Laura S. Olton
General Counsel
Rhode Island

October 19, 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 Clause 2007
Responses to Commission Data Requests – Set 1

Dear Ms. Massaro:

Enclosed please find ten (10) copies of National Grid's responses to the Commission's first set of data requests issued in the above-captioned proceeding on September 28, 2007.

This filing includes responses to Commission Data Requests 1-1 through 1-7, 1-9 and 1-10. The Company's response to Commission Data Request 1-8 remains outstanding and will be forthcoming.

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

Very truly yours,

Laura S. Olton

Laura S. Olton

Enclosures

cc: Docket 3859 Service List

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Commission Data Request 1-1

Request:

LNG costs allocated to System Pressure have been approximately $2 million in past years, and were estimated to be $1.9 million in the initial DAC filing of August 1, 2007. The supplemental filing changes the total amount allocated to the system pressure costs to $1,443,315, a reduction of $455,000, or 24%.

Why have the LNG costs related to the System Pressure factor decreased significantly from the preliminary estimate made in the initial filing?

Response:

The reduction in cost allocated to System Pressure is primarily a result of lower projected LNG use. This drop is a direct result of the 11,600 DT per day increase in Tennessee Pipeline capacity effective November 1, 2007 of as a result of Tennessee Pipeline's Connexion project under a precedent agreement entered into in January 2005. The quantity of LNG needed is also reduced somewhat by the update to the demand forecast, which reflects lower demand.

At the same time that overall LNG use is expected to decline, the Company is also anticipating a drop in pressure support requirements based on system improvements which will improve flow from the Tennessee Pipeline gate in Cranston to the northern and eastern South County areas.

The August 1, 2007 filing was estimated based on an evaluation of the 2006/2007 winter's results which included 113,000 dekatherms of LNG use under economic dispatch conditions where LNG is substituted for more expensive supplies. The supplemental filing was prepared using the forecasted load for the 2007/2008 winter and specifically excludes LNG dispatch for economic savings.

Prepared by or under the supervision of:
Gary Beland

Commission Data Request 1-2

Request:

Provide a summary of the number of employees at the end of each calendar quarter, for the period September 2006 through September 2007.

Provide the employee count separately for management and non-management employees.

Response:

A summary of the number of employees at the end of each quarter for the period September 2006 through September 2007 is provided below.

	Non-exempt	Exempt	Total
9/30/06	415	168	583
12/31/06	405	163	568
3/31/07	394	156	550
6/30/07	391	155	546
9/30/07	366	154	520

Prepared by or under the supervision of:
Michael D. Laflamme

Commission Data Request 1-3

Request:

Referring to page 10 of the testimony of Michael Laflamme, were all employee (management and non-management) incentive or bonus payments removed from the income statement at Attachment MDL-1, page 2 of 11 (line 24)?

Response:

The Company reduced expenses by $252,889 related to the July 1, 2006 to August 23, 2006 period under Southern Union Company for incentive or bonus payments paid to executives that had been charged to operating expense. Following the acquisition by National Grid, executive incentive compensation is recorded below the line as other income and deductions, thereby requiring no such adjustment. For non-executives, incentive compensation or bonus payments have been included in operating expenses, consistent with prior ESM filings.

Prepared by or under the supervision of:
Michael D. Laflamme

Commission Data Request 1-4

Request:

Did any of the management or employee incentive programs allowed in fiscal year 2007 change from the incentive programs provided to management and employees in fiscal year 2006?

Response:

The annual employee incentive programs at the former New England Gas Company and National Grid are very similar such that both programs are based upon the achievement of financial and operational goals. The specific financial and operational targets and bonus payout levels for the two companies would have been different between fiscal year 2006 and fiscal year 2007. Actual bonus payout amounts are based on the achievement of these goals and objectives.

Prepared by or under the supervision of:
Michael D. Laflamme

Commission Data Request 1-5

Request:

Referring to pages 13-14 of the testimony of Michael Laflamme:

(a) Provide separately for the pension plans and the post-retirement benefit plans, the loss amounts deferred and recorded as regulatory assets at the time of the purchase of the gas company.

(b) What are the amortization periods for the losses related to the pension and post-retirement benefit plan assets and liabilities?

Response:

(a) The loss amounts deferred and recorded as regulatory assets at the time of the purchase of the Rhode Island regulated gas assets of New England Gas Company are as follows:

	Pension Plans	Post-Retirement Benefits Plans
Former Providence Energy	$30,221,985	$12,470,395
Former Valley Resources	$14,602,866	$7,597,666
Total	$44,824,851	$20,068,061

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(b) The amortization periods for the losses related to the pension and post-retirement benefit plans are 120 months for the former Providence Energy and 168 months for the former Valley Resources, respectively, and are intended to reflect the average remaining service lives of employees in the individual benefit plans.

Prepared by or under the supervision of
Michael D. Laflamme

Commission Data Request 1-6

Request:

Provide the amount of contributions the Company made to fund pension plans for fiscal years 2006 and 2007.

Response:

Please see the attached schedule.

Prepared by or under the supervision of:
Michael D. Laflamme

NATIONAL GRID
SUMMARY OF PENSION EXPENSE AND FUNDING

	Fiscal Year Ended June 30	FAS 87 Pension Expense (used for Sharing Calculation)	Notes	Minimum Tax Deductible Contribution	Notes	Maximum Tax Deductible Contribution	National Grid Contribution to the Pension Plans during the fiscal period	Notes
1	2003	$ 1,638,839		See Chart Below			$ 1,350,000	
2	2004	$ 6,263,958					$ 599,990	
3	2005	$ 4,424,769					$ 5,327,750	
4	2006	$ 4,258,641					$ 4,193,596	
5	2007	$ 3,001,717					$ 3,890,979	

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8	Plan Year Ended December 31	Minimum Tax Deductible Contribution	Notes	Maximum Tax Deductible Contribution	Notes	Payment Date	National Grid Contribution to the Pension Plans	Notes
9								
10	2002	$ 964,638		$ 1,383,853		06/30/03	$ 1,350,000	
11								
12	2003	$ 2,858,158		$ 3,565,408		09/15/04	$ 2,858,158	
13								
14	2004	$ 3,626,754		$ 7,856,609		04/15/04	$ 599,990	
15						07/15/04	$ 599,990	
16						10/15/04	$ 599,990	
17						01/15/05	$ 599,990	
18						09/15/05	$ 1,226,794	
19	2004 Total						$ 3,626,754	
20								
21	2005	$ 3,401,846		$ 36,564,923		04/15/05	$ 669,622	
22						07/15/05	$ 669,622	
23						10/15/05	$ 669,622	
24						01/15/06	$ 669,622	
25						09/15/06	$ 723,358	
26	2005 Total						$ 3,401,846	
27								
28	2006	$ 4,125,557	(1)	$ 81,734,101	(2)	04/15/06	$ 957,936	
29						07/15/06	$ 957,936	
30						10/15/06	$ 957,936	
31						01/15/07	$ 812,918	
32						04/09/07	$ 438,831	
33	2006 Total						$ 4,125,557	
34								
35	2007 Total		(3)		(3)			(3)

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37 (1) Reflects the "short plan year" for the period 01/01/06 to 08/24/06. Please see response to Commission Request 1-7 for additional information.

38 (2) Reflects maximum deductible tax contribution for the full year ending 12/13/06 as calculated by the previous actuary Rudd & Wisdom. Please see response to Commission Request 1-7 for additional information.

39 (3) Please see response to Commission Request 1-7 for additional information.

Commission Data Request 1-7

Request:

For fiscal year 2007, what were the minimum required contribution amount and the maximum tax deductible contribution amount that could be made to the pension funds? [Note, as with prior years' responses, the Company may provide this information based on pension plan calendar year data.

Response:

At the acquisition date of the former New England Gas companies, the four New England Gas pension plans merged with the National Grid USA Companies Final Average Pay Pension Plan (FAPP). Therefore, there is a "short plan" year from 1/1/2006 to 8/23/2006 for the New England Gas companies' four pension plans. The minimum contributions for the short plan year were:

Company	Amount
Valley Pension	$0
Valley Retirement	0
ProvEnergy Non- Bargaining	790,670
ProvEnergy Bargaining	3,334,887
Total	$4,125,557

The quarterly contribution amounts are as follows:

	ProvEnergy Non-Bargaining	ProvEnergy Bargaining	Valley Pension	Valley Retirement	Total
15-Apr-2006	$233,922	$724,014	$0	$0	$957,936
15-Jul-2006	233,922	724,014	0	0	957,936
15-Oct-2006	233,922	724,014	0	0	957,936
15-Jan-2007	88,904	724,014	0	0	812,918
09-Apr-2007	0	438,831	0	0	438,831
Total	$790,670	$3,334,887	$0	$0	$4,125,557

Response to Commission Data Request 1-7 (continued):

The previous actuary (Rudd & Wisdom) calculated the maximum deductible contributions for ***the full year*** ending December 31, 2006:

Company	Amount
Valley Pension	$0
Valley Retirement	827,071
ProvEnergy Non- Bargaining	32,222,088
ProvEnergy Bargaining	48,684,942
Total	$81,734,101

Following the acquisition, the former New England Gas plans are part of the FAPP plan which has a "plan" year ending 3/31/2007. The minimum contribution for the for the FAPP plan year ending on 3/31/2007 is $0. The Internal Revenue Service (IRS) regulations under the Pension Protection Act of 2006 (PPA) have been somewhat unsettled and the actuary has not yet calculated the maximum tax deductible contribution for the FAPP plan for the year ending 3/31/2007. However, it is expected, based on information released by the IRS in September 2007, to be in excess of $400 million. The contribution policy for the National Grid FAPP plan is to make a single annual contribution in early April. In the past, National Grid's policy for the FAPP was to contribute the maximum tax deductible amount to the pension plan. However, the maximum tax deductible amount under the PPA is expected to be very large, so our new contribution policy is to contribute an amount each year sufficient to bring the plan up to the 100% funding, as defined by the PPA, by 2009.

Prepared by or under the supervision of:
Michael D. Laflamme

Commission Data Request 1-9

Request:

What environmental sites are expected to incur significant expenditures (in excess of $100,000) in fiscal year 2008?

Provide summary information on the nature and level of the expenditures to be incurred at those sites.

Response:

The following represents a list of environmental sites which are expected to incur significant expenditures (in excess of $100,000) in fiscal year 2008, as well as a summary as to the nature and level of expenditures to be incurred at each site.

1. Former MGP in Newport (Wellington & Thames Streets)
   Anticipated cost 07/01/07-06/31/08: $500,000

   The approximately 8-acre site is the location of the former Newport Manufactured Gas Plant located at the intersection of Thames Street and Wellington Avenue. The site is currently a residential and commercial condominium complex. Response actions to date have included the deployment and maintenance of oil absorbing booms in the harbor and investigation activities on the site to assess the potential sources of oil to the harbor. During FY2008, National Grid anticipates continuing boom maintenance activities; completing a Site Data Report and a Sediment Investigation Work Plan for submittal to the Rhode Island Department of Environmental Management (RIDEM); evaluating additional upland site investigation activities to further characterize potential upland sources and to provide data for remedy assessment; and implementing the additional investigation, pending RIDEM approval.

2. Former MGP at 642 Allens Ave
   Anticipated cost 07/01/07-06/31/08: $2,700,000

   The 42-acre site is the location of the former Sassafras Manufactured Gas Plant. Providence Gas Company (and later New England Gas Company) completed remediation activities on approximately 4.5 acres of the site in 2002. In addition, New England Gas Company completed Site Investigation activities on the remainder of the site. Two Remedial Action Closure Reports and a Site Investigation Report were submitted to RIDEM in 2002 and 2003, respectively. RIDEM has not commented on or approved the reports to date. While awaiting RIDEM approval, National Grid is continuing site operation and maintenance activities, as well as dewatering the two large gas holders on

Response to Commission Data Request 1-9 (continued):

the site. During FY2008, National Grid anticipates continuing groundwater monitoring and oil gauging activities, maintaining oil absorbent booms off-shore, completing the holder dewatering, removing accumulated sludge from the holder bases, and decontaminating and dismantling the holders.

3. Former MGP at 170 Allens Ave
Anticipated cost 07/01/07-06/31/08: $150,000

The site is the location of a former manufactured gas plant (1875 through 1916) and a fuel oil storage terminal (1916 through 2000). Two Potentially Responsible Parties, Cargill and Providence Gas Company, performed site investigation activities at the site in 1999 and submitted a Site Investigation Data Report to RIDEM in 2000. RIDEM commented on the report and indicated that additional data was required to complete the Site Investigation data set. It is National Grid's understanding that no significant investigation activities have occurred since that time. In FY2008, National Grid anticipates entering into an agreement with Cargill to cooperatively complete the Site Investigation activities at the site and, following execution of an agreement, commencing the investigation activities.

4. Mercury Regulators
Anticipated cost 07/01/07-06/31/08: $483,000

National Grid is continuing to evaluate and remove mercury seal regulators (MSRs). In FY2008, National Grid anticipates evaluating approximately 700 regulators to assess if they are MSRs. National Grid also anticipates that approximately 600 of these regulators will be MSRs and that they will be removed.

Prepared by or under the supervision of:
Peter C. Czekanski

Commission Data Request 1-10

Request:

How many miles of mains were replaced in fiscal years 2006 and 2007?

Response:

The Company replaced 12.7 miles of cast iron and bare steel main in fiscal year 2006 and 8.9 miles in fiscal year 2007.

Prepared by or under the supervision of:
Michael D. Laflamme

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate were electronically transmitted to the individuals listed below on October 19, 2007.

Joanne M. Scanlon
National Grid

Docket No. 3859 – National Grid – Annual Distribution Adjustment Clause Filing ("DAC") - Service List as of 9/12/07

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