

June 12, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

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

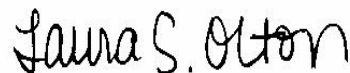
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets
Responses to Division Data Requests 9-7 and 9-8**

Dear Ms. Massaro:

Enclosed please find five (5) copies of responses from The Narragansett Electric Company, d/b/a National Grid, to the ninth set of data requests issued by the Division on June 1, 2006, in the above-captioned proceeding. This set includes responses to data requests 9-7 and 9-8.

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 9-7

Request:

Referring to the response to Division 7-5, where does \$55 million unrecognized loss come from?

Response:

The \$55 million net unrecognized loss is made up of two components: (1) \$1 million of unrecognized prior service costs; and (2) \$54 million of other unrecognized net losses. The unrecognized prior service costs represent costs associated with plan amendments that attribute the increase or reduction in benefits to employee service rendered in prior periods. The other unrecognized net losses reflect changes in the amount of the pension obligation or the assets in the plan resulting from experience different from that assumed in calculating pension expense or from changes in plan assumptions (these changes can also result in gains). For example, pension expense for the year might be based on the long-term return on asset assumption of 9 percent but the actual return for the year ended up being less than 9 percent. This results in an unrecognized loss.

In an effort to smooth out the annual pension expense recorded, accounting rules provide that companies defer the recognition, or recording, of prior service costs, differences in plan assumptions and gains and losses if they exceed certain thresholds. These unrecognized, or deferred, losses (and gains) are amortized as part of pension expense over the weighted average service lives of the participants in the plan.

The net unrecognized losses of New England Gas represent the net unamortized losses that have arisen since its acquisition by Southern Union. At the date of the acquisition by Southern Union as part of its purchase accounting adjustments, New England Gas had recognized all pre-acquisition unrecognized gains and losses.

Division Data Request 9-8

Request:

Referring to the response to Division 7-6, where does \$8 million unrecognized loss come from?

Response:

The \$8 million net unrecognized loss is made up of two components: (1) \$2 million of negative unrecognized prior service costs; and (2) \$10 million of other unrecognized net losses. Unrecognized prior service costs and unrecognized other losses are described in response to Division Data Request 9-7. Also as described in that response, the net unrecognized losses of New England Gas represent the net unamortized losses that have arisen since its acquisition by Southern Union.

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.



Joanne M. Scanlon

Date: June 12, 2006

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

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