

April 10, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
RI Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

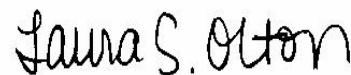
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and
Southern Union Company for Approval of Purchase and Sale of Assets
Response to Division Data Request 1-9**

Dear Ms. Massaro:

Enclosed please find six (6) copies of the response to Division Data Request 1-9 issued on March 31, 2006, in the above-captioned proceeding.

Thank you for your attention to this transmittal. If you have any questions regarding this filing, please do not hesitate to contact me at (401) 784-7667.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 1-9

Request:

Referring to Gerwatowski testimony, page 7, lines 18-21, please identify areas of synergies and savings and ways to improve service to customers identified to date. To the extent there has been any quantification of the synergies and savings, please provide such quantification.

Response:

After the closing, the Company expects to review savings areas such as billing/IT systems, electronic metering, call centers, administrative and executive functions, consolidation of operational activities between electric and gas, gas supply, supply chain, credit and collections, labor related issues, and facilities. National Grid has not yet performed any formal synergies saving studies to reliably determine the anticipated savings from the transaction.

The transaction occurred on an accelerated schedule. Around February 2, 2006, Southern Union, through an investment banker, informed National Grid that they were accepting bids for the Rhode Island business. They required that bidders submit an offer in less than two weeks, by February 12, 2006. National Grid put together a due diligence team that was only able to perform a very high level analysis of the business. Thus, we were unable to fully assess the areas of savings to arrive at a savings estimate with a reasonable degree of certainty. At this time, our integration team is concentrating its efforts on preparing for a closing to occur on a rapid schedule. A more formal study will be completed as we approach and shortly following the closing of the transaction.

Long before the bidding process, National Grid had a high level preliminary estimate of potential savings if National Grid were to acquire Southern Union's gas business in New England. This was based on publicly available information, such as FERC Form 1 filings, 10k's and proxy disclosures, and was performed on a National Grid system-wide savings basis. After the Company learned of the bidding process, the analysis was updated to remove Massachusetts operations from the estimate and was supplemented by other information provided by Southern Union. The estimate included allocations of savings among the various National Grid affiliates. Based on a very high level and preliminary review of the New England Gas organizational structure, looking at the numbers of employees in overlapping support and shared services functions, as well as some other less tangible factors, we estimated a potential gross savings in the gas business in Rhode Island within the range of \$1 million to \$3 million annually (pretax). This estimate does not include any costs to achieve. On a National Grid system-wide basis, the preliminary gross savings was estimated to be between \$12 million to \$16 million. It is important to emphasize, however, that between the time that we became aware of the bid and submittal of a bid, we did not prepare a detailed quantification of the

The Narragansett Electric Company d/b/a National Grid
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Division Data Request 1-9 (continued)

numbers or conduct any formal study to support this estimate. Nor do we have one at this time.

Prepared by or under the supervision of: Ronald T. Gerwatowski

Certificate of Service

I certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below:



Joanne M. Scanlon
National Grid

April 10, 2006

National Grid & Southern Union - Docket D-06-13 Service List as of 04/10/06

Name/Address	E-mail Distribution	Phone/FAX
Thomas G. Robinson, Esq. National Grid 25 Research Drive Westborough, MA 01582	Thomas.robinson@us.ngrid.com	508-389-2877
	Laura.olton@us.ngrid.com	
	Ronald.Gerwatowski@us.ngrid.com	
	Joanne.scanlon@us.ngrid.com	
Laura S. Olton, Esq. National Grid 280 Melrose Street Providence, RI 02907		401-784-7667
Cheryl Kimball, Esq. Keegan, Werlin & Pabian LLP 21 Custom House St. Boston, MA 02110	ckimball@keeganwerlin.com	617-951-1400 617-951-1354
	Rkeegan@keeganwerlin.com	
Kevin Penders, Esq. Manager, Regulatory Relations New England Gas Co. 100 Weybosset St. Providence, RI 02903	Kevin.Penders@negasco.com	401-272-5040 401-751-0698
Leo Wold, Esq. Dept. of Attorney General 150 South Main St. Providence RI 02903	lwold@riag.ri.gov	401-222-2424 401-222-3016
	RDIMeglio@riag.ri.gov	
	sscialabba@ripuc.state.ri.us	

Paul Roberti, Esq. Dept. of Attorney General 150 South Main Street Providence, RI 02903	PROberti@riag.ri.gov	401-222-2424 401-222-3016
Adrienne G. Southgate, Deputy City Solicitor Law Department City of Providence 275 Westminster Street, Suite 200 Providence RI 02903	asouthgate@providenceri.com	401- 421-7740 Ext. 333
W. Mark Russo, Esq. Ferrucci Russo P.C. 55 Pine St., 4 th Floor Providence, RI 02903	mrusso@frlawri.com	401-455-1000 401-455-7778
	wsmith@frlawri.com	
Brian A. Wagner, Esq. Deputy Chief Legal Counsel RIDEM - Office of Legal Services 235 Promenade St., 4th Flr. Providence, RI 02908	Brian.wagner@dem.ri.gov	401-222-6607 401 222-3378
Richard M. Peirce, Esq. Roberts, Carroll, Feldstein & Pierce Ten Weybosset St. – 8 th Floor Providence, RI 02903	rpeirce@rcfp.com	401-521-7000 401-521-1328
Michael A. Ursillo Ursillo, Teitz and Rich, Ltd. 2 Williams St. Providence, RI 02903-2918	mikeursillo@utrlaw.com	401-331-2222 401-751-5257
John Spirito, Esq. Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	jspirito@ripuc.state.ri.us	401-780-2152 401-941-9207
Original & five (5) copies file w/: Luly E. Massaro, Division Clerk Division of Public Utilities & Carriers 89 Jefferson Blvd. Warwick, RI 02888	Lmassaro@puc.state.ri.us	401-780-2107 401-941-1691