

May 15, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

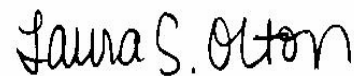
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets
Responses to Division Data Requests 6-1 and 6-2**

Dear Ms. Massaro:

Enclosed please find five (5) copies of responses from The Narragansett Electric Company, d/b/a National Grid, to the sixth set of data requests issued by the Division on May 8, 2006, in the above-captioned proceeding. This set includes responses to data requests 6-1 and 6-2.

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

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 6-1

Request:

Do the Petitioners expect that the proposed purchase and sale of assets will result in recording of an acquisition premium or purchase goodwill? If the response is affirmative, please provide the following:

- a. An estimate of the acquisition premium, with supporting calculations and assumptions.
- b. An explanation of the accounting for the acquisition premium, including an explanation of whether the acquisition premium will be “pushed down” to the acquired entity.

Response:

a. Yes, the proposed transaction will result in an acquisition premium. The total amount of acquisition premium is not known at this time and will be dependent on a number of factors including the actual final purchase price and a final determination of the assets and liabilities being acquired. The total estimated consideration to be paid is approximately \$575 million, including cash of \$498 million and assumed debt of \$77 million. The actual final compensation may vary depending on a true-up for changes in working capital, as per the agreement. The net assets of the New England Gas Company (“NE Gas”) will be recorded at the estimated fair market value at the acquisition date. The fair market value for the regulated assets is expected to approximate the book value as currently reported by NE Gas. The September 30, 2005 net book value of the assets is \$325 million resulting in a preliminary estimate of goodwill of \$250 million (total compensation of \$575 million less the FMV of the assets of \$325 million), excluding any impacts of the final determination of assets and liabilities.

b. Because The Narragansett Electric Company (“Narragansett”) is the acquiring entity, and the acquired operations and assets of NE Gas will be operated as a division of Narragansett, the goodwill related to the transaction will be recorded on the balance sheet of Narragansett. The goodwill will be recorded as an asset in FERC account 114 (acquisition adjustment) with an offsetting amount booked to FERC account 211 (other paid in capital), a component of common equity.

Division Data Request 6-2

Request:

If the proposed purchase and sale of assets results in the recording of an acquisition premium or purchase goodwill, is it anticipated that the acquisition premium will be included in the determination of the revenue requirements of the acquired entity?

Response:

It is not anticipated that the acquisition premium would be included in the determination of the revenue requirement. Instead, National Grid is anticipating a rate plan similar to what was approved by the Rhode Island Public Utilities Commission in Dockets 2930 and 3617 on the electric side of the business. In the electric rate plan, a shared savings mechanism was negotiated instead of the direct inclusion of an acquisition premium.

Certificate of Service

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



National Grid

May 15, 2006

National Grid & Southern Union - Docket D-06-13 Updated Service List as of 5/15/06

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