

September 26, 2008

VIA HAND DELIVERY & ELECTRONIC MAIL

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

**RE: Docket 3943 – National Grid Request for Change of Gas Distribution Rates
Response to Data Requests and Commission Record Requests**

Dear Ms. Massaro:

Enclosed please find eight (8) copies of National Grid's¹ responses to Data Requests COMM 2-1, 2-2, and AG 1-1 along with updated responses to Data Requests RIH-NS-1 and COMM 3-9. In addition, the Company is providing a response to Record Request COMM-5, which was issued at the evidentiary hearings in the above-referenced proceeding. Attached is a listing of the outstanding data and record requests for which the Company has not yet provided a response. The Company is endeavoring to file these responses as soon as possible.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosures

cc: Docket 3943 Service List

¹ The Narragansett Electric Company d/b/a National Grid ("Company").

Outstanding Responses to Data & Record Requests as of September 26, 2008

Data Request COMM 2-9
Data Request COMM 3-2
Data Request COMM 3-8
Data Request WILEY 3-1
Data Request WILEY 3-2
Data Request WILEY 3-3
Data Request WILEY 3-4
Record Request COMM-2
Record Request COMM-6
Record Request COMM-7
Record Request COMM-8
Record Request COMM-9
Record Request COMM-10
Record Request COMM-11
Record Request COMM-12
Record Request COMM-13
Record Request COMM-14
Record Request COMM-21

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted, hand delivered and mailed to the individuals listed below.

 /S/
Linda Samuelian

September 26, 2008
Date

**National Grid (NGrid) – Request for Change in Gas Distribution Rates
Docket No. 3943 - Service List as of 9/15/08**

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Data Request COMM 2-1

Request:

As an addendum to the Company's rebuttal testimony, please include a list of all concessions made to the positions of the other parties to the docket. Include a description of each concession, the reason for the concession and the financial impact (if any) of the concession.

Response:

Please see Attachment COMM 2-1 for the requested listing. Please note that the Company has presented its viewpoint of the issues that are contested, non-opposed or a matter of consensus. The Company has made every attempt to be accurate in representing the positions of others based on written and oral testimony. However, the Company welcomes corrections of any misrepresentations it may have inadvertently made regarding the positions of others in attempting to respond to the Commission's request.

Attachment COMM 2-1

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
<p>TESTIMONY: LAFLAMME</p> <p>Revenue Deficiency = \$20,036,103</p>		Division	Revised Deficiency = \$18,455,310	Revised Deficiency = \$8,745,000	Remaining discrepancy = \$9,710,310	Agreement since rebuttal on low-income related bad debt expense (\$150,000) and FAS 112 (\$740,000)
<p>Pension/PBOP Factor</p> <ul style="list-style-type: none"> Request: Approve reconciling factor for expense and contributions on pension/PBOP 	MDL Testimony at 46-51 Att. NG-MDL-3	Division	No change agreed to	Not referenced in Surrebuttal	Future ratemaking effect, does not affect revenue requirement	Remains Contested Issue
<p>Accelerated Replacement Program</p> <ul style="list-style-type: none"> Request: Establish annual reconciliation and recovery of incremental capital spending for bare-steel mains, small-diameter cast iron main & HP/IS 	MDL Testimony at 52-55 Att. NG-MDL-5 Fleck Testimony & Attachments		Company agrees to modifications suggested by Division	Surrebuttal accepts proposed modifications	Future ratemaking effect, does not affect revenue requirement	Consensus reached on overall program
<p>Three-Year Rate Plan</p> <ul style="list-style-type: none"> Request: Approve three-year plan with O&M adjustments, capital adjustments and levelizing of base-rate increase 	MDL Testimony at 55-60 Att. NG-MDL-6	Division	No rebuttal from Company			Consensus reached to eliminate three-year plan

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
TESTIMONY: MONGAN <i>Gas Marketing Program</i> <ul style="list-style-type: none"> Request: Allow inclusion of \$1.377M in rates to support gas conversion program Request: Include estimated sales in revenue projection through RY 	Mongan Testimony Czekanski Testimony at 9	Division TEC-RI	No change	No change	Would include \$1,377,000 in revenue requirement	Remains contested issue.
TESTIMONY: MOUL <i>Cost of Capital/Capital Structure</i> <ul style="list-style-type: none"> Request: Approve proxy capital structure with 47.71% common equity, 40.63% long-term debt and 11.66% short-term debt. Request: Approve return on common equity of 11.4%, for weighted cost of capital equal to 9.27% 	Moul Testimony	Division	No change	No change	Impact as compared to Division position is +\$1,799,799 for capital structure and +\$2,666,696 for cost of capital issues	Remains a contested issue
TESTIMONY: SIMPSON <i>Rate Design & Decoupling Overview</i> <ul style="list-style-type: none"> Request: Establish decoupling mechanism for all firm rate classes 	Simpson Testimony	Division TEC-RI Wiley Center	No change	No change	Future ratemaking effect, does not affect revenue requirement	Remains a contested issue, although Company agreed to exclude Large & X-tra Large Customers

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
<p>TESTIMONY: HEVERT</p> <p><i>Impact of decoupling on ROE</i></p> <ul style="list-style-type: none"> Request: No adjustment to ROE necessary or appropriate for ROE 	Hevert Testimony	Issue raised in direct testimony of Division	Addressed by Company on rebuttal	No surrebuttal	Adjustment to ROE affects revenue requirement	Remains a contested issue
<p>TESTIMONY: HEINTZ</p> <p><i>Proposed Rates</i></p> <ul style="list-style-type: none"> Request: Increase customer charge from \$7.50 per month to \$11.00 for residential non-heating class Request: Increase customer charge from \$9.00 to \$16.00 per month for residential heating class Request: Increase customer charge from \$14.00 to \$30.00 per month for small C&I class Request: Increase demand charge from \$45.00 to \$75.00 per month for medium C&I class Request: Increase demand charge from \$90.00 to \$135.00 per month for large C&I class Request: Maintain existing demand charge for Extra large C&I class 	Heintz Testimony at 20-25 Att. NG-DAH-4	Division Limit increase in customer and demand charges to 33% or class average increase	No Change	No Change	No impact to revenue requirement	Remains contested issue

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
TESTIMONY: CZEKANSKI						
<p><i>Low-Income Discount Rates</i></p> <ul style="list-style-type: none"> <u>Request:</u> Establish 10% low-income discount rate with recovery of \$800,000 from other customers 	Heintz Testimony at '9 Czekanski Testimony at 10-12	Division TEC-RI Wiley Center	No change		Level of discount affects amount to be recovered from other customers	Remains a contested issue; although DIV and Company agree to revenue requirement adjustment of \$150,000
<p><i>Consolidation of Gas Cost Factors</i></p> <ul style="list-style-type: none"> <u>Request:</u> Consolidate six gas-cost factors into two to simplify GCR calculations 	Czekanski Testimony at 12-13 Heintz testimony at 24-25	TEC-RI	No change	No change	No impact to revenue requirement	Remains contested issue
<p><i>Recovery of Gas-Cost Related Bad-Debt Writeoffs</i></p> <ul style="list-style-type: none"> <u>Request:</u> Recover actual gas-cost related bad-debt writeoffs rather than ratio of writeoffs to total revenues over 5-year historical period. 	Czekanski Testimony at 13	Division	No change	No change	No impact to revenue requirement – affects future recovery level through GCR.	Remains contested issue

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
<p>Changes to DAC Factor</p> <ul style="list-style-type: none"> Request: Add Revenue Decoupling Mechanism ("RDM") Request: Add pension/PBOP factor Request: Add CapX factor Request: Add uncollectible factor for DAC revenues Request: Eliminate Consolidation Mitigation factor and ERI Adjustment factor <p>Non-Firm Pricing</p> <ul style="list-style-type: none"> Request: Maintain VOS pricing with maximum rate (cap) Request: Reintroduce Flexible Firm Service offering Request: Eliminate non-firm sales service Request: Increase timeframe for customer evaluation of service offerings 	Czekanski at 15-18	Division TEC-RI (proposes DAC allocation on basis of Revenue)	No Change No change agreed to: Company proposes that Commission make policy decision on pricing and require collaboration on remaining issues	No change	No impact on revenue requirement Affects amount of revenues available to firm customers annually; affects price to non-firm customers	Remains a contested issue

Company Proposal	Cite	Contested By	Company Concession or Change in Rebuttal	Change in Intervenor Surrebuttal	Financial Impact	Status
Miscellaneous Charges <ul style="list-style-type: none"> Request: Approval of various charges including telemetering charge, natural gas vehicle provisions and misc. 	Czekanski at 23-24				None	No contest

Data Request COMM 2-2

Request:

As an addendum to the Company's rebuttal testimony, please include a list of each item where the Company disagrees with the positions of the other parties to the docket. Include the financial impact of each item in dispute.

Response:

Please see the Company's response to Data Request COMM 2-1.

Data Request AG 1-1

Request:

Please provide a sample copy of all direct mail, print, visual media and radio associated with National Grid's Gas Marketing Program distributed to Rhode Island consumers within the past two years. (Please provide this information prior to the date of the hearing for the Gas Marketing Program).

Response:

Please note that the Company's efforts to conduct outreach to customers on gas conversions began in the Fall 2007 and therefore sample copies of the Company's materials would not pre-date that time period.

The Company provided a copy of all direct mailers transmitted to Rhode Island customers in the past two years in response to Data Request COMM 2-5.

Attachments AG 1-1(a) through (c) are scripts from two television spots and one radio spot that have been running in Rhode Island in past months.

Attachment AG 1-1(a)

National Grid TV :30/RI Tag Spring 2008 Conversion/Cars

IDEA:

People will act if they know that their actions can have a real impact. The idea in this spot is to show just how big an impact converting to gas can actually have.

We open on a close-up of a basement bulkhead door.

A tow truck is backed up to it. All of a sudden it starts to pull,

what comes out of the basement, to our surprise, is a car.

The tow truck loads the car on top of a pile of four cars that have already been pulled out.

We cut to our homeowner watching this. He's quite pleased.

VO:

Did you know that replacing your old oil heating system with clean natural gas has the environmental impact of taking six cars off the road for a year. Take action. Save money. Make a difference. National Grid. The power of action.

Card: Rebate super with URL

Visit GAS2001.com and save up to \$1,500 on the cost of new high efficiency heating equipment

Logo/tagline: nationalgrid. The power of action. Gas2001.com 1800-GAS2001

LEGAL: Heating equipment offer good only for homeowners who do not heat with natural gas where gas service is readily available from National Grid. Some restrictions may apply. Offer expires 7/31/08.

Attachment AG 1-1(b)

Conversion/Cars TV (:25/:05 RI Tag)

We open on a close-up of a basement bulkhead door. A tow truck is backed up to it. All of a sudden it starts to pull. What comes out of the basement, to our surprise, is a car.

The tow truck loads the car on top of a pile of four cars that have already been pulled out. We cut to our homeowner watching this. He's quite pleased.

VO: Did you know that replacing your old oil heating system with clean natural gas has the same environmental impact of taking six cars off the road for a year.

VO ALT: Did you know that replacing your old oil heating system with clean natural gas has the same environmental impact of taking six cars off the road for a year. Take action. Save money. Make a difference.

VO: National grid. The power of action.

Card:

Save up to \$1500

Nationalgridus.com/MyNGrid

1-877-MyNGrid

Rebate VO: Visit NationalGridus.com/MyNGrid and save up to \$1,500 on the cost of new high-efficiency heating equipment.

Logo/tagline: nationalgrid. The power of action. Nationalgridus.com/MyNGrid 1-877-MyNGrid

LEGAL: High-efficiency heating equipment offer good only for homeowners who do not heat with natural gas where gas service is readily available from National Grid. Some restrictions may apply. Offer expires 11/30/08.

Attachment AG 1-1(c)

National Grid

CONVERSION SPOT

"Unlikely Activist Sheila" :60 Radio

- ANNCR:** I'm here today with Sheila. When she was young, she never protested or marched on Washington. But in her forties, she became an energy activist. And what she has succeeded in doing is the equivalent of taking six cars off the road for a year, reducing carbon emissions by 40%. So Sheila, what did you do, lead rallies?
- SHEILA:** No.
- ANNCR:** Confront the auto industry?
- SHEILA:** Nope.
- ANNCR:** Well, you must have done something big.
- SHEILA:** I put in a gas heating system.
- ANNCR:** That's it?
- SHEILA:** Yep. Made one call to National Grid, had them take out my old oil burner and put in a new high efficiency natural gas unit. I'm using 30% less energy a month, I save money, and I reduced my carbon emissions. Who knows what I'll do tomorrow?
- ANNCR:** Save another planet?
- SHEILA:** Ummm, I might take a day off and then do that next week.
- V/O:** Take action. Make an impact. [include tag here]

Radio Tags

RHODE ISLAND VERSION

Convert to clean natural gas heat today. Call 1.800.GAS.2001 or go to gas2001.com and save up to \$1,500 on new high-efficiency heating equipment.

National Grid. The power of action.

High-efficiency heating equipment offer good only for National Grid customers that do not heat with gas where gas from National Grid is available in Rhode Island. Limited time offer, some restrictions may apply.

Data Request COMM 3-9 (Supp.)

Request:

In Docket 3401, a non-firm margin level of \$1.6 million was allocated to reduce the revenue requirement recovered from distribution rates. Non-firm margins in excess of \$1.6 million are shared 75% to firm rate payers and 25% is retained by the Company.

- (a) In the current rate filing, has the Company proposed any change to the treatment of non-firm margins?
- (b) What amount of non-firm margins has accrued to the benefit of firm ratepayers in each year since Docket 3401 rates became effective? Provide amounts for the twelve months ending June 30 (the period used in the DAC filings).
- (c) What amount of non-firm margins has accrued to the benefit of the Company as its "25% share" in each year since Docket 3401 rates became effective?

Response:

- a) No, in the present rate filing, the Company has not proposed any change to the treatment of non-firm margins.
- b) & c)

12-months ended	Total Non-Firm Margin	Customer Base Rate Threshold	Customer sharing through DAC	Total Firm Customer Benefit	Retained by Company
Jun-2003	\$2,192,365	\$1,600,000	\$444,274	\$2,044,274	\$148,091
Jun-2004	\$1,928,686	\$1,600,000	\$246,515	\$1,846,515	\$82,172
Jun-2005	\$3,152,849	\$1,600,000	\$1,164,637	\$2,764,637	\$388,212
Jun-2006	\$3,496,294	\$1,600,000	\$1,422,221	\$3,022,221	\$474,074
Jun-2007	\$3,896,752	\$1,600,000	\$1,722,564	\$3,322,564	\$574,188
Jun-2008	\$5,250,683	\$1,600,000	\$2,738,012	\$4,338,012	\$912,671

Note: Table reflects correction of data previously reported for Jun-2008

Rhode Island Hospital Data Request RIH-NS-1 (Supp.)

Request:

Please provide a ten-year history of the percentage levels of unaccounted for gas in the Rhode Island distribution gas system.

Response:

The original response to Data Request RIH-NS-1 incorrectly showed a line loss of 0.71% for 2007. The following table is updated with the correct percentage. Listed below is a five-year history of the percentage levels of unaccounted for gas in the Rhode Island gas system for the 12-months ending August 31. The five-year history represents the period in which the Rhode Island gas operations were consolidated as a result of the merger of the former Providence Gas and Valley Gas Companies by Southern Union.

2007	2.65%
2006	2.90%
2005	1.82%
2004	2.57%
2003	2.94%

Record Request - 5

Request:

Please provide additional information on the FAS112 expense adjustment to support its inclusion in cost of service.

Response:

A question was raised by the Division as to the amount of prior period catch-up included in the Company's recorded FAS112 expense of \$912,846 for the fiscal year ended March 31, 2008. As indicated in the rebuttal testimony of Mr. Laflamme, the Company adjusted its \$912,846 actuarially determined FAS112 expense for the fiscal year ended March 31, 2008 downward by approximately \$170,000 to account for the catch-up nature of the fiscal year ended March 31, 2007 liability, which was recorded in the fiscal year ended March 31, 2008. This adjustment reflects the liability that should have been accrued for the short period of National Grid ownership of the Rhode Island gas assets in the prior fiscal year ended March 31, 2007, as shown on the table on Attachment NG-MDL Rebuttal 2, Page 3 of 6 (attached herewith for ease of reference) as the "2007 Gain/(Loss)" in the "Experience" section, or (\$169,532). This loss represents the difference in the actuarial liability as actually calculated as of 4/1/2007 versus the estimated, or "expected", FAS112 liability as of 4/1/2007.

The current fiscal year FAS112 expense is based on actual census data as of the beginning of the year along with an expectation of new claimants for the current year. Because the acquisition of the Rhode Island gas assets occurred in August 2006 coupled with the fact that Southern Union retained the FAS112 liability for active claimants, as of the transaction date, no accrual was recorded as of March 31, 2007. However, as stated above, an actuarially determined FAS112 liability as of 4/1/07 was later calculated representing the expected new claimants for the short period of National Grid's fiscal year 2007 ownership, commencing August 24, 2006, in fiscal year 2007, and as reflected on the actuarial table in the "Experience" section and labeled "Actual FAS112 Liability on 4/1/07". This short period liability amounted to \$169,532 and was included with recorded expense for the fiscal year ended March 31, 2008 as a component of the \$912,846. Consequently, the Company has excluded this \$169,532 catch-up amount from its original FAS112 expense adjustment resulting in a net adjustment of \$740,000, rounded, or \$912,846 minus \$169,532. The Company has no liability for FAS112 benefits for periods prior to the acquisition of the Rhode Island gas assets, therefore no additional prior period catch-up was reflected in the fiscal year 2007 accrual.

Record Request - 5

With respect to the seemingly higher level of expense for the Rhode Island Gas operations as per the actuarial table, it is important to note that "Benefit Payments" made to the respective companies' claimants are reflected as a reduction to FAS112 actuarial expense, as shown on the third line of the actuarial table. These benefit payments, which are shown on the third line of the actuarial table, are reflected as a negative expense in the FAS112 actuarial calculation because those payments are expensed outside of FAS112 as part of other group insurance and medical expenses for active employees. Because these FAS112 benefit payments had been expensed through the FAS112 calculation in prior periods, the current year reduction in the FAS112 expense calculation serves to eliminate any double counting of these expenses as the benefits are paid. Consequently, the total expense recorded for FAS112 related benefits by each company for the Fiscal Year ended March 31, 2008 is the sum of the "Benefit Payment" plus the "Total 2007-2008 Expense/(Income)" line for each company as follows:

	<u>Benefit</u> <u>Payments</u>	<u>2007-2008</u> <u>Actuarial Exp</u>	<u>Total</u> <u>Expense</u>
Granite State Electric	\$ 15,252	(\$ 85,042)	(\$ 69,790)
Mass Electric	\$1,834,289	(\$ 476,588)	\$1,357,701
Narragansett Electric	\$ 707,202	\$ 262,189	\$ 969,391
New England Power	\$ 29,488	\$ 11,276	\$ 40,764
NG USA Service	\$1,642,020	\$1,280,225	\$2,922,245
New England Gas	\$ 0	\$ 912,846	\$ 912,846*

*includes \$169,532 of prior year catch-up accrual

A comparison of total FAS112 expense in the table above suggests that the FAS112 expense for New England Gas, when adjusted for the prior period catch-up of \$169,532, is indeed proportional to its sister companies. Because Southern Union retained the liability for active claimants at the time of the transaction and the Company had no actual claimants in 2007, the Company incurred no actual benefit payments and consequently recorded no benefit expense as a result of FAS112 benefit payments for the test year ended September 30, 2007. Consequently, there were no FAS112 benefit payment expenses included in the cost of service in this proceeding.

Because the claimant population was reduced to zero at the time of the transaction as a result of the Southern Union retention of the liability, it will take a number of years until the Company reaches a more reasonable "steady state" claimant population where new claimants are replacing departing claimants. Just as the Division's observation that the "Total 2007-2008 Expense/(Income)" amount as shown on the actuarial table for the Rhode Island gas operation appears disproportionately high, so

Record Request - 5

does the "Accrued FAS112 Expense, 3/31/08", or the FAS112 liability, for the Rhode Island gas operations appear disproportionately low as shown below:

	<u>Accrued FAS112 Expense, 3/31/2008</u>
Granite State Electric	\$ 87,897
Mass Electric	\$10,956,764
Narragansett Electric	\$ 4,103,454
New England Power	\$ 198,675
NG USA Service	\$11,112,490
New England Gas	\$ 912,846

Attached is a simplified illustration of how a hypothetical FAS112 liability might grow from an inception year to a mature claimant population as is the case with the Company's FAS112 liability as a result of the Southern Union retention of the accumulated FAS112 liability at the time of the transaction. The example assumes a steady state claimant population of 5 claimants which takes 5 years to mature and illustrates how the actuarially determined expense reduces over time as it gets replaced with actual benefit payments. However, as shown on line 15 of that illustration, the net on-going annual expense remains the same as the first year expense, as adjusted for the initial catch-up adjustment.

For all of the reasons explained in this response, the FAS112 expense adjustment of \$740,000, as adjusted for the prior year catch-up adjustment recorded in the fiscal year ended March 31, 2008, is representative of a normal ongoing level of expense and should therefore be included in the Company's cost of service in this proceeding.

National Grid USA
4/1/2007 to 3/31/2008 FAS 112 Expense

	Granite		Mass Electric	Narragansett Electric	New England Power	NG		New England Gas	Total
	State Electric	USA Service *							
Incremental Operating Expense									
(Gain)/Loss	(122,760)		(1,004,878)	107,786	22,231		88,364	169,532	(739,725)
Interest Cost (6.00%)	2,553		570,680	215,727	11,693		545,977	10,172	1,356,802
Benefit Payments	(15,252)		(1,834,289)	(707,202)	(29,488)		(1,642,020)	0	(4,228,251)
New Claimants									
WC Dep Med & Life	2,804		99,655	35,920	380		127,239	40,773	306,771
LTD	47,613		1,692,244	609,958	6,460		2,160,665	692,362	5,209,302
Total 2007-2008 Expense/(Income)	(85,042)		(476,588)	262,189	11,276		1,280,225	912,846	1,904,906
Accrued FAS 112 Expense									
Accrued FAS 112 Expense, 4/1/2007	172,939		11,433,352	3,841,265	187,399		9,832,265	0	25,467,220
Incremental Operating Expense/(Income)	(85,042)		(476,588)	262,182	11,276		1,280,225	912,846	1,904,906
Accrued FAS 112 Expense, 3/31/2008	87,897		10,956,764	4,103,454	198,675		11,112,490	912,846	27,372,126
Experience									
Expected FAS 112 Liability on 4/1/2007	172,939		11,433,352	3,841,265	187,399		9,832,265	0	25,467,220
Actual FAS 112 Liability on 4/1/2007	50,179		10,428,474	3,949,051	209,630		9,920,629	169,532	24,727,495
2007 Gains/(Loss)	122,760		1,004,878	(107,786)	(22,231)		(88,364)	(169,532)	739,725
# of Claimants									
LTD									
Under 60 points	1		14	5	0		10	0	30
Over 60 points	0		22	9	0		19	0	50
Workers Compensation	0		3	1	0		1	0	5
Income Replacement (self insured)	0		43	14	1		37	0	95
Beneficiaries	0		28	3	0		14	0	45

* Includes Nuntucket

National Grid - RI Gas
Illustrative Example of FAS112 Liability and Expense Accrual

Line	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Accounting Entries											
1	Dr. FAS 112 Expense	200	80	60	40	20	0	0	0	0	0
2											
3	Cr. FAS 112 Liability	200	80	60	40	20	0	0	0	0	0
4											
5											
6	Dr. Benefit Payment Expense	0	20	40	60	80	100	100	100	100	100
7											
8	Cr. Cash	0	20	40	60	80	100	100	100	100	100
9											
10											
11	Total Expense Recorded										
12	Total Expense (Line 1 plus Line 6)	200	100	100	100	100	100	100	100	100	100
13											
14	Catch-up Expense (Line 37)	100	0	0	0	0	0	0	0	0	0
15											
16	Net On-going Annual Expense	100	100	100	100	100	100	100	100	100	100
17											
18											
19	Actuarial Calculation										
20	Incremental Operating Expense										
21	(Gain)/Loss	100	0	0	0	0	0	0	0	0	0
22	Benefit Payments	0	(20)	(40)	(60)	(80)	(100)	(100)	(100)	(100)	(100)
23	New Claimants Expected	100	100	100	100	100	100	100	100	100	100
24											
25	Total Expense/Income	200	80	60	40	20	0	0	0	0	0
26											
27											
28	Accrued FAS112 Liability										
29	FAS112 Liability @ Beg of Year	0	200	280	340	380	400	400	400	400	400
30	Incremental Operating Expense	200	80	60	40	20	0	0	0	0	0
31	Accrued FAS112 @ End of Year (a)	200	280	340	380	400	400	400	400	400	400
32											
33	Experience										
34	Expected FAS 112 Liability @ Beg of Year	0	200	280	340	380	400	400	400	400	400
35	Actual FAS 112 Liability @ Beg of Year	100	200	280	340	380	400	400	400	400	400
36											
37	Gain/(Loss)	(100)	0	0	0	0	0	0	0	0	0
38											
39	# of Claimants										
40	Claimants	0	1	2	3	4	5	5	5	5	5

(a) Components of Year-end Liability (Line 31)

Expected New Claimant for next year (Line 23)	100	100	100	100	100	100	100	100	100	100	100
Year 0 Claimant	100	80	60	40	20	0	0	0	0	0	0
Year 1 Claimant (Estimated for in Year 0)		100	80	60	40	20	0	0	0	0	0
Year 2 Claimant (Estimated for in Year 1)			100	80	60	40	20	0	0	0	0
Year 3 Claimant (Estimated for in Year 2)				100	80	60	40	20	0	0	0
Year 4 Claimant (Estimated for in Year 3)					100	80	60	40	20	0	0
Year 5 Claimant (Estimated for in Year 4)						100	80	60	40	20	0
Year 6 Claimant (Estimated for in Year 5)							100	80	60	40	20
Year 7 Claimant (Estimated for in Year 6)								100	80	60	40
Year 8 Claimant (Estimated for in Year 7)									100	80	60
Year 9 Claimant (Estimated for in Year 8)										100	80
Year 10 Claimant (Estimated for in Year 9)											100
Total FAS112 Liability	200	280	340	380	400						

Assumptions:

- Company experiences 1 new claimant each year.
- Total benefit of \$100 paid evenly over 5 years
- No present value discounting assumed
- Assumes no interest costs
- Year 0 represents the initial year for which the Company failed to accrue a liability