

August 1, 2007

VIA HAND DELIVERY & ELECTRONIC MAIL

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

RE: Docket 3859 - Distribution Adjustment Charge Filing

Dear Ms Massaro:

In accordance with the provisions of the Distribution Adjustment Clause (“DAC”) Tariff, RIPUC NG No. 101, Section 3, Schedule A, enclosed please find ten (10) copies of National Grid’s¹ annual DAC filing in the above-captioned docket.

The filing consists of the pre-filed testimony of Peter C. Czekanski and associated attachments in support of changes to various components of the DAC. As the underlying data for other components of the DAC only become available subsequent to August 1, the Company will supplement this filing on or before September 1, 2007, and provide a proposed DAC rate incorporating factors for all components.

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

Sincerely,



Laura S. Olton

Enclosure

cc: Paul Roberti, Esq.
Steve Scialabba
Bruce Oliver
David Efron

¹ Submitted on behalf of The Narragansett Electric Company, d/b/a National Grid (“Company”).

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

NATIONAL GRID

**DISTRIBUTION ADJUSTMENT CHARGE FILING
DOCKET NO. 3859**

DIRECT TESTIMONY

OF

PETER C. CZEKANSKI

August 1, 2007

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Peter C. Czekanski. My business address is 100 Weybosset Street,
3 Providence, RI 02903.

4 **Q. WHAT IS YOUR POSITION AND RESPONSIBILITIES?**

5 A. I am Principal Analyst for National Grid (“National Grid” or the “Company”). My
6 responsibilities include overseeing the design, implementation and administration of
7 rates charged by National Grid for natural gas service in Rhode Island. I also direct
8 the development of the Company’s sales and revenue forecasts.

9 **Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?**

10 A. I was first employed by Providence Gas Company (“ProvGas”) in January 1995 as a
11 Pricing Analyst with responsibility for assisting in rate design, tariff administration
12 and other regulatory activities. I was promoted to Director of Pricing in March 1998
13 and retained that position with the acquisition of ProvGas by Southern Union
14 Company in October 2000. Upon the sale of the Rhode Island natural gas operation
15 to National Grid in August 2006, I assumed my current position of Principal Analyst.
16 I have previously testified in numerous proceedings before this Commission,
17 including: (1) Docket No. 3401, the Company’s most recent rate case proceeding; (2)
18 Docket Nos. 3766, 3696 and 3436, the Gas Cost Recovery filings; (3) Docket Nos.

1 1673 and 1736, the former ProvGas and Valley Gas cost of gas adjustment filings; (4)
2 Docket No. 3790, Gas Energy Efficiency Program, (5) Docket No. 3804, Affordable
3 Energy Plan, (6) Docket No. 2902, enhancements to the Business Choice Program;
4 and (7) Docket Nos. 3760, 3690, 3459 and 3548 in support of the Distribution
5 Adjustment Charge. I have also testified before the Massachusetts Department of
6 Telecommunications and Energy on behalf of North Attleboro Gas Company in
7 Dockets D.T.E. 01-17 and D.T.E. 01-47 and Fall River Gas Company in Docket
8 D.T.E. 04-06.

9 Prior to joining National Grid, I was employed by NYNEX (now Verizon) for 24
10 years where I held various positions in the Regulatory, Government Relations and
11 Marketing departments. While part of the Regulatory department at NYNEX, I
12 prepared and filed testimony and testified in various dockets before the Rhode Island,
13 Massachusetts and Vermont regulatory commissions on matters related to rate design,
14 pricing and cost issues.

15 My educational background includes a Bachelor of Science degree in Electrical
16 Engineering from Brown University. In addition, during my career at NYNEX, I
17 completed a variety of business and management courses.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. The purpose of this testimony is to describe the changes to the various components of
20 the Distribution Adjustment Charge (“DAC”) and to propose updated factors to be

1 effective November 1, 2007. In addition, this testimony will describe the
2 reconciliation of various DAC components for fiscal year 2007 (“FY2007”).

3 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

4 A. My testimony is composed of four (4) general sections: *I.* the Introduction; *II.* a DAC
5 Summary; *III.* the DAC Component Details; and *IV.* the DAC FY2007
6 Reconciliation.

7 **Q. ARE THERE ANY ATTACHMENTS ACCOMPANYING YOUR**
8 **TESTIMONY?**

9 A. Yes. I am sponsoring the following Attachments:

10	PCC-1	Summary of Distribution Adjustment Charges
11	PCC-2	System Pressure
12	PCC-3	AGT Rebate Account Balance
13	PCC-4	Environmental Response Cost
14	PCC-5	On-System Margin Credits
15	PCC-6	Weather Normalization
16	PCC-7	FY2007 Reconciliation

II. DAC SUMMARY

17 **Q. PLEASE DESCRIBE THE DAC AND THE VARIOUS COMPONENTS THAT**
18 **ARE INCLUDED.**

19 A. The DAC was established in Docket No. 3401 to provide for the recovery and
20 reconciliation of the costs of identifiable special programs, as well as to facilitate the

1 timely rate recognition of incentive provisions. As described in the Company's tariff
2 RIPUC NG No. 101 in Section 3, Schedule A, the DAC includes an annual System
3 Pressure factor, a Demand Side Management ("DSM") factor, a Low Income
4 Assistance Program ("LIAP") factor, an Environmental Response Cost ("ERC")
5 factor, an On-System Margin Credit factor, a Weather Normalization ("WN") factor,
6 an Earnings Sharing factor and a Reconciliation factor for the previous year.

7 **Q. WHAT IS THE PROPOSED DAC RATE?**

8 A. The proposed DAC rate has not been finalized as of August 1st because underlying
9 data for the development of some components only becomes available later in the
10 month. As discussed later in this testimony, the Company will supplement this filing
11 on or before September 1, 2007. Such supplemental filing will provide a proposed
12 DAC rate incorporating factors for all DAC components and include a bill impact
13 analysis. A preliminary summary of the various components with rates as currently
14 available is provided here as Attachment PCC-1 and shows a rate of (\$0.0021) per
15 therm. The currently effective DAC rate is \$0.0003 per therm. Consistent with the
16 provisions of the Company's tariff RIPUC NG 101, Section 3, Schedule A, the
17 updated DAC rates are proposed to be effective with consumption starting
18 November 1, 2007.

III. DAC COMPONENT DETAILS

1 **Q. WHAT IS THE SYSTEM PRESSURE COMPONENT?**

2 A. Maintaining proper operating pressures on the Company's distribution system
3 requires the occasional use of the Company's LNG facilities. The system pressure
4 component reflected in the DAC represents the associated projected LNG costs for
5 the period November 1, 2007 through October 31, 2008. This component reflects the
6 product of forecasted 2007-08 non-economic dispatch LNG costs (withdrawal
7 commodity, inventory financing, and supplier demand) and the percentage of local
8 storage used to maintain system pressures. As established in Docket No. 3401,
9 National Grid's system balancing percentage is 20.39 percent. The LNG system
10 pressure portion of LNG Operating and Maintenance costs was established at the time
11 of the Company's last rate case and is recovered in base rates.

12 **Q. HOW DID THE COMPANY ESTABLISH THE LNG COSTS REFLECTED IN**
13 **THIS FILING?**

14 A. The LNG costs reflected in this filing are based on preliminary cost estimates that
15 will be updated as part of the Company's September 1, 2007 Gas Cost Recovery
16 ("GCR") filing. In the GCR filing, non-economic dispatch LNG related commodity
17 costs are calculated for the future 12-month period November 2007 through October
18 2008. The system pressure component is then subtracted out for purposes of
19 calculating the GCR charge. This DAC filing incorporates that system pressure

1 component for the 12-month period November 2007 through October 2008. A
2 detailed discussion on the development of the forecasted LNG commodity related
3 costs will be included in the Company's September 1, 2007 GCR filing. See
4 Attachment PCC-2 for preliminary cost estimates.

5 **Q. PLEASE DESCRIBE THE EXISTING DSM PROGRAM.**

6 A. The existing DSM program was established in Docket No. 2025 to promote
7 development of energy-efficient natural gas technologies that increase utilization of
8 natural gas during periods of low demand. Increased off-peak usage reduces the unit
9 cost of gas for all customers by generating distribution revenues to support fixed costs
10 associated with resources needed during peak periods. The DSM program provides
11 rebates for technologies such as natural gas powered fleet vehicles, chilling systems,
12 electrical generators, process heating, desiccant dehumidifiers, as well as for
13 residential high efficiency space heating equipment.

14 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE DSM**
15 **PROGRAM?**

16 A. The Company is not proposing any change to the program itself but is going to refer
17 to the program as the Advanced Gas Technology Program so as to avoid any
18 confusion with the recently implemented National Grid Energy Efficiency Programs
19 which are sometimes referred to as DSM programs. Referencing the program as
20 Advanced Gas Technology ("AGT") Program will better reflect the program's goal of

1 promoting installation of gas technologies that increase utilization of natural gas
2 during periods of low demand.

3 **Q. WHAT IS THE CURRENT LEVEL OF FUNDING?**

4 A. Under Commission Order No. 17381 in Docket No. 3401, funding was included in
5 base rates at an annual level of \$300,000. Since the Company is not proposing any
6 change to the existing program or level of funding at this time, there is no proposed
7 adjustment to the base rate annual funding. The AGT component of the DAC
8 remains at zero.

9 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR NEW PROJECTS IN**
10 **FY2008?**

11 A. At the end of FY2007, the AGT Rebate account had a balance of \$389,113.
12 Consistent with the Commission's Order No. 18780 in Docket No. 3690, this balance
13 reflects interest accrued during the year. Attachment PCC-3 shows the monthly AGT
14 Rebate account balance activity for FY2007.

15 **Q. PLEASE DESCRIBE THE LOW INCOME ASSISTANCE PROGRAMS.**

16 A. The low-income assistance programs included with this DAC component are the Low
17 Income Heating Energy Assistance Program ("LIHEAP") and the Low Income
18 Weatherization Program. LIHEAP is a federally-funded, state-administered program
19 providing funding to assist low income customers in paying their heating bills. The

1 National Grid program piggybacks on the State program and provides additional
2 credits on customers' gas bills. The Low Income Weatherization Program provides
3 supplemental funding to the weatherization program administered by the Rhode
4 Island Office of Energy Resources ("OER"). Under Commission Order No. 17381 in
5 Docket No. 3401, funding for LIHEAP and the weatherization program was included
6 in base rates at an annual level of \$1,585,000 and \$200,000, respectively. The
7 Company is not proposing any change to the existing program or level of funding at
8 this time. Accordingly, the Low Income Assistance Programs component of the DAC
9 remains at zero.

10 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR LOW INCOME**
11 **ASSISTANCE PROGRAMS IN FY2008?**

12 A. For FY2008, the Company has available \$1,585,000 for LIHEAP and \$200,000 for
13 the low income weatherization program. There are also additional funds totaling
14 \$24,000 being carried over from FY2007 for Company match LIHEAP.

15 **Q. PLEASE EXPLAIN THE PURPOSE OF THE ENVIRONMENTAL**
16 **RESPONSE COST FACTOR.**

17 A. The ERC Factor is designed to allow National Grid to recover its reasonable and
18 prudently incurred costs for evaluation, remediation and clean-up of the sites
19 associated with the Company's ownership and operation of manufactured gas plants
20 ("MGP"), manufactured gas storage facilities, and MGP-related off-site waste

1 disposal locations. In addition, the ERC Factor includes recovery of environmental
2 costs for removing and replacing mercury regulators and addressing meter disposal
3 issues.

4 **Q. PLEASE DESCRIBE THE PROPOSED ERC FACTOR.**

5 A. Consistent with the Company's Tariff, RIPUC NG No. 101, Section 3, Schedule A,
6 Item 3.4, the ERC factor is a per-therm charge that reflects the 10-year amortization
7 of Environmental Response Costs. As shown on Attachment PCC-4 page 1, the
8 proposed ERC factor reflects annual amortization expenses totaling \$583,906. A
9 breakdown of this amortization expense is provided on Attachment PCC-4 page 2.
10 Environmental project specific expenses for the most recent year, FY2007, are
11 provided on page 3 of the attachment. Descriptions of the various environmental
12 projects and the FY2007 activities can be found in the annual environmental report
13 filed with the Commission under separate cover letter dated August 1, 2007. Netting
14 the total amortization expenses against the \$1,310,000 of ERC funding embedded in
15 base rates leaves a balance of \$726,094 to be refunded to ratepayers over the
16 November 2007 through October 2008 period. It should be noted that the FY2007
17 data is considered preliminary and if there are any changes when the Company's
18 books are finalized for the fiscal year, the Company will file an updated calculation.

19 **Q. WHAT IS THE CREDITING OF MARGINS FROM ON-SYSTEM NON-FIRM**
20 **SALES AND TRANSPORTATION?**

1 A. The crediting of margins from on-system non-firm sales and transportation services
2 provides an offset to some of the distribution system costs. Under the provisions in
3 RIPUC NG No. 101 Section 3, Schedule A 3.5, an annual threshold level for non-firm
4 sales and transportation margins is established at \$1.6 million. For each twelve-
5 month period beginning July 1st, all margins derived from non-firm sales and
6 transportation over the threshold level shall be shared seventy-five percent (75%) to
7 customers and twenty-five percent (25%) to shareholders. If the annual margins are
8 less than the threshold, the shortfall will be recovered from customers.

9 **Q. PLEASE DESCRIBE THE CALCULATION OF NON-FIRM MARGINS AND**
10 **ANY AMOUNTS AVAILABLE FOR SHARING WITH CUSTOMERS.**

11 A. Non-firm margins are calculated as the difference between non-firm sales and
12 transportation revenues and non-firm gas costs. For the 12-months ending June 30,
13 2007, the Company recorded \$5,922,065 of non-firm margins net of gross earnings
14 tax (GET), \$4,322,065 more than the \$1.6 million threshold. Seventy-five percent
15 (75%) of the \$4,322,065 or \$3,241,549 will be credited to customers and twenty five
16 percent (25%), or \$1,080,516 will be retained by the Company. Attachment PCC-5
17 page 2 shows the non-firm usage, revenue and margins by month.

18 **Q. AT THE CONCLUSION OF THE DAC HEARING LAST YEAR, THE**
19 **COMPANY AGREED TO COMPLETE A DETAILED REVIEW OF THE**
20 **FY2006 NON-FIRM MARGINS AND, IF NECESSARY, INCORPORATE**

1 **ANY ADJUSTMENTS WITH THIS YEAR'S FILING. IS THE REVIEW**
2 **COMPLETE AND ARE THERE ANY ADJUSTMENTS?**

3 A. Yes, the Company completed a detailed review of the reported non-firm margins and
4 a summary of the updated results shows non-firm revenues (net of GET) totaling
5 \$16,131,469. This reflects a minor change to the previously reported revenue of
6 \$16,040,857. The difference of \$90,612, which is less than one percent, is being
7 added to this year's on-system margin credit calculation as shown on Attachment
8 PCC-5, page 1. There was a similar minor change in the calculation of non-firm gas
9 costs however the Company is not proposing any adjustment because any change in
10 gas costs is just shifting costs between firm sales service and non-firm service. In this
11 case, a reduction to the non-firm gas costs would result in a corresponding increase to
12 the sales service gas costs since total gas costs are the same. A summary of the
13 adjustment is shown on page 3 of Attachment PCC-5.

14 **Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION COMPONENT.**

15 A. The weather normalization clause provides for crediting/debiting customers when
16 weather over the past winter is colder/warmer than normal. In the November
17 through April period, if weather was more than 2 percent colder than normal or more
18 than 2 percent warmer than normal a credit/debit is calculated at the rate of \$9,000
19 per degree day. During the winter period November 2006 through April 2007, the
20 weather was warmer than normal and there were 98 degree days in excess of the
21 threshold, which equates to \$882,000 to be debited to the DAC account and collected

1 from customers. Attachment PCC-6 contains the calculation of the weather
2 normalization factor.

3 **Q. PLEASE DESCRIBE THE EARNINGS SHARING COMPONENT.**

4 A. Under the provisions of the Commission approved settlement agreement in Docket
5 No. 3401, an incentive-based Earnings Sharing Mechanism (“ESM”) was established
6 to provide for the sharing of consolidation savings between the Company and its
7 customers. The ESM is based on a benchmark return on equity of 11.25 percent,
8 excluding the Company’s portion of non-firm margins described earlier in this
9 testimony. Any annual earnings over 11.25 percent in the prior fiscal year, up to and
10 including 100 basis points, will be shared 50 percent to customers and 50 percent to
11 the Company. Any earnings in excess of 12.25 percent will be shared 75 percent to
12 customers and 25 percent to the Company.

13 **Q. HAS THE COMPANY PERFORMED THE EARNINGS SHARING**
14 **CALCULATION FOR INCLUSION IN THIS TESTIMONY?**

15 A. The Company has not yet performed the earnings sharing calculation because the
16 Company’s financial data for the fiscal year ending June 30, 2007 has not yet been
17 completed. As soon as the data is available, the Company will perform this
18 calculation and will supplement this filing with testimony supporting the calculation
19 no later than September 1, 2007.

1 **Q. SHOULD THERE BE A COMPONENT IN THE DAC FOR PENALTIES**
2 **UNDER THE COMPANY'S SERVICE QUALITY PROGRAM?**

3 A. In the Service Quality Docket No. 3476, it was agreed that any penalty amounts
4 resulting from the approved Service Quality Plan would be passed on to customers in
5 the DAC as part of the Company's annual DAC filing. As reflected in the
6 Company's Fiscal Year 2007 Annual Report on Service Quality Plan (filed with the
7 Commission under cover letter dated July 30, 2007 the Company's performance was
8 within the established benchmarks and no penalties were applicable. Accordingly,
9 there are no service quality penalties included in the current DAC filing.

IV. DAC FY2006 RECONCILIATION

10 **Q. WHAT IS COVERED UNDER THE RECONCILIATION COMPONENT OF**
11 **THE DAC?**

12 A. The unit DAC rates for the previously described components are established on the
13 basis of a projected level of consumption. The reconciliation component of the DAC
14 allows for the reconciliation of the actual costs and revenues with the previous
15 projections. The individual items that are being reconciled fall into one of two
16 general groupings -- those being reconciled on the basis of FY2007 going from July
17 2006 through the end of June 2007 and those being reconciled on the basis of the gas
18 year which goes from November 2006 through the end of October 2007. A summary

1 of the various items being reconciled is shown on Attachment PCC-7, page 1. The
2 first three items shown on PCC-7 relate to the reconciliation of actual levels of
3 revenues collected versus the level of funding that was incorporated in the
4 establishment of base rates. For example, at the time of the Company's last rate case,
5 Docket No. 3401, it was agreed to include in the development of base distribution
6 rates, low income assistance funding at the level of \$1,785,000 plus a working capital
7 allowance. The reconciliation accounts for any differences in total consumption or
8 firm throughput during FY2007 versus at the time of Docket No. 3401 to ensure that
9 low income assistance funding is maintained at the annual level of \$1,785,000.
10 Similarly, AGT funds and ERC funds are reconciled with the approved base rate
11 levels of \$300,000 plus a working capital allowance and \$1,310,000, respectively.

12 **Q. PLEASE DESCRIBE THE AGT RECONCILIATION.**

13 A. As described above, the AGT base rates reconciliation accounts for actual AGT
14 revenues collected versus the FY2007 level of funding built into base rates. During
15 FY2007, revenue collected was less than projected due to the warmer than normal
16 winter and customers using less gas than forecast resulting in an undercollection as of
17 June 30, 2007 of \$9,642, as shown on Attachment PCC-7 page 1.

18 **Q. WHAT ABOUT THE LIAP AND ENVIRONMENTAL BASE RATE**
19 **RECONCILIATION AMOUNTS?**

1 A. Similar to the situation with AGT there were undercollections resulting in June 30,
2 2007 balances of \$52,840 and \$38,590 for the LIAP and Environmental base rate
3 items, respectively. These amounts are shown on Attachment PCC-7 page 1, with
4 monthly details shown on pages 2 and 3.

5 **Q. PLEASE DESCRIBE THE RECONCILIATION OF SYSTEM PRESSURE.**

6 A. When the current DAC was established on November 1, 2006, the system pressure
7 component was calculated on the basis of projected LNG costs included in the
8 Company's September 2006 GCR filing. This past winter was warmer than normal,
9 but the pattern of cold weather during the latter part of January and into February and
10 March resulting in more LNG being used than projected. As shown on page 1 of
11 Attachment PCC-7, the net result is an undercollection for system pressure with a
12 deferred cost balance of \$448,891 projected for the end of October 2007. A detailed
13 calculation of the deferred balance is provided on Attachment PCC-7, page 4.

14 **Q. WHAT IS THE ENVIRONMENTAL – DAC RECONCILIATION ITEM**
15 **SHOWN ON ATTACHMENT PCC-7, PAGE 1, LINE 5?**

16 A. Whereas the previously described environmental reconciliation item was a true-up to
17 the level of funding reflected in base distribution rates, the environmental-DAC
18 reconciliation is a true-up of the incremental revenues incorporated in the 2006-2007
19 DAC. The 2006-2007 DAC reflected a net credit to customers of \$650,265 for the
20 environmental response cost component. Due to the warmer than normal winter in

1 FY2007, total thru-put was less than projected resulting in crediting customers less
2 than the \$650,265. This reconciliation item reflects a deferred balance of \$24,662 to
3 be credited to customers in the upcoming year. A detailed calculation is shown on
4 Attachment PCC-7, page 4.

5 **Q. PLEASE DESCRIBE THE ON-SYSTEM MARGIN CREDIT**
6 **RECONCILIATION.**

7 A. In the 2006-2007 DAC, there was a credit of \$1,422,220 as a result of FY2006 non-
8 firm margins in excess of the \$1.6 million dollar threshold established in Docket No.
9 3401. The On-System Margin Credit reconciliation calculates that the deferred
10 balance of that account at the end of October 2007 will be (\$83,628), meaning
11 customers received credits less than the \$1,422,220.

12 **Q. WHAT ABOUT THE REMAINING RECONCILIATION ITEMS?**

13 A. In the 2006-2007 DAC, the Weather Normalization reflected a charge to be collected
14 from customers and as a result of less thru-put due to warmer than normal weather,
15 the deferred balance is \$129,757 reflecting additional charges still to be collected
16 from customers. The ESM component is an additional \$22,421 still to be refunded to
17 customers. The last reconciliation item, the Previous Reconciliation Factor, is
18 slightly different in that in the 2006-2007 DAC, this component was intended to
19 credit customers \$299,150 based on projected October 31, 2006 ending account
20 balances. Actual account ending balances were \$21,359 less than projected (see

1 Attachment PCC-7, pages 7-9) resulting in a revenue requirement of (\$515,689) at the
2 start of the 2006-2007 DAC year. With actual collections through June 30, 2006, the
3 ending October 31, 2007 projected deferred balance is (\$31,495).

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. At the current time, yes. As stated earlier, this testimony will be supplemented on or
6 before September 1, 2007 with additional data including the proposed DAC rate
7 incorporating factors for all DAC components and a bill impact analysis.

Preliminary Summary of Distribution Adjustment Charge
(\$ Per Therm)

Line No.	Description	reference	Factor
1	System Pressure	Attach. PCC2	\$0.0055 #
2	Advanced Gas Technology Program (AGT)	PCC Testimony	\$0.0000
3	Low Income Assistance Programs (LIAP)	PCC Testimony	\$0.0000
4	Environmental Response Cost (ERC)	Attach. PCC-4	(\$0.0021)
5	On-System Margin Credits (MC)	Attach. PCC-5	(\$0.0095)
6	Weather Normalization (WN)	Attach. PCC-6	\$0.0025
7	Earnings Sharing Mechanism (ESM)	PCC Testimony	- #
8	Reconciliation Factor (R)	Attach. PCC-7	\$0.0015 #
9	Subtotal	sum ([1]:[8])	(\$0.0021)
10	Uncollectible Percentage	Dkt 3401	2.10%
11	DAC adjusted for uncollectible	[9] / (1 - [10])	(\$0.0021) per therm

note # Preliminary - to be updated with supplemental filing

Calculation of System Pressure Factor

	LNG Commodity Related Costs			Total
	Withdrawal Commodity	Inventory Costs	Demand from GCR	
Nov-07	\$166,221	\$70,714	\$276,027	\$512,962
Dec-07	\$516,329	\$70,764	\$276,027	\$863,120
Jan-08	\$1,910,370	\$70,584	\$276,027	\$2,256,981
Feb-08	\$1,112,917	\$51,891	\$276,027	\$1,440,835
Mar-08	\$382,518	\$41,002	\$276,027	\$699,547
Apr-08	\$167,757	\$37,259	\$276,027	\$481,043
May-08	\$175,637	\$42,595	\$276,027	\$494,259
Jun-08	\$171,610	\$48,060	\$276,027	\$495,697
Jul-08	\$178,846	\$53,404	\$276,027	\$508,277
Aug-08	\$180,344	\$58,992	\$276,027	\$515,363
Sep-08	\$175,866	\$64,625	\$276,027	\$516,518
Oct-08	\$182,952	\$70,106	\$276,027	\$529,085
Total	\$5,321,367	\$679,996	\$3,312,324	\$9,313,687
System Balancing Factor (Dkt 3401)	0.2039	0.2039	0.2039	
GCR Costs allocated to DAC	\$1,085,027	\$138,651	\$675,383	\$1,899,061
Firm Thru-put				34,670,649 dth
System Pressure Factor				\$0.0548 per dth
System Pressure Factor				\$0.0055 per Therm

Advanced Gas Technology (AGT)* Rebate Account Balance

	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Total
	31	31	30	31	30	31	31	28	31	30	31	30	
<u>Account</u>													
Beginning Balance	\$346,661	\$367,492	\$273,631	\$276,224	\$288,043	\$300,518	\$322,616	\$354,106	\$391,736	\$444,542	\$496,291	\$532,726	
Rebate Disbursements	\$400	\$102,483	\$0	\$0	\$300	\$400	\$100	\$0	\$200	\$100	\$300	\$172,487	\$276,770
Other Disbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sub-total Disbursements	\$400	\$102,483	\$0	\$0	\$300	\$400	\$100	\$0	\$200	\$100	\$300	\$172,487	\$276,770
DAC-AGT Revenue Collections	\$9,699	\$6,925	\$1,184	\$10,325	\$11,267	\$20,849	\$29,799	\$35,846	\$50,792	\$49,439	\$34,011	\$26,512	\$286,648
** Other Revenue Adjustments	\$9,642	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,642
Sub-total Collections	\$19,341	\$6,925	\$1,184	\$10,325	\$11,267	\$20,849	\$29,799	\$35,846	\$50,792	\$49,439	\$34,011	\$26,512	\$296,290
Preliminary Ending Balance	\$365,602	\$271,934	\$274,815	\$286,549	\$299,010	\$320,967	\$352,315	\$389,952	\$442,328	\$493,881	\$530,002	\$386,751	
Month's Average Balance	\$356,131	\$319,713	\$274,223	\$281,386	\$293,526	\$310,742	\$337,465	\$372,029	\$417,032	\$469,211	\$513,146	\$459,738	
Bk America Rate less 200 Basis Points	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	6.250%	
Interest Applied	\$1,890	\$1,697	\$1,409	\$1,494	\$1,508	\$1,649	\$1,791	\$1,784	\$2,214	\$2,410	\$2,724	\$2,362	\$22,932
Ending Balance	\$367,492	\$273,631	\$276,224	\$288,043	\$300,518	\$322,616	\$354,106	\$391,736	\$444,542	\$496,291	\$532,726	\$389,113	

* Previously referred to as DSM Rebate Program

** Adjustment reflects prior year undercollection being collected through DAC reconciliation factor

Environmental Response Cost (ERC) Factor

Line No.	Description	reference	Amount
1	Amortization of Pre-FY2003 expenses - year 6 of 10	page 2	\$ 1,251,025
2	Amortization of FY2003 expenses - year 5 of 10	page 2	\$ (601,267)
3	Amortization of FY2004 expenses - year 4 of 10	page 2	\$ (47,296)
4	Amortization of FY2005 expenses - year 3 of 10	page 2	\$ 13,671
5	Amortization of FY2006 expenses - year 2 of 10	page 2	\$ 43,602
6	Amortization of FY2007 expenses - year 1 of 10	page 2 and 3	\$ (75,829)
7	Subtotal	sum ([1]:[6])	\$ 583,906
8	Base Rate Embedded ERC Funding	Dkt 3401	\$1,310,000
9	Net Requirement	[7] - [8]	(\$726,094)
10	Firm Thru-put Nov 07 - Oct 08 (Dth)		34,670,649 Dth
11	Environmental Response Cost Factor per Dth	[9] / [10]	(\$0.0209) per Dth
12		[11] / 10	(\$0.0021) per therm

ENVIRONMENTAL RESPONSE COST RECOVERY

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
ENVIRONMENTAL AMORTIZATION																
June 30, 2002																
NET ERC costs net of insurance	\$12,510,252															
Amortization Period (years)	10	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,025	\$ 1,251,027	\$ -	\$ -			
FY 2003																
NET ERC costs net of insurance	(\$6,012,673)															
Amortization Period (years)	10		\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,267)	\$ (601,270)	\$ -		
FY 2004																
NET ERC costs net of insurance	(\$472,960)															
Amortization Period (years)	10			\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)	\$ (47,296)		
FY 2005																
NET ERC costs net of insurance	\$136,707															
Amortization Period (years)	10				\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,671	\$ 13,668	\$ -
FY 2006																
NET ERC costs net of insurance	\$436,020															
Amortization Period (years)	10					\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ 43,602	\$ -
FY 2007																
NET ERC costs net of insurance	(\$758,291)															
Amortization Period (years)	10						\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,829)	\$ (75,830)
Amortization Expense sub-total		\$ -	\$ 1,251,025	\$ 649,758	\$ 602,462	\$ 616,133	\$ 659,735	\$ 583,906	\$ 583,906	\$ 583,906	\$ 583,906	\$ 583,908	\$ (667,122)	\$ (65,852)	\$ (18,559)	\$ (32,227)
ENVIRONMENTAL REMEDIATION COSTS																
Beginning Balance	\$12,510,252	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,597,346	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056
Environmental Expenditures, net of Insurance		\$ (6,012,673)	(\$472,960)	\$136,707	\$436,020	(\$758,291)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,597,346	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056	\$ 5,839,056
ACCUMULATED ENVIRONMENTAL REMEDIATION																
Beginning Balance	\$ -	\$ -	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,779,113	\$ 4,363,019	\$ 4,946,925	\$ 5,530,831	\$ 6,114,737	\$ 6,698,645	\$ 6,031,523	\$ 5,965,671	\$ 5,947,112	\$ 5,914,885
Amortization Expense (1)		- 1,251,025	649,758	602,462	616,133	659,735	583,906	583,906	583,906	583,906	583,908	(667,122)	(65,852)	(18,559)	(32,227)	(75,830)
Ending Balance	\$ -	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,779,113	\$ 4,363,019	\$ 4,946,925	\$ 5,530,831	\$ 6,114,737	\$ 6,698,645	\$ 6,031,523	\$ 5,965,671	\$ 5,947,112	\$ 5,914,885	\$ 5,839,056
NET ENVIRONMENTAL REMEDIATION COSTS	\$12,510,252	\$ 5,246,554	\$ 4,123,836	\$ 3,658,081	\$ 3,477,968	\$ 2,059,943	\$ 1,476,037	\$ 892,130	\$ 308,224	\$ (275,682)	\$ (859,590)	\$ (192,468)	\$ (126,616)	\$ (108,057)	\$ (75,830)	\$ -

(1) Amortization Expense is shown on a FY basis for this exhibit, actual booking of amortization expense is on the DAC year (November through October)

Environmental Response Cost (ERC) - FY2007

		Bal @ 06/30/2006	Bal @ 06/30/2007	FY07 Activity
I. Environmental Expenses				
907 & 908	Allens Avenue	\$18,590,747	\$18,628,481	\$37,734
306	Insur Pol, no Pollution Excl	\$40,002	\$40,002	\$0
307	PCB Reg Pipe Abandon.	\$122,831	\$151,865	\$29,034
309	Manchester Street	\$152,861	\$152,861	\$0
317	Plympton	\$77,333	\$77,333	\$0
379	Petroleum Site	\$494,423	\$510,034	\$15,611
700	18 & 21 Holders COR	\$79,972	\$103,943	\$23,971
161	Canal Street, Westerly	\$29,133	\$29,133	\$0
963	Narr. Electric, South St.	\$2,400	\$2,400	\$0
170	IAG Insurance Investment	\$47,987	\$47,987	\$0
170	General Enviro Issues	\$62,012	\$62,012	\$0
178	Site Inv Connell Hwy Newp	\$44,092	\$44,092	\$0
144	Westerly Soil Investigation	\$82,184	\$82,184	\$0
171	Contaminated Regulators	\$1,540,573	\$1,660,364	\$119,791
781	Mendon Road	\$121,355	\$121,355	\$0
782	Tidewater	\$364,210	\$375,281	\$11,071
783	Hamlet	\$104,928	\$104,928	\$0
784	Environmental Study	\$12,847	\$12,847	\$0
785	Gooding Ave	\$34,079	\$34,079	\$0
786	Plympton	\$23,382	\$23,382	\$0
787	Site Inv 19 Brown St, Warren RI	\$9,728	\$9,728	\$0
--	Thames & Wellington	\$0	\$230,321	\$230,321
	Sub-Total	<u>\$22,037,080</u>	<u>\$22,504,614</u>	<u>\$467,533</u>
II. Insurance Recovery/Settlement				
910	Environ Insur Settlement	\$10,408,756	\$11,634,580	\$1,225,824
III. Net FY2006 Environmental Response Costs				(\$758,291)

On-System Margin Credit

Line No.	Description	Reference	Amount
1	FY 2007 Non-Firm Margin in excess of Base Rate Threshold	Page 2	\$4,322,065
2	FY 2006 Adjustment	Page 3	\$90,612
3	Total	[1] + [2]	\$4,412,677
4	Company @ 25%	[3] x 25%	\$1,103,169
5	Customers @ 75%	[3] x 75%	\$3,309,508
6	Annual Dt Nov 07 - Oct 08		34,670,649 Dth
7	On-System Margin	[5] / [6]	\$0.0955 per Dth
8		[7] / 10	\$0.0095 per therm

On-System Margin Credit - FY2007

	Prior Period Adj.	Jul-06 actual	Aug-06 actual	Sep-06 actual	Oct-06 actual	Nov-06 actual	Dec-06 actual	Jan-07 actual	Feb-07 actual	Mar-07 actual	Apr-07 actual	May-07 actual	Jun-07 actual	Total
Non-firm (dth)														
Sales	92,218	141,339	110,560	89,322	97,212	104,042	103,504	62,598	24,346	67,182	84,084	76,673	87,739	1,140,819
Transportation	(4,049)	239,815	183,738	172,306	207,742	139,033	97,318	46,666	14,823	60,856	175,922	155,052	161,729	1,650,951
sub-total	88,169	381,154	294,298	261,628	304,954	243,075	200,822	109,264	39,169	128,038	260,006	231,725	249,468	2,791,770
Non-firm Revenue														
Sales	\$1,163,507	\$1,695,760	\$1,457,478	\$918,319	\$918,148	\$1,103,439	\$1,163,240	\$720,335	\$297,350	\$817,780	\$1,027,164	\$891,187	\$1,055,785	\$13,229,492
Transportation	(\$7,018)	\$155,027	\$127,754	\$78,710	\$294,017	\$155,202	\$70,046	\$47,852	\$22,099	\$156,585	\$203,247	\$113,244	\$70,996	\$1,487,761
sub-total	\$1,156,489	\$1,850,787	\$1,585,232	\$997,029	\$1,212,165	\$1,258,641	\$1,233,286	\$768,187	\$319,449	\$974,365	\$1,230,411	\$1,004,431	\$1,126,781	\$14,717,253
less GET	\$1,121,716	\$1,795,138	\$1,537,567	\$967,050	\$1,175,718	\$1,220,796	\$1,196,204	\$745,089	\$309,844	\$945,068	\$1,193,415	\$974,230	\$1,092,901	\$14,274,736
Total Gas Costs	\$605,791	\$928,801	\$860,025	\$599,263	\$447,428	\$794,314	\$940,852	\$432,353	\$125,933	\$532,238	\$703,948	\$633,779	\$747,946	\$8,352,671
NF Margin	\$515,925	\$866,337	\$677,542	\$367,787	\$728,290	\$426,482	\$255,352	\$312,736	\$183,911	\$412,830	\$489,467	\$340,451	\$344,955	\$5,922,065

Sharing Threshold	\$1,600,000
Margin in excess of Base Rate threshold	\$4,322,065
Company @ 25%	\$1,080,516
Customers @ 75%	\$3,241,549

On-System Margin Credit - FY2006 Adjustment

	FY 2006 As Filed -----	FY 2006 Updated -----	Updated vs Filed -----
Non-firm (dth)			
Sales	1,258,036	1,241,284	-16,753
Transportation	1,541,756	1,524,793	-16,963
sub-total	2,799,793	2,766,077	-33,716
 Non-firm Revenue			
Sales	\$15,733,930	\$15,783,806	\$49,876
Transportation	\$804,194	\$819,755	\$15,561
sub-total	\$16,538,124	\$16,603,561	\$65,437
less GET	\$16,040,857	\$16,131,469	\$90,612
		Adjustment to Non Firm Revenues	\$90,612
		Company @ 25%	\$22,653
		Customers @ 75%	\$67,959

note: Any change in the gas costs would be shifting the gas costs between firm sales service and non-firm. In this case, a reduction to the non-firm gas costs would result in a corresponding increase to the sales service gas costs. Therefore, the Company is not proposing any adjustment for gas costs.

Worksheet for Weather Normalization Clause

Tariff: RIPUC NEGC No. 101, Section 3, Schedule 3.6 Weather Normalization:

The Company shall compare actual heating degree days ("DD") to normal heating degree days at the end of each peak season (November through April). For each DD greater than 4,874 (2% colder than normal), the Company shall credit the Weather Normalization Account an amount equal to \$9,000 per DD. For each DD less than 4,682 (2% warmer than normal), the Company shall debit the Weather Normalization Account at \$9,000 per DD.

Calculation of Winter Season 2005-2006 Weather Normalization

	Actual Heating <u>Degree Days</u>	Normal
Nov-06	467	625
Dec-06	748	892
Jan-07	948	1,073
Feb-07	1055	914
Mar-07	825	798
Apr-07	541	476
TOTAL	4,584	4,778
Degree Day Threshold (warmer than normal)	4,682	
Degree Days in Excess of Threshold	98	
Mitigation \$ per Degree Day	\$9,000	
Weather Mitigation	\$882,000	
Annual Dt Nov 07 - Oct 08	34,670,649	
Weather Normalization Factor (\$/Dt)	\$0.0254	
Weather Normalization Factor (\$/therm)	\$0.0025	

Distribution Adjustment Charge Reconciliation Factor
(\$ per Therm)

Line No.	Description	reference	Ending Balance	
1	AGT Factor - Base Rates	PCC-7, page 2	\$9,642	Based on ending balance June 30, 2007
2	LIAP Factor - Base Rates	PCC-7, page 2	\$52,840	
3	Environmental - Base Rates	PCC-7, page 3	\$38,590	
4	System Pressure	PCC-7, page 4	\$448,891	Based on forecasted balance October 31, 2007
5	Environmental - DAC	PCC-7, page 4	(\$24,662)	
6	On-System Margin Credits	PCC-7, page 5	(\$83,628)	
7	Weather Normalization	PCC-7, page 5	\$129,757	
8	Earnings Sharing Mechanism	PCC-7, page 5	(\$22,421)	
9	Previous Reconciliation Factor	PCC-7, page 6	(\$31,495)	
10	Total	sum ([1]:[9])	\$517,514	
11	Firm Thru-put	Nov 2007 - Oct 2008	34,670,649 dth	
12	Reconciliation Factor	[10] / [11]	\$0.0149 per dth	
13	Reconciliation Factor	[12] / 10	\$0.0015 per therm	

Distribution Adjustment Charge Reconciliation Factor

		Base Rate / Fiscal Year Reconciling Components													12-mth end
source		Jul-06	Aug-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jun 07
		31	23	8	30	31	30	31	31	28	31	30	31	30	
		(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	
DAC FACTORS: \$/dth															
AGT Factor - Base Rates	Dkt 3401	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087
LIAP Factor - Base Rates	Dkt 3401	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519
Environmental - Base Rates	Dkt 3401	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379
RI Firm through-put (dth)	Classified's	1,114,804	796,030	136,103	1,186,760	1,295,025	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	33,590,185
														Target Collection	\$301,496
AGT Recon. Acct Beg. Bal.		\$0	(\$453)	\$338	\$516	(\$11)	\$2,030	\$2,695	\$6,492	\$17,288	\$16,786	\$12,218	\$9,729	\$2,491	
Fcst Firm Thru-put (from rate case Dkt 3401)		1,062,847	886,886	156,509	1,126,112	1,528,945	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,367
Fcst AGT Collections		\$9,247	\$7,716	\$1,362	\$9,797	\$13,302	\$21,502	\$33,572	\$46,579	\$50,208	\$44,795	\$31,465	\$19,242	\$11,714	\$300,501
Actual Firm Thru-put		1,114,804	796,030	136,103	1,186,760	1,295,025	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	33,590,185
Actual AGT Collections		\$9,699	\$6,925	\$1,184	\$10,325	\$11,267	\$20,849	\$29,799	\$35,846	\$50,792	\$49,439	\$34,011	\$26,512	\$5,587	\$292,235
Collection Variance		(\$452)	\$791	\$178	(\$528)	\$2,035	\$653	\$3,773	\$10,733	(\$584)	(\$4,644)	(\$2,546)	(\$7,270)	\$6,127	
Ending Balance		(\$452)	\$338	\$516	(\$12)	\$2,024	\$2,683	\$6,468	\$17,225	\$16,704	\$12,142	\$9,672	\$2,459	\$8,618	
Average Balance		(\$226)	(\$58)	\$427	\$252	\$1,007	\$2,356	\$4,581	\$11,859	\$16,996	\$14,464	\$10,945	\$6,094	\$5,555	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$1)	(\$0)	\$1	\$1	\$5	\$12	\$24	\$63	\$81	\$77	\$56	\$32	\$29	\$381
AGT End Balance		(\$453)	\$338	\$516	(\$11)	\$2,030	\$2,695	\$6,492	\$17,288	\$16,786	\$12,218	\$9,729	\$2,491	\$8,647	\$9,642
Under/(over) Recovery		(\$453)	\$791	\$179	(\$527)	\$2,040	\$665	\$3,797	\$10,796	(\$503)	(\$4,567)	(\$2,490)	(\$7,238)	\$6,156	
														Target Collection	\$1,793,901
LIAP Recon. Acct Beg. Bal.		\$0	(\$2,703)	\$2,010	\$3,073	(\$67)	\$12,105	\$16,075	\$38,728	\$103,131	\$100,133	\$72,886	\$58,036	\$14,862	
Fcst Firm Thru-put (from rate case Dkt 3401)		1,062,847	886,886	156,509	1,126,112	1,528,945	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,367
Fcst LIAP Collections		\$55,162	\$46,029	\$8,123	\$58,445	\$79,352	\$128,273	\$200,274	\$277,868	\$299,518	\$267,223	\$187,707	\$114,791	\$69,879	\$1,792,644
Actual Firm Thru-put		1,114,804	796,030	136,103	1,186,760	1,295,025	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	33,590,185
Actual LIAP Collections		\$57,858	\$41,314	\$7,064	\$61,593	\$67,212	\$124,375	\$177,766	\$213,840	\$303,002	\$294,928	\$202,893	\$158,158	\$33,328	\$1,743,331
Collection Variance		(\$2,696)	\$4,715	\$1,059	(\$3,148)	\$12,140	\$3,898	\$22,508	\$64,028	(\$3,484)	(\$27,705)	(\$15,186)	(\$43,367)	\$36,551	
Ending Balance		(\$2,696)	\$2,012	\$3,069	(\$75)	\$12,073	\$16,003	\$38,583	\$102,756	\$99,647	\$72,428	\$57,700	\$14,669	\$51,413	
Average Balance		(\$1,348)	(\$346)	\$2,540	\$1,499	\$6,003	\$14,054	\$27,329	\$70,742	\$101,389	\$86,281	\$65,293	\$36,352	\$33,137	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$7)	(\$1)	\$3	\$8	\$32	\$72	\$145	\$376	\$486	\$458	\$335	\$193	\$170	\$2,270
LIAP End Balance		(\$2,703)	\$2,010	\$3,073	(\$67)	\$12,105	\$16,075	\$38,728	\$103,131	\$100,133	\$72,886	\$58,036	\$14,862	\$51,583	\$52,840
Under/(over) Recovery		(\$2,703)	\$4,714	\$1,062	(\$3,140)	\$12,172	\$3,970	\$22,653	\$64,404	(\$2,998)	(\$27,247)	(\$14,851)	(\$43,174)	\$36,721	

Distribution Adjustment Charge Reconciliation Factor

Base Rate / Fiscal Year Reconciling Components														12-mth end
source	Jul-06	Aug-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jun 07
	31	23	8	30	31	30	31	31	28	31	30	31	30	
	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	
Environmental Recon. Adjust - Base Rates														
Environmental Recon. Acct Beg. Bal.	\$0	(\$1,974)	\$1,468	\$2,244	(\$48)	\$8,841	\$11,741	\$28,283	\$75,314	\$73,125	\$53,229	\$42,384	\$10,855	
Fcst Firm Thru-put (from rate case Dkt 3401)	1,062,847	886,886	156,509	1,126,112	1,528,945	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,367
Fcst Environmental Collections	\$40,282	\$33,613	\$5,932	\$42,680	\$57,947	\$93,672	\$146,250	\$202,914	\$218,723	\$195,140	\$137,073	\$83,826	\$51,029	\$1,309,081
Actual Firm Thru-put	1,114,804	796,030	136,103	1,186,760	1,295,025	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	33,590,185
Actual Environmental Collections	\$42,251	\$30,170	\$5,158	\$44,978	\$49,081	\$90,825	\$129,814	\$156,157	\$221,267	\$215,371	\$148,163	\$115,495	\$24,338	\$1,273,068
Collection Variance	(\$1,969)	\$3,443	\$774	(\$2,298)	\$8,866	\$2,847	\$16,436	\$46,757	(\$2,544)	(\$20,231)	(\$11,090)	(\$31,669)	\$26,691	
Ending Environmental Balance	(\$1,969)	\$1,469	\$2,242	(\$54)	\$8,818	\$11,688	\$28,177	\$75,040	\$72,770	\$52,894	\$42,139	\$10,715	\$37,546	
Average Balance	(\$985)	(\$253)	\$1,855	\$1,095	\$4,385	\$10,265	\$19,959	\$51,661	\$74,042	\$63,010	\$47,684	\$26,549	\$24,201	
Bk America Rate less 200 Basis Points	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Interest Applied	(\$5)	(\$1)	\$3	\$6	\$23	\$53	\$106	\$274	\$355	\$334	\$245	\$141	\$124	\$1,658
Environmental End Balance	(\$1,974)	\$1,468	\$2,244	(\$48)	\$8,841	\$11,741	\$28,283	\$75,314	\$73,125	\$53,229	\$42,384	\$10,855	\$37,671	
														\$38,590
Under/(over) Recovery	(\$1,964)	\$3,444	\$771	(\$2,304)	\$8,843	\$2,794	\$16,330	\$46,483	(\$2,899)	(\$20,565)	(\$11,335)	(\$31,810)	\$26,567	

Distribution Adjustment Charge Reconciliation Factor

		Non-Base Rate / Gas Year Reconciling Components												12-mth end
source		Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Oct 07
		30	31	31	28	31	30	31	30	31	31	30	31	
		(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	forecast	forecast	forecast	forecast	
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
DAC FACTORS: \$/dth		prorated												
System Pressure	Dkt 3760	\$0.0550	\$0.0540	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	
AGT - DAC	Dkt 3760	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
Environmental - DAC	Dkt 3760	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	(\$0.0190)	
On-System Margin Credits	Dkt 3760	(\$0.0370)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	(\$0.0410)	
Weather Normalization	Dkt 3760	(\$0.0090)	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	\$0.0270	
Earnings Sharing Mechanism	Dkt 3760	(\$0.0060)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	
Reconciliation Factor	Dkt 3760	\$0.0025	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	(\$0.0090)	
RI Firm through-put (dth)	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
System Pressure Recon Adjust.														
System Pressure Acct Beg. Balance		\$0	(\$29,569)	(\$100,343)	\$22,071	\$297,993	\$352,328	\$235,845	\$176,942	\$253,055	\$305,910	\$365,288	\$416,904	
Actual Costs		\$102,311	\$114,529	\$353,354	\$602,094	\$370,839	\$100,931	\$110,657	\$110,972	\$113,846	\$113,799	\$112,402	\$113,748	\$2,319,482
Actual Collections		\$131,804	\$184,959	\$230,733	\$326,938	\$318,226	\$218,921	\$170,652	\$35,961	\$62,470	\$56,198	\$62,789	\$84,053	\$1,883,704
Ending Balance		(\$29,493)	(\$99,999)	\$22,279	\$297,227	\$350,606	\$234,338	\$175,850	\$251,953	\$304,431	\$363,511	\$414,900	\$446,599	
Average Monthly Balance		(\$14,746)	(\$64,784)	(\$39,032)	\$159,649	\$324,299	\$293,333	\$205,847	\$214,448	\$278,743	\$334,711	\$390,094	\$431,752	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$76)	(\$344)	(\$207)	\$765	\$1,721	\$1,507	\$1,093	\$1,102	\$1,480	\$1,777	\$2,004	\$2,292	\$13,113
Sys Pressure End Balance		(\$29,569)	(\$100,343)	\$22,071	\$297,993	\$352,328	\$235,845	\$176,942	\$253,055	\$305,910	\$365,288	\$416,904	\$448,891	
Under/(over) Recovery		(\$29,569)	(\$70,774)	\$122,414	\$275,921	\$54,335	(\$116,483)	(\$58,902)	\$76,113	\$52,855	\$59,377	\$51,616	\$31,987	
Environmental Recon. Adjust - DAC														
Environmental Acct Beg. Balance	Pricing	(\$650,265)	(\$607,956)	(\$545,933)	(\$470,339)	(\$361,403)	(\$255,065)	(\$181,908)	(\$124,819)	(\$113,228)	(\$92,578)	(\$73,952)	(\$52,974)	
Actual Firm Thru-put	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
Actual Environmental Collections	Calculation	(\$45,532)	(\$65,078)	(\$78,284)	(\$110,925)	(\$107,970)	(\$74,277)	(\$57,900)	(\$12,201)	(\$21,195)	(\$19,067)	(\$21,303)	(\$28,518)	(\$642,250)
Ending Environmental Balance		(\$604,733)	(\$542,878)	(\$467,649)	(\$359,414)	(\$253,433)	(\$180,788)	(\$124,008)	(\$112,618)	(\$92,033)	(\$73,511)	(\$52,649)	(\$24,456)	
Average Monthly Balance		(\$627,499)	(\$575,417)	(\$506,791)	(\$414,877)	(\$307,418)	(\$217,927)	(\$152,958)	(\$118,719)	(\$102,631)	(\$83,045)	(\$63,300)	(\$38,715)	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$3,223)	(\$3,054)	(\$2,690)	(\$1,989)	(\$1,632)	(\$1,119)	(\$812)	(\$610)	(\$545)	(\$441)	(\$325)	(\$206)	(\$16,647)
Environmental Recon End Balance		(\$607,956)	(\$545,933)	(\$470,339)	(\$361,403)	(\$255,065)	(\$181,908)	(\$124,819)	(\$113,228)	(\$92,578)	(\$73,952)	(\$52,974)	(\$24,662)	
Under/(over) Recovery		\$42,309	(\$62,024)	(\$75,594)	(\$108,936)	(\$106,338)	(\$73,158)	(\$57,088)	(\$11,591)	(\$20,650)	(\$18,626)	(\$20,978)	(\$28,312)	

Distribution Adjustment Charge Reconciliation Factor

		Non-Base Rate / Gas Year Reconciling Components												12-mth end
source		Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Oct 07
		30	31	31	28	31	30	31	30	31	31	30	31	
		(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	forecast	forecast	forecast	forecast	
On-system Credits Recon. Adjust. - DAC														
On-system Credit Acct Beg. Balance	Pricing	(\$1,422,220)	(\$1,340,630)	(\$1,206,942)	(\$1,043,970)	(\$809,036)	(\$579,725)	(\$422,010)	(\$298,977)	(\$274,116)	(\$229,713)	(\$189,678)	(\$144,563)	
Actual Firm Thru-put	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
Actual On-system Collections	Calculation	(\$88,668)	(\$140,432)	(\$168,930)	(\$239,366)	(\$232,987)	(\$160,281)	(\$124,942)	(\$26,329)	(\$45,737)	(\$41,145)	(\$45,971)	(\$61,539)	(\$1,376,327)
Ending On-system Balance		(\$1,333,552)	(\$1,200,198)	(\$1,038,012)	(\$804,604)	(\$576,049)	(\$419,444)	(\$297,068)	(\$272,648)	(\$228,379)	(\$188,568)	(\$143,707)	(\$83,024)	
Average Monthly Balance		(\$1,377,886)	(\$1,270,414)	(\$1,122,477)	(\$924,287)	(\$692,542)	(\$499,584)	(\$359,539)	(\$285,812)	(\$251,247)	(\$209,140)	(\$166,692)	(\$113,794)	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$7,078)	(\$6,744)	(\$5,958)	(\$4,432)	(\$3,676)	(\$2,566)	(\$1,909)	(\$1,468)	(\$1,334)	(\$1,110)	(\$856)	(\$604)	(\$37,735)
On-system Credit End Balance		(\$1,340,630)	(\$1,206,942)	(\$1,043,970)	(\$809,036)	(\$579,725)	(\$422,010)	(\$298,977)	(\$274,116)	(\$229,713)	(\$189,678)	(\$144,563)	(\$83,628)	
Under/(over) Recovery		\$81,590	\$133,688	\$162,972	\$234,934	\$229,311	\$157,715	\$123,033	\$24,861	\$44,403	\$40,035	\$45,115	\$60,935	
Weather Normalization - DAC														
WNA Acct Beg. Balance	Pricing	\$927,000	\$953,385	\$865,721	\$758,775	\$604,404	\$453,774	\$350,283	\$269,645	\$253,648	\$224,794	\$198,820	\$169,491	
Actual Firm Thru-put	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
Actual WNA Collections	Calculation	(\$21,568)	\$92,480	\$111,246	\$157,631	\$153,431	\$105,551	\$82,279	\$17,338	\$30,120	\$27,095	\$30,273	\$40,526	\$826,402
Ending WNA Balance		\$948,568	\$860,905	\$754,475	\$601,144	\$450,973	\$348,223	\$268,004	\$252,307	\$223,528	\$197,699	\$168,547	\$128,965	
Average Monthly Balance		\$937,784	\$907,145	\$810,098	\$679,959	\$527,688	\$400,999	\$309,143	\$260,976	\$238,588	\$211,247	\$183,684	\$149,228	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		\$4,817	\$4,815	\$4,300	\$3,260	\$2,801	\$2,060	\$1,641	\$1,341	\$1,266	\$1,121	\$944	\$792	\$29,159
Weather Normalization End Balance		\$953,385	\$865,721	\$758,775	\$604,404	\$453,774	\$350,283	\$269,645	\$253,648	\$224,794	\$198,820	\$169,491	\$129,757	
Under/(over) Recovery		\$26,385	(\$87,665)	(\$106,946)	(\$154,371)	(\$150,630)	(\$103,491)	(\$80,638)	(\$15,997)	(\$28,854)	(\$25,974)	(\$29,329)	(\$39,734)	
Earnings Sharings Mechanism - DAC														
ESM Acct Beg. Balance	Pricing	(\$310,942)	(\$298,123)	(\$268,797)	(\$233,043)	(\$181,491)	(\$131,174)	(\$96,574)	(\$69,588)	(\$64,151)	(\$54,425)	(\$45,658)	(\$35,776)	
Actual Firm Thru-put	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
Actual ESM Collections	Calculation	(\$14,379)	(\$30,827)	(\$37,082)	(\$52,544)	(\$51,144)	(\$35,184)	(\$27,426)	(\$5,779)	(\$10,040)	(\$9,032)	(\$10,091)	(\$13,509)	(\$297,037)
Ending ESM Balance		(\$296,563)	(\$267,296)	(\$231,715)	(\$180,499)	(\$130,347)	(\$95,990)	(\$69,148)	(\$63,809)	(\$54,111)	(\$45,393)	(\$35,567)	(\$22,267)	
Average Monthly Balance		(\$303,753)	(\$282,710)	(\$250,256)	(\$206,771)	(\$155,919)	(\$113,582)	(\$82,861)	(\$66,698)	(\$59,131)	(\$49,909)	(\$40,613)	(\$29,021)	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$1,560)	(\$1,501)	(\$1,328)	(\$991)	(\$828)	(\$583)	(\$440)	(\$343)	(\$314)	(\$265)	(\$209)	(\$154)	(\$8,516)
Earnings Sharing End Balance		(\$298,123)	(\$268,797)	(\$233,043)	(\$181,491)	(\$131,174)	(\$96,574)	(\$69,588)	(\$64,151)	(\$54,425)	(\$45,658)	(\$35,776)	(\$22,421)	
Under/(over) Recovery		\$12,819	\$29,326	\$35,754	\$51,553	\$50,316	\$34,601	\$26,986	\$5,436	\$9,726	\$8,767	\$9,882	\$13,355	

Distribution Adjustment Charge Reconciliation Factor

		Non-Base Rate / Gas Year Reconciling Components												12-mth end
source		Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Oct 07
		30	31	31	28	31	30	31	30	31	31	30	31	
		(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	(actual)	forecast	forecast	forecast	forecast	
		-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
Reconciliation Factor - DAC														
Recon Factor Acct Beg. Balance	Pricing	(\$299,150)	(\$306,693)	(\$277,412)	(\$241,704)	(\$190,193)	(\$139,923)	(\$105,368)	(\$78,428)	(\$73,037)	(\$63,358)	(\$54,639)	(\$44,802)	
Actual Firm Thru-put	Classified's	2,396,436	3,425,169	4,120,234	5,838,184	5,682,614	3,909,301	3,047,359	642,166	1,115,541	1,003,529	1,121,234	1,500,948	33,802,716
Actual Recon Collections	Calculation	\$5,991	(\$30,827)	(\$37,082)	(\$52,544)	(\$51,144)	(\$35,184)	(\$27,426)	(\$5,779)	(\$10,040)	(\$9,032)	(\$10,091)	(\$13,509)	(\$276,667)
Ending Recon Balance		(\$305,141)	(\$275,866)	(\$240,330)	(\$189,160)	(\$139,049)	(\$104,739)	(\$77,942)	(\$72,649)	(\$62,997)	(\$54,326)	(\$44,548)	(\$31,293)	
Average Monthly Balance		(\$302,146)	(\$291,280)	(\$258,871)	(\$215,432)	(\$164,621)	(\$122,331)	(\$91,655)	(\$75,539)	(\$68,017)	(\$58,842)	(\$49,593)	(\$38,048)	
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Interest Applied		(\$1,552)	(\$1,546)	(\$1,374)	(\$1,033)	(\$874)	(\$628)	(\$487)	(\$388)	(\$361)	(\$312)	(\$255)	(\$202)	(\$9,012)
Earnings Sharing End Balance		(\$306,693)	(\$277,412)	(\$241,704)	(\$190,193)	(\$139,923)	(\$105,368)	(\$78,428)	(\$73,037)	(\$63,358)	(\$54,639)	(\$44,802)	(\$31,495)	
Under/(over) Recovery		(\$7,543)	\$29,281	\$35,708	\$51,511	\$50,270	\$34,556	\$26,939	\$5,391	\$9,679	\$8,720	\$9,836	\$13,307	

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

	October 31, 2006 Ending Deferred Balances		
	Forecast (1)	Actual	Variance
System Pressure	(\$151,560)	(\$154,632)	(\$3,072)
Environmental - DAC	(\$85,793)	(\$89,834)	(\$4,041)
On-System Margin Credits	(\$137,225)	(\$144,242)	(\$7,017)
Weather Normalization	(\$195,684)	(\$205,254)	(\$9,570)
Earnings Sharing Mechanism	\$286	(\$351)	(\$637)
Previous Reconciliation Factor	\$75,646	\$78,623	\$2,977
	(\$494,330)	(\$515,689)	(\$21,359)

Notes:

- (1) based on updated Attachment PCC-7, Docket 3760, Sept 1, 2006 - used to establish reconciliation component of November 2006 DAC factor

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

	Jul-06	Aug-06	Sep-06	Oct-06
	31	31	30	31
source	(actual)	(actual)	(actual)	(actual)
	-----	-----	-----	-----
System Pressure Recon Adjust.				
System Pressure Acct Beg. Balance	(\$303,795)	(\$263,986)	(\$219,807)	(\$184,719)
Actual Costs	\$103,741	\$97,660	\$102,582	\$103,507
Actual Collections	\$62,429	\$52,200	\$66,459	\$72,521
Ending Balance	(\$262,483)	(\$218,526)	(\$183,683)	(\$153,734)
Average Monthly Balance	(\$283,139)	(\$241,256)	(\$201,745)	(\$169,227)
Bk America Rate less 200 Basis Points	6.25%	6.25%	6.25%	6.25%
Interest Applied	(\$1,503)	(\$1,281)	(\$1,036)	(\$898)
Sys Pressure End Balance	(\$263,986)	(\$219,807)	(\$184,719)	(\$154,632)
Under/(over) Recovery	\$39,809	\$44,179	\$35,088	\$30,088
Environmental Recon. Adjust - DAC				
Environmental Acct Beg. Balance	Pricing (\$173,074)	(\$152,755)	(\$135,809)	(\$113,900)
Actual Firm Thru-put	Classified's 1,114,804	932,135	1,186,760	1,295,025
Actual Environmental Collections	Calculation (\$21,181)	(\$17,711)	(\$22,548)	(\$24,605)
Ending Environmental Balance	(\$151,893)	(\$135,045)	(\$113,260)	(\$89,294)
Average Monthly Balance	(\$162,483)	(\$143,900)	(\$124,534)	(\$101,597)
Bk America Rate less 200 Basis Points	6.25%	6.25%	6.25%	6.25%
Interest Applied	(\$862)	(\$764)	(\$640)	(\$539)
On-system Credit End Balance	(\$152,755)	(\$135,809)	(\$113,900)	(\$89,834)
Under/(over) Recovery	\$20,319	\$16,947	\$21,909	\$24,066

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

		Jul-06 31 source (actual) -----	Aug-06 31 (actual) -----	Sep-06 30 (actual) -----	Oct-06 31 (actual) -----
On-system Credits Recon. Adjust. - DAC					
On-system Credit Acct Beg. Balance	Pricing	(\$289,062)	(\$253,710)	(\$224,215)	(\$186,103)
Actual Firm Thru-put	Classified's	1,114,804	932,135	1,186,760	1,295,025
Actual On-system Collections	Calculation	(\$36,789)	(\$30,760)	(\$39,163)	(\$42,736)
Ending On-system Balance		(\$252,273)	(\$222,950)	(\$185,052)	(\$143,367)
Average Monthly Balance		(\$270,668)	(\$238,330)	(\$204,633)	(\$164,735)
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%
Interest Applied		(\$1,437)	(\$1,265)	(\$1,051)	(\$874)
On-system Credit End Balance		(\$253,710)	(\$224,215)	(\$186,103)	(\$144,242)
Under/(over) Recovery		\$35,352	\$29,495	\$38,112	\$41,861
Weather Normalization - DAC					
WNA Acct Beg. Balance	Pricing	(\$402,558)	(\$354,396)	(\$314,219)	(\$262,292)
Actual Firm Thru-put	Classified's	1,114,804	932,135	1,186,760	1,295,025
Actual WNA Collections	Calculation	(\$50,166)	(\$41,946)	(\$53,404)	(\$58,276)
Ending WNA Balance		(\$352,392)	(\$312,449)	(\$260,815)	(\$204,016)
Average Monthly Balance		(\$377,475)	(\$333,423)	(\$287,517)	(\$233,154)
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%
Interest Applied		(\$2,004)	(\$1,770)	(\$1,477)	(\$1,238)
Weather Normalization End Balance		(\$354,396)	(\$314,219)	(\$262,292)	(\$205,254)
Under/(over) Recovery		\$48,162	\$40,176	\$51,927	\$57,038

Distribution Adjustment Charge Reconciliation Factor

Non-Base Rate / Gas Year Reconciling Components

		Jul-06	Aug-06	Sep-06	Oct-06
		31	31	30	31
	source	(actual)	(actual)	(actual)	(actual)
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Earnings Sharings Mechanism - DAC					
ESM Acct Beg. Balance	Pricing	(\$13,782)	(\$10,502)	(\$7,754)	(\$4,224)
Actual Firm Thru-put	Classified's	1,114,804	932,135	1,186,760	1,295,025
Actual ESM Collections	Calculation	(\$3,344)	(\$2,796)	(\$3,560)	(\$3,885)
Ending ESM Balance		(\$10,438)	(\$7,705)	(\$4,194)	(\$339)
Average Monthly Balance		(\$12,110)	(\$9,104)	(\$5,974)	(\$2,282)
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%
Interest Applied		(\$64)	(\$48)	(\$31)	(\$12)
Earnings Sharing End Balance		(\$10,502)	(\$7,754)	(\$4,224)	(\$351)
Under/(over) Recovery		\$3,280	\$2,748	\$3,530	\$3,873
Reconciliation Factor - DAC					
Recon Factor Acct Beg. Balance	Pricing	\$139,700	\$124,793	\$112,371	\$96,291
Actual Firm Thru-put	Classified's	1,114,804	932,135	1,186,760	1,295,025
Actual Recon Collections	Calculation	\$15,607	\$13,050	\$16,615	\$18,130
Ending Recon Balance		\$124,093	\$111,743	\$95,756	\$78,160
Average Monthly Balance		\$131,896	\$118,268	\$104,063	\$87,226
Bk America Rate less 200 Basis Points		6.25%	6.25%	6.25%	6.25%
Interest Applied		\$700	\$628	\$535	\$463
Earnings Sharing End Balance		\$124,793	\$112,371	\$96,291	\$78,623
Under/(over) Recovery		(\$14,907)	(\$12,422)	(\$16,080)	(\$17,667)