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PUBLIC UTILITIES COMMISSION

January 7, 2005

New England Gas Company

VIA HAND DELIVERY

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

Re: Gas Purchase Incentive Plan and Gas Supply Portfolio

Dear Ms. Massaro:

On December 9, 2004, the Rhode Island Public Utilities Commission ("RIPUC") approved the New England Gas Company's ("Company") revisions, filed with the consent of the Division of Public Utilities and Carriers ("Division"), to its Gas Purchase Incentive Plan ("GPIP" or "Plan") and the Gas Supply Portfolio, effective January 1, 2005. In order to implement the changes to the GPIP, however, there are three separate adjustments that the Company must undertake to transition from the prior plan. After consultation with the Commission and the Division, please accept this letter to detail the necessary adjustments and the Company's plans to address them.

First, the new GPIP provides that mandatory purchases will end four (4) months prior to the purchase month versus two (2) months under the previous plan. It is the Company's intention to make up for this shift by purchasing three months worth of mandatory purchases during January 2005 for the months from June 2005 to June 2006, the furthest month for which purchases have already been made. Exceptions to this are April 2005, which only requires one month's mandatory amount to complete mandatory purchases under the Plan, and May 2005, which requires purchases for two month's mandatory amount.


Second, any month earlier than January 2007 requires additional purchases under the Plan in order to reach the Plan goal of 50% for mandatory purchases. To achieve this 50% goal, the Company will continue to make purchases at a 1/16th rate for all months through June 2006, consistent with purchasing under the prior plan where mandatory purchases were spread over a 16-month period.

Third and lastly, for the period July 2006 through January 2007, the Company will phase-in the rate of purchases under the Plan, depending on the amount of time remaining with which to make purchases. For example, in order

to comply with the Plan by making the equivalent of 20 months worth of mandatory purchases, July 2006 will be purchased at a rate of 1/14th, August 2006 at a rate of 1/15th, and so on until January 2007, when the Plan's 1/20th rate is fully phased in.

Thank you for your attention to this matter. The Company is available to discuss these implementation issues or provide the Commission any additional information for its consideration.

Sincerely,



Kevin F. Penders, Esq.
Manager, Regulatory Relations

Cc: Elia Germani, Chairman, RIPUC
Robert Holbrook, Commissioner, RIPUC
Steve Frias, Executive Counsel, RIPUC
Thomas Massaro, Chief Financial Analyst, RIPUC
Paul J. Roberti, Office of the Attorney General
Steve Scialabba, Chief Accountant, Division
Gary Beland, New England Gas Company
Carl Mattson, New England Gas Company
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Cheryl Kimball, Keegan, Werlin & Pabian
Bruce Oliver