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May 11, 2006

VIA FACSIMILE AND U.S. MAIL

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

RE: Docket No. D-06-13 Joint Petition of Southern Union Company and The
Narragansett Electric Company

Dear Ms. Massaro:

Attached are the responses of Southern Union Company to the Fourth Set of Discovery issued by the Rhode Island Division of Public Utilities and Carriers in the above-referenced docket.

Thank you for your attention to this matter.

Sincerely,



Cheryl M. Kimball
R.I. Bar # 6458

Cc: Service List

Division Data Request 4-1

Request

Please identify all insurance settlements that Southern Union has entered into to date through which some or all of the actual or potential environmental clean-up costs associated with the Tiverton site(s) have been recovered. For each settlement identified, please provide the Company's best estimate of the portion of the proceeds that would be attributable or allocable to costs associated with clean-up of the Tiverton site(s).

Response:

Southern Union has not collected any insurance recoveries for actual or potential environmental clean-up costs on the Tiverton site.

Prepared by or under the supervision of: David L. Black

Division Data Request 4-2

Request:

Please identify each insurance policy under which Southern Union could potentially assert a claim for funds to offset costs associated with clean-up of the Tiverton site(s) as well as the limits of the coverage under each identified insurance policy with respect to Tiverton environment clean-up costs.

Response:

Southern Union is currently investigating primary and excess insurance policies (listed below), as well as certain primary and excess policies issued by AIG in the 1980's, under which Southern Union could potentially assert a claim for costs associated with clean-up of the Tiverton sites.

Liberty Mutual Insurance Company

<u>Policy Year</u>	<u>Policy Number</u>
1943-1951	01-00765
1943-1951	25-90499
1943-1946	PL-35407
1943-1946	PL-35407
1943-1946	PL-35407
1949-1950	25-70183
1950-1953	25-70256
1950-1953	25-70256
1950-1953	25-70256
1971-1972	LG1-112-043976-021
1972-1974	LG1-112-043976-022
1972-1974	LG1-112-043976-022

Canadian Universal Ins. Co., Ltd.

<u>Policy Year</u>	<u>Policy Number</u>
1968-1969	NCGB1638
1969-1972	NGA34541
1969-1972	NGA34541

Canadian Universal Ins. Co., Ltd. (cont'd)

<u>Policy Year</u>	<u>Policy Number</u>
1969-1972	NGA34541
1972-1975	NGA42275
1972-1975	NGA42275
1972-1975	NGA42275
1974-1977	NGA52232
1974-1977	NGA52232
1974-1977	NGA52232
1977-1980	NGA60600
1977-1980	NGA60600
1977-1980	NGA60600
1980-1983	NGA71560
1980-1983	NGA71560
1980-1983	NGA71560
1983-1984	C5GL81287

Newfoundland American Insurance Company, Inc.

<u>Policy Year</u>	<u>Policy Number</u>
1955-1957	NCGA 234
1957-1960	NCGA 331
1960-1963	NCGA 1255
1961-1963	NCGB 1255
1963-1966	NCGB 1406

Lloyd's of London

<u>Policy Year</u>	<u>Policy Number</u>
1945-1947	73182
1945-1948	73183
1945-1947	73182
1945-1948	73183
1948-1950	60762

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<u>Policy Year</u>	<u>Policy Number</u>
1948-1950	60763
1948-1950	60365
1948-1950	60762
1948-1950	60763
1948-1950	60365
1948-1950	60762
1950-1953	K3573
1948-1950	60763
1950-1953	K3574
1950-1953	K3573
1950-1953	K3574
1951-1952	K8227
1950-1953	K3573
1950-1953	K3574
1952-1954	K12406
1953-1955	K19025
1953-1955	K19024
1953-1955	K19023
1953-1955	K19022
1952-1954	K12406
1953-1955	K18730
1953-1955	K19025
1953-1955	K19024
1953-1955	K19023
1953-1955	K19022
1953-1955	K18730
1956-1957	6784
1956-1957	6785
1956-1957	6786
1956-1957	6787

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<u>Policy Year</u>	<u>Policy Number</u>
1957-1958	K47070
1957-1958	K47071
1957-1958	K47072
1957-1958	K47073
1957-1957	K41175
1957-1957	K41176
1957-1958	K47074
1957-1957	K41177
1957-1958	K47075
1958-1959	K-53120
1958-1959	K-53121
1958-1959	K-53122
1958-1959	K-53123
1958-1959	K-53124
1958-1959	K-53125
1959-1960	K-58961
1959-1960	K-58962
1959-1960	K-58963
1959-1960	K-58964
1959-1960	K-58965
1959-1960	K-58966
1960-1961	K-65070
1960-1961	K-65071
1960-1961	K-65072
1960-1961	K-65073
1960-1961	K-65074
1960-1961	K-65075
1961-1962	K70600
1961-1962	K70601
1961-1962	K70602

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<u>Policy Year</u>	<u>Policy Number</u>
1961-1962	K70603
1961-1962	K70604
1962-1963	K-75420
1962-1963	K-75421
1962-1963	K-75422
1962-1963	K-75423
1963-1964	K77900
1963-1966	CU3020
1963-1966	CU3021
1964-1966	K-80050
1963-1966	CU3020
1963-1966	CU3021
1964-1966	K-80050
1963-1966	CU3020
1963-1966	CU3021
1966-1969	K-15700
1966-1969	CU7202
1966-1969	CU7203
1966-1969	K-15700
1966-1969	CU7202
1966-1969	CU7203
1966-1969	K-15700
1966-1969	CU7202
1966-1969	CU7203
1969-1970	K22700
1969-1972	CX2900
1970-1971	K23900
1969-1972	CX2900
1970-1972	CX2901
1971-1972	K24880

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<u>Policy Year</u>	<u>Policy Number</u>
1969-1972	CX2900
1970-1972	CX2901
1972-1975	K25800
1972-1975	K25800
1972-1975	K25801
1970-1972	CX2901
1972-1975	K25800
1972-1975	K25800
1972-1975	K25801
1972-1975	K25800
1972-1975	K25800
1972-1975	K25801
1975-1976	UGL 1330
1975-1978	UGL 1331
1975-1978	UGL 1332
1975-1978	UGL 1333
1976-1977	UHL 1370
1975-1978	UGL 1331
1975-1978	UGL 1332
1975-1978	UGL 1333
1977-1978	UJL 1680
1975-1978	UGL 1331
1975-1978	UGL 1332
1975-1978	UGL 1333
1978-1979	UKL 1695
1978-1979	UKL 1698
1978-1979	UKL 1700
1978-1980	UKL 1702
1978-1980	UKL 1704
1979-1980	ULL 1282

<u>Policy Year</u>	<u>Policy Number</u>
1978-1980	UKL 1702
1978-1980	UKL 1704
1980-1983	UMU 0569
1980-1983	UMU 0570
1980-1983	UMU 0569
1980-1983	UMU 0570
1980-1983	UMU 0569
1980-1983	UMU 0570

AEGIS

<u>Policy Year</u>	<u>Policy Number</u>
1982-1983	233A
1983-1984	233NJ
1984-1985	233 ANJ
1985-1986	233 CNJ
1986-1987	XL233A86
1987-1988	XL 233 A87
1988-1989	XL 233A88
1989-1990	X0 233A89
1990-1991	X0233A1A90
1991-1992	X0233A1A91
1992-1993	X0233A1A92
1993-1994	X0233A1A93
1994-1995	X0233A1A94
1995-1996	X0233A1A95
1996-1997	X0233A1A96
1997-1998	X0233A1A97
1998-1999	X0233A1A98
1999-2000	X0233A1A99

Prepared by or under the supervision of: David L. Black

Division Data Request 4-3

Request:

Given that environmental liabilities associated with Tiverton and other sites will remain with Southern Union if the merger is approved, please provide Southern Union's plan for funding necessary remediation activities after the merger is approved.

Response:

There are four aspects to the financing arrangements associated with any potential environmental liabilities relating to the Massachusetts operations of Southern Union Company.

Specifically, in the event of a finding of liability relating to the operations under the ownership and control of Southern Union Company, the following funding mechanisms would be available:

1. Southern Union Corporate Funding: Southern Union has ample financial resources to meet any funding requirements for environmental remediation. Specifically, Southern Union has access to cash flow from operations, as well as sufficient liquidity and access to debt and equity capital markets that would be necessary to meet any funding requirements for environmental remediation. As of March 31, 2006, Southern Union had assets totaling \$7.5 billion and total capitalization of \$5.9 billion, which included stockholders' equity of \$1.9 billion. In addition, Southern Union's creditworthiness is evidenced by the investment-grade ratings assigned to its senior unsecured indebtedness by Moody's Investor Services (baa3), Standard and Poor's (BBB) and Fitch Ratings (BBB). These credit ratings provide the Company with access to substantial capital-resource alternatives in the financial markets at favorable rates and ensure that the Company will have adequate resources available to meet any financial obligations stemming from environmental remediation requirements in Tiverton, RI.
2. Cost Recovery Per Directives of the MDTE: In 1990, the Massachusetts Department of Telecommunications and Energy ("MDTE") approved a settlement between the LDCs and the Commonwealth of Massachusetts Attorney General providing for recovery of costs incurred by jurisdictional gas companies to remediate environmental damage caused by the historical operations of manufactured gas sites. Generic Investigation Into the Recovery of Costs Associated with Manufactured Gas Sites, D.P.U. 89-161 (1990) (order attached). The Department's approval of the settlement in that case established a framework for the recovery of remediation costs and would allow for recovery of costs associated with the Tiverton liability. This framework encompasses the following elements:
 - Recovery of "Environmental Response Costs" through a Remediation Adjustment factor, collected through a per-unit-of-gas charge;

- “Environmental Response Costs” include all investigation, testing, remediation, litigation expenses, and other liabilities relating to manufactured gas facility sites, disposal sites, or other sites onto which material may have migrated, as a result of the operation or decommissioning of Massachusetts gas-manufacturing facilities during the period from 1822 through 1978;
 - “Environmental Response Costs” also include costs associated with personal injury settlements or awards relating to manufactured gas waste sites;
 - Costs incurred for environmental remediation are recovered over a rolling seven-year period without carrying charges;
 - The Remediation Adjustment factor is reconciled annually for each company, with the amount of any over or under collection to be debited or credited to the total annual charge for the following year;
 - The total annual charge to a company’s ratepayers may not exceed five percent of a company’s total revenues from firm Massachusetts gas sales during the preceding year. If the annual recovery exceeds the five-percent cap, the amount in excess of the cap is deferred and accrues carrying charges at the company’s net cost of capital (as allowed in the company’s last rate case and adjusted for income tax effects) until the sum can be added to the amount to be recovered in a subsequent recovery year without exceeding the five-percent cap.
3. Insurance Recoveries and Settlements: The Company’s response to Data Request DIV-4-2 lists the insurance policies applicable to the Massachusetts operations that provide Southern Union with opportunities for reimbursement of costs associated with environmental liability.
4. Reimbursement from Responsible Parties: The Company would also seek contribution, indemnification and/or reimbursement from third parties responsible for the environmental liability.

Prepared by or under the supervision of: Richard N. Marshall and David L. Black

Division Data Request 4-4

Request:

Please provide Southern Union's current best estimates of the anticipated costs for full environmental remediation for each of the sites for which Southern Union will retain clean-up cost responsibilities under the terms of Purchase and Sale Agreement, as well as the expected time profile for required expenditures for each site.

Response:

Southern Union is not able to provide an estimate of the cost of full environmental remediation for the Tiverton site because it is awaiting essential information from, and agreement with, RIDEM as to fundamental aspects of a remediation plan.