

KEEGAN WERLIN LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3113

—
(617) 951-1400

TELECOPIERS:
(617) 951- 1354
(617) 951- 0586

October 14, 2005

VIA HAND AND ELECTRONIC DELIVERY

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

RE: Docket No. 3696, Annual Gas Cost Recovery Filing

Dear Ms. Massaro:

Enclosed please find an original and nine (9) copies of New England Gas Company's responses to the Public Utilities Commission's Second Set of Data Requests in the above captioned docket. Thank you for your attention to this filing.

Sincerely,



Cheryl M. Kimball
(R.I. Bar #6458)

Enclosure

cc: Luly Massaro, Commission Clerk (nine copies)
service list, docket no. 3696

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: October 4, 2005

Q. COMM 2-01 In Order No. 16909, the Commission noted NEGas' estimation that the gas cost "undercollection was approximately \$35 million by the end of March 2001", what was the total revenues, distribution and gas costs, for ProvGas and Valley Gas at that time?

A. COMM 2-01 The Company has been unable to readily identify the total revenues, distribution and gas costs for the combined ProvGas and Valley Gas at the end of March 2001. However, as reflected in the Company's annual financial report, for the twelve months ended December 31, 2001, the total gas operating revenues were \$321,033,631 and total purchased gas costs were \$180,637,764.

It is important to note that the \$35 million undercollection at the end of March 2001 was the result of significant increases in gas costs from December 2000 through March 2001. At the time of the Company's September 2000 gas cost filings, the deferred gas cost balance at the end of March 2001 was projected to be \$13 million and by the end of June 2002, less than \$2 million (the September 2000 filing was for the October 2000 through June 2002 period).

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Peter Czekanski

Issue Date: October 4, 2005

Q. COMM 2-02 What was the interest rate being charged for the undercollection in March 2001, and what is the current interest being charged for the undercollection?

A. COMM 2-02 The interest rate being charged for the undercollection in March 2001 was 6.32%. The current interest being charged for the undercollection is 4.50%.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Peter Czekanski

Issue Date: October 4, 2005

- Q. COMM 2-03** What would be the projected undercollection as of October 2006 if the September 1st proposed increase is approved but the September 30th proposed increase is not approved? Please utilize the NYMEX strip in the September 30th filing to determine the projected undercollection.
- A. COMM 2-03** The projected undercollection as of October 31, 2006 would be \$44.5 million if the September 1st proposed increase is approved but the September 30th proposed increase is not approved.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Peter Czekanski

Issue Date: October 4, 2005

- Q. COMM 2-04** What would be the percentage of the overall increase if only future projected gas costs were approved but the current undercollection of \$14.7 million was deferred for another year?
- A. COMM 2-04** The typical residential heating customer would see a 20.1% increase or \$292 in their annual bill if only future projected gas costs were approved but the current undercollection of \$14.7 million was deferred for another year.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: October 4, 2005

- Q. COMM 2-05** What would be the percentage of the overall increase if only the current undercollection of \$14.7 million was approved and what would be the projected undercollection as of October 2006, utilizing the NYMEX strip used in the September 30th filing, if only current undercollection is recovered in rates at this time?
- A. COMM 2-05** The typical residential heating customer would see a 3.3% increase if only the current undercollection of \$14.7 million was approved for effect November 1, 2005. The resultant undercollection as of October 2006, utilizing the NYMEX strip used in the September 30th filing, would be \$83.8 million.

**New England Gas Company
Docket No. 3696**

Data Request and Response

Requestor: Commission
Respondent: Peter Czekanski
Issue Date: October 4, 2005

- Q. COMM 2-06** What would be the projected undercollection as of October 2006, utilizing the NYMEX strip in the September 30th filing, if GCR rates increased to recover the current undercollection of \$14.7 million and on either March 1st, April 1st, or May 1st, 2006 the GCR rates are increased to reflect current gas costs?
- A. COMM 2-06** Increasing GCR rates effective November 1, 2005 to recover the current undercollection of \$14.7 million and reflecting the forecasted gas costs in the Company's September 30th filing results in a projected undercollection of \$83.8 million as of October 31, 2006 (see Company response to COMM 2-05).

Further increasing GCR rates \$2.04 per dth effective March 1st, so that collections from March 1st through October 31st equal projected costs from March 1st through October 31st, would leave a deferred gas cost balance of \$55.8 million as of the end of October.

If the additional GCR rate increase were to occur April 1st rather than March 1st, and the increase were based on covering projected costs from April 1st through October 31st, the increase would be \$2.11 per dth and the deferred gas cost balance would be \$63.8 million at the end of October.

Similarly, if an additional GCR rate increase were not to occur until May 1st and the increase was to cover costs from May 1st through October 31st, then the increase would be \$4.74 per dth and the deferred gas cost balance would be \$54.9 million at the end of October. Note that the significant change required to the GCR under a May 1st implementation and the corresponding decrease in the October deferred gas cost balance, versus implementing a GCR rate change in March or April, is due to the month of April having a net overcollection. By implementing a GCR increase in May, that overcollection reduces the October deferred balance rather than helping offset the GCR rate increase needed to cover current gas costs.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission
Respondent: Gary Beland
Issue Date: October 4, 2005

- Q. COMM 2-07 Can NEGas compare its recent performance under its gas purchasing plan to the recent performance of any other gas purchasing plan, which utilizes financial hedging?**
- A. COMM 2-07** One gas purchasing plan or planning tool we are familiar with is Planalytics Energy's Gas Buyer client service. In a recent advertisement for the service (attached) they show results of \$7.58 per dekatherm for September 2005, \$7.21 for August 2005 and \$6.50 for July 2005. The Company's results for the same months is September at \$6.41, August at \$6.22 and July at \$6.10, averaging 12% lower than Planalytics. We have no detailed information available for any other plan or program which we could use to perform an accurate comparison with the Gas Purchase Incentive Plan.

Clients using the GasBuyer's fully hedged methodology achieved an average cost of:

<p>September 2005</p> <p>\$7.58 per MMBtu</p> <p>25% lower than the NYMEX settlement price of \$10.14</p>	
<p>July 2005</p> <p>\$6.50 per MMBtu</p> <p>9% lower than the NYMEX settlement price of \$7.45</p>	<p>August 2005</p> <p>\$7.21 per MMBtu</p> <p>3% lower than the NYMEX settlement price of \$7.45</p>

Planalytics® GasBuyerSM helps utilities proactively and prudently manage natural gas costs and price risk in an increasingly complex and volatile market.

Introductory GasBuyer Webcasts

We invite you to learn more about the GasBuyer and how it could become a key part of your risk management or hedging program by scheduling a 45-minute Webcast at a time that is convenient for you. **Please contact Dave Frieberg at 610.407.2905** or via email at dfrieberg@planalytics.com for more information or to reserve a Webcast date.

The **GasBuyer** is a price analysis and decision support tool used by companies purchasing or hedging natural gas. The tool provides a year-ahead view of the market that identifies when gas is undervalued and when it is overvalued based on a combination of key fundamental, technical and market analysis along with proprietary long-range climate forecasts.

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1325 Morris Drive, Suite 201, Wayne, PA 19087 USA

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