873		\$1,310,000
Environmental Recon. Acct Beg. Bal.	1,130,067		1,078,005		997,326		1,517,965		2,641,173		4,080,126		5,788,557		6,130,227		4,902,274		3,903,366		2,313,064		1,348,748		35,830,897
Fcst Firm Thru-put	\$42,830		\$40,856		\$37,799		\$57,531		\$100,100		\$154,637		\$219,386		\$232,336		\$185,796		\$147,938		\$87,665		\$51,118		\$1,357,992
Actual Firm Thru-put	1,101,830		962,623		1,068,013		1,411,680		2,122,367		4,230,388		5,131,796		4,279,584		4,996,081		3,619,419		2,249,040		1,499,156		32,671,977
Actual Environmental Collections	\$41,759		\$36,483		\$40,478		\$53,503		\$80,438		\$160,332		\$194,495		\$162,196		\$189,351		\$137,176		\$85,239		\$56,818		\$1,238,268
Collection Variance	\$1,071		\$4,373		(\$2,679)		\$4,028		\$19,662		(\$5,695)		\$24,891		\$70,140		(\$3,555)		\$10,762		\$2,426		(\$5,700)		
Ending Environmental Balance	\$1,071		\$5,446		\$2,779		\$6,823		\$26,504		\$20,878		\$45,873		\$116,162		\$112,949		\$124,251		\$127,239		\$122,173		
Average Balance	\$536		\$3,259		\$4,119		\$4,809		\$16,673		\$23,725		\$33,427		\$81,092		\$114,727		\$118,870		\$126,026		\$125,023		
Bk America Rate less 200 Basis Points	4.25%		4.44%		4.59%		4.75%		5.00%		5.16%		5.26%		5.50%		5.54%		5.75%		5.93%		6.00%		
Interest Applied	\$2		\$12		\$16		\$19		\$69		\$104		\$149		\$342		\$540		\$562		\$635		\$617		\$3,066
Environmental End Balance	\$1,073		\$5,458		\$2,795		\$6,842		\$26,573		\$20,982		\$46,022		\$116,504		\$113,489		\$124,813		\$127,873		\$122,790		\$74,798
Under/(over) Recovery	\$1,069		\$4,361		(\$2,695)		\$4,009		\$19,593		(\$5,799)		\$24,742		\$69,798		(\$4,095)		\$10,200		\$1,791		(\$6,317)		

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

SOURCE	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	12-mth end
	(actual) 31	(actual) 31	(actual) 28	(actual) 31	(actual) 30	(actual) 31	(actual) 30	(forecast) 31	(forecast) 31	(forecast) 30	(forecast) 31	Oct 06
Dkt 3690	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560
System Pressure	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)	(\$0.0010)
DSM - DAC	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)
Environmental - DAC	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)	(\$0.0330)
On-System Margin Credits	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)	(\$0.0450)
Weather Normalization	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)	(\$0.0030)
Earnings Sharing Mechanism	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140	\$0.0140
Reconciliation Factor												
Classified's	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,505,375	32,784,302

System Pressure Recon Adjust.

System Pressure Acct Beg. Balance												
Actual Costs	(\$13,993)	(\$48,125)	(\$57,825)	(\$30,899)	(\$189,962)	(\$293,778)	(\$327,989)	(\$305,183)	(\$250,665)	(\$159,728)	(\$159,728)	(\$9,582)
Actual Collections	\$202,906	\$277,917	\$266,769	\$121,237	\$100,011	\$93,297	\$108,316	\$113,670	\$106,830	\$104,877	\$106,876	\$1,707,594
Ending Balance	\$236,902	\$287,381	\$239,657	\$279,781	\$202,687	\$125,946	\$83,953	\$57,738	\$58,519	\$60,204	\$84,301	\$1,835,922
Average Monthly Balance	(\$47,989)	(\$57,589)	(\$30,713)	(\$189,443)	(\$292,638)	(\$326,427)	(\$303,626)	(\$249,252)	(\$202,354)	(\$158,835)	(\$137,154)	
Bk America Rate less 200 Basis Points	(\$30,991)	(\$52,857)	(\$44,269)	(\$110,171)	(\$241,300)	(\$310,103)	(\$315,808)	(\$277,218)	(\$226,509)	(\$181,172)	(\$148,441)	
Interest Applied	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	
Sys Pressure End Balance	(\$48,125)	(\$57,825)	(\$187)	(\$518)	(\$1,140)	(\$1,562)	(\$1,557)	(\$1,413)	(\$1,154)	(\$893)	(\$756)	
Under/(over) Recovery	(\$34,132)	(\$9,700)	\$26,925	(\$159,063)	(\$103,817)	(\$34,211)	\$22,806	\$54,519	\$47,156	\$43,780	\$21,818	

Environmental Recon. Adjust - DAC

Environmental Acct Beg. Balance												
Actual Firm Thru-put	(\$655,247)	(\$577,566)	(\$482,424)	(\$402,976)	(\$305,723)	(\$242,255)	(\$200,636)	(\$173,071)	(\$154,313)	(\$135,194)	(\$115,384)	
Actual Environmental Collections	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,505,375	32,784,302
Ending Environmental Balance	(\$574,870)	(\$480,062)	(\$401,112)	(\$308,050)	(\$240,954)	(\$199,523)	(\$172,152)	(\$153,481)	(\$134,458)	(\$114,768)	(\$86,782)	(\$623,963)
Average Monthly Balance	(\$615,059)	(\$528,814)	(\$441,768)	(\$355,513)	(\$275,339)	(\$220,889)	(\$186,394)	(\$163,276)	(\$144,386)	(\$124,981)	(\$101,083)	
Bk America Rate less 200 Basis Points	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	
Interest Applied	(\$2,695)	(\$2,362)	(\$1,864)	(\$1,673)	(\$1,301)	(\$1,112)	(\$919)	(\$832)	(\$736)	(\$616)	(\$515)	
Environmental Recon End Balance	(\$577,566)	(\$482,424)	(\$402,976)	(\$309,723)	(\$242,255)	(\$200,636)	(\$173,071)	(\$154,313)	(\$135,194)	(\$115,384)	(\$87,257)	(\$17,393)
Under/(over) Recovery	(\$77,682)	(\$95,142)	(\$79,448)	(\$93,253)	(\$67,468)	(\$41,620)	\$27,565	(\$18,758)	(\$19,119)	(\$19,810)	(\$28,087)	

Distribution Adjustment Charge Reconciliation Factor

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Non-Base Rate / Gas Year Reconciling Components

Source	Dec-05 31 (actual)	Jan-06 31 (actual)	Feb-06 28 (actual)	Mar-06 31 (actual)	Apr-06 30 (actual)	May-06 31 (actual)	Jun-06 30 (actual)	Jul-06 31 (forecast)	Aug-06 31 (forecast)	Sep-06 30 (forecast)	Oct-06 31 (forecast)	12-mth end Oct 06
On-system Credits Recon. Adjust. - DAC												
On-system Credit Acct Beg. Balance												
Actual Firm Thru-put												
Actual On-system Collections												
Ending On-system Balance												
Average Monthly Balance												
Bk America Rate less 200 Basis Points												
Interest Applied												
On-system Credit End Balance												
Under/(over) Recovery												
	(\$1,126,889)	(\$991,919)	(\$826,623)	(\$638,586)	(\$526,567)	(\$409,333)	(\$336,989)	(\$289,057)	(\$256,420)	(\$223,154)	(\$188,690)	(\$188,690)
	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,505,375	32,784,302
	(\$139,603)	(\$169,349)	(\$141,226)	(\$164,871)	(\$119,441)	(\$74,218)	(\$49,472)	(\$34,024)	(\$34,484)	(\$35,477)	(\$49,677)	(\$1,054,289)
	(\$987,286)	(\$822,570)	(\$686,397)	(\$523,715)	(\$407,126)	(\$335,115)	(\$287,517)	(\$255,033)	(\$221,936)	(\$187,677)	(\$139,013)	
	(\$1,057,087)	(\$907,244)	(\$756,010)	(\$606,151)	(\$466,847)	(\$372,224)	(\$312,253)	(\$272,045)	(\$239,178)	(\$205,416)	(\$163,852)	
	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	
	(\$4,633)	(\$4,053)	(\$3,190)	(\$2,852)	(\$2,206)	(\$1,875)	(\$1,540)	(\$1,386)	(\$1,219)	(\$1,013)	(\$835)	(\$29,500)
	(\$991,919)	(\$826,623)	(\$688,586)	(\$526,567)	(\$409,333)	(\$336,989)	(\$289,057)	(\$256,420)	(\$223,154)	(\$188,690)	(\$139,848)	
	\$134,970	\$165,296	\$138,036	\$162,019	\$117,235	\$72,343	\$47,932	\$32,638	\$33,265	\$34,464	\$48,842	
	(\$1,544,782)	(\$1,360,768)	(\$1,135,400)	(\$947,203)	(\$726,307)	(\$566,481)	(\$467,872)	(\$402,551)	(\$358,087)	(\$312,768)	(\$265,813)	(\$40,711)
	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,505,375	32,784,302
	(\$190,367)	(\$230,931)	(\$192,581)	(\$224,824)	(\$162,874)	(\$101,207)	(\$67,462)	(\$46,397)	(\$47,024)	(\$48,378)	(\$67,742)	(\$1,443,458)
	(\$1,354,415)	(\$1,129,837)	(\$942,819)	(\$722,379)	(\$563,433)	(\$465,274)	(\$400,410)	(\$356,154)	(\$311,063)	(\$264,390)	(\$198,071)	
	(\$1,449,598)	(\$1,245,302)	(\$1,039,109)	(\$834,791)	(\$644,870)	(\$515,877)	(\$434,141)	(\$379,352)	(\$334,575)	(\$288,579)	(\$231,942)	
	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	
	(\$6,353)	(\$5,563)	(\$4,384)	(\$3,928)	(\$3,048)	(\$2,598)	(\$2,141)	(\$1,933)	(\$1,705)	(\$1,423)	(\$1,182)	
	(\$1,360,768)	(\$1,135,400)	(\$947,203)	(\$726,307)	(\$566,481)	(\$467,872)	(\$402,551)	(\$358,087)	(\$312,768)	(\$265,813)	(\$199,253)	
	\$184,014	\$225,368	\$188,197	\$220,896	\$159,826	\$98,609	\$65,321	\$44,464	\$45,319	\$46,955	\$66,560	
	(\$90,345)	(\$78,022)	(\$62,941)	(\$50,341)	(\$35,555)	(\$24,839)	(\$18,200)	(\$13,782)	(\$10,751)	(\$7,663)	(\$4,468)	
	4,230,388	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,505,375	32,784,302
	(\$12,691)	(\$15,395)	(\$12,839)	(\$14,988)	(\$10,858)	(\$6,747)	(\$4,497)	(\$3,093)	(\$3,135)	(\$3,225)	(\$4,516)	(\$106,841)
	(\$77,654)	(\$62,627)	(\$50,102)	(\$35,353)	(\$24,697)	(\$18,092)	(\$13,703)	(\$10,689)	(\$7,616)	(\$4,438)	\$48	
	(\$84,000)	(\$70,325)	(\$56,522)	(\$42,847)	(\$30,126)	(\$21,465)	(\$15,952)	(\$12,235)	(\$9,184)	(\$6,050)	(\$2,210)	
	5.16%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	
	(\$368)	(\$314)	(\$238)	(\$202)	(\$142)	(\$108)	(\$79)	(\$62)	(\$47)	(\$30)	(\$11)	(\$2,002)
	(\$78,022)	(\$62,941)	(\$50,341)	(\$35,555)	(\$24,839)	(\$18,200)	(\$13,782)	(\$10,751)	(\$7,663)	(\$4,468)	(\$37)	
	\$12,323	\$15,081	\$12,601	\$14,786	\$10,716	\$6,639	\$4,418	\$3,031	\$3,088	\$3,195	\$4,505	

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

source	Dec-05		Jan-06		Feb-06		Mar-06		Apr-06		May-06		Jun-06		Jul-06		Aug-06		Sep-06		Oct-06		12-mth end Oct 06
	31 (actual)	31 (actual)	31 (actual)	28 (actual)	31 (actual)	30 (actual)	31 (actual)	30 (actual)	31 (actual)	30 (actual)	31 (actual)	30 (actual)	31 (actual)	30 (actual)	31 (actual)	31 (forecast)	30 (forecast)	31 (forecast)	30 (forecast)	31 (forecast)	30 (forecast)	31 (forecast)	
Reconciliation Factor - DAC																							
Recon Factor Acct Beg. Balance	\$494,596	\$437,409	\$437,409	\$367,358	\$308,867	\$240,211	\$190,555	\$159,948	\$139,697	\$125,937	\$111,912	\$104,386	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375	\$97,375
Actual Firm Thru-put	4,230,388	5,131,796	5,131,796	4,279,584	4,996,081	3,619,419	2,249,040	1,499,156	1,031,042	1,044,981	1,075,073	1,044,981	1,075,073	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375	1,505,375
Actual Recon Collections	\$59,225	\$71,845	\$71,845	\$59,914	\$69,945	\$50,672	\$31,487	\$20,988	\$14,435	\$14,630	\$15,051	\$14,630	\$15,051	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075	\$21,075
Ending Recon Balance	\$435,371	\$365,564	\$365,564	\$307,444	\$238,922	\$188,539	\$159,068	\$138,960	\$125,262	\$111,307	\$96,861	\$86,861	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300	\$76,300
Average Monthly Balance	\$464,984	\$401,487	\$401,487	\$337,401	\$273,895	\$214,875	\$174,811	\$149,454	\$132,480	\$118,622	\$104,386	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838
Bk America Rate less 200 Basis Points	5.26%	5.26%	5.26%	5.50%	5.54%	5.75%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Interest Applied	\$2,038	\$1,794	\$1,794	\$1,424	\$1,289	\$1,016	\$880	\$737	\$675	\$604	\$515	\$443	\$443	\$443	\$443	\$443	\$443	\$443	\$443	\$443	\$443	\$443	\$443
Earnings Sharing End Balance	\$437,409	\$367,358	\$367,358	\$308,867	\$240,211	\$190,555	\$159,948	\$139,697	\$125,937	\$111,912	\$97,375	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838	\$86,838
Under/(over) Recovery	(\$57,187)	(\$70,051)	(\$70,051)	(\$58,490)	(\$68,656)	(\$49,656)	(\$30,607)	(\$20,251)	(\$13,760)	(\$14,026)	(\$14,536)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)	(\$20,632)

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Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

October 31, 2005 Ending Deferred Balances			
	Forecast (1)	Actual	Variance
System Pressure	\$178,452	\$213,305	\$34,853
Environmental - DAC	\$11,670	\$8,746	(\$2,924)
On-System Margin Credits	\$14,088	\$13,073	(\$1,015)
Weather Normalization	\$176,201	\$174,153	(\$2,048)
Earnings Sharing Mechanism	\$206,820	\$205,385	(\$1,435)
Previous Reconciliation Factor	\$87,411	\$89,687	\$2,276
	\$674,642	\$704,348	\$29,706

Notes:

(1) based on updated Attachment PCC-6, Docket 3690, Sept 1, 2005 - used to establish reconciliation component of November 2005 DAC factor

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

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source	Jul-05	Aug-05	Sep-05	Oct-05
	31 (actual)	31 (actual)	30 (actual)	31 (actual)
System Pressure Recon Adjust.				
System Pressure Acct Beg. Balance	\$46,081	\$83,522	\$139,849	\$185,733
Actual Costs	\$98,910	\$109,813	\$105,080	\$105,823
Actual Collections	\$61,702	\$53,907	\$59,809	\$79,054
Ending Balance	\$83,289	\$139,428	\$185,120	\$212,501
Average Monthly Balance	\$64,685	\$111,475	\$162,484	\$199,117
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	\$233	\$420	\$613	\$803
Sys Pressure End Balance	\$83,522	\$139,849	\$185,733	\$213,305
Under/(over) Recovery	\$37,441	\$56,327	\$45,884	\$27,572

Environmental Recon. Adjust - DAC

Environmental Recon. Adjust - DAC				
Environmental Acct Beg. Balance	(\$81,558)	(\$59,776)	(\$40,713)	(\$19,466)
Actual Firm Thru-put	1,101,830	962,623	1,068,013	1,411,680
Actual Environmental Collections	(\$22,037)	(\$19,252)	(\$21,360)	(\$28,234)
Ending Environmental Balance	(\$59,521)	(\$40,524)	(\$19,352)	\$8,768
Average Monthly Balance	(\$70,540)	(\$50,150)	(\$30,033)	(\$5,349)
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	(\$255)	(\$189)	(\$113)	(\$22)
On-system Credit End Balance	(\$59,776)	(\$40,713)	(\$19,466)	\$8,746
Under/(over) Recovery	\$21,782	\$19,063	\$21,247	\$28,212

On-system Credits Recon. Adjust. - DAC

On-system Credits Recon. Adjust. - DAC				
On-system Credit Acct Beg. Balance	(\$18,684)	(\$11,025)	(\$4,315)	\$3,159
Actual Firm Thru-put	1,101,830	962,623	1,068,013	1,411,680
Actual On-system Collections	(\$7,713)	(\$6,738)	(\$7,476)	(\$9,882)
Ending On-system Balance	(\$10,971)	(\$4,286)	\$3,161	\$13,040
Average Monthly Balance	(\$14,828)	(\$7,656)	(\$577)	\$8,100
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	(\$54)	(\$29)	(\$2)	\$33
On-system Credit End Balance	(\$11,025)	(\$4,315)	\$3,159	\$13,073
Under/(over) Recovery	\$7,659	\$6,709	\$7,474	\$9,914

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

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source	Jul-05 31 (actual)	Aug-05 31 (actual)	Sep-05 30 (actual)	Oct-05 31 (actual)
Weather Normalization - DAC				
WNA Acct Beg. Balance	\$103,903	\$120,835	\$135,758	\$152,320
Actual Firm Thru-put	1,101,830	962,623	1,068,013	1,411,680
Actual WNA Collections	(\$16,527)	(\$14,439)	(\$16,020)	(\$21,175)
Ending WNA Balance	\$120,430	\$135,275	\$151,778	\$173,495
Average Monthly Balance	\$112,167	\$128,055	\$143,768	\$162,908
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	\$405	\$483	\$542	\$657
Weather Normalization End Balance	\$120,835	\$135,758	\$152,320	\$174,153
Under/(over) Recovery	\$16,932	\$14,922	\$16,563	\$21,832

Earnings Sharings Mechanism - DAC

ESM Acct Beg. Balance	\$152,700	\$165,393	\$176,626	\$189,062
Actual Firm Thru-put	1,101,830	962,623	1,068,013	1,411,680
Actual ESM Collections	(\$12,120)	(\$10,589)	(\$11,748)	(\$15,528)
Ending ESM Balance	\$164,820	\$175,982	\$188,374	\$204,591
Average Monthly Balance	\$158,760	\$170,688	\$182,500	\$196,827
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	\$573	\$644	\$688	\$794
Earnings Sharing End Balance	\$165,393	\$176,626	\$189,062	\$205,385
Under/(over) Recovery	\$12,693	\$11,233	\$12,437	\$16,323

Reconciliation Factor - DAC

Recon Factor Acct Beg. Balance	\$155,967	\$139,973	\$126,034	\$110,459
Actual Firm Thru-put	1,101,830	962,623	1,068,013	1,411,680
Actual Recon Collections	\$16,527	\$14,439	\$16,020	\$21,175
Ending Recon Balance	\$139,440	\$125,533	\$110,014	\$89,284
Average Monthly Balance	\$147,703	\$132,753	\$118,024	\$99,871
Bk America Rate less 200 Basis Points	4.25%	4.44%	4.59%	4.75%
Interest Applied	\$533	\$501	\$445	\$403
Earnings Sharing End Balance	\$139,973	\$126,034	\$110,459	\$89,687
Under/(over) Recovery	(\$15,994)	(\$13,939)	(\$15,575)	(\$20,772)