

October 31, 2008

VIA HAND DELIVERY AND ELECTRONIC MAIL

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

**RE: Docket 3977 - Earnings Sharing Mechanism and Distribution Adjustment Charge Filing
Updated Attachments PCC-1 and PCC-2**

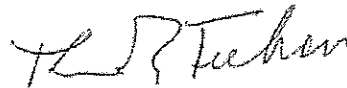
Dear Ms. Massaro:

Enclosed please find ten (10) copies of updated Attachments PCC-1 and PCC-2 to incorporate updates to the System Pressure component of the Distribution Adjustment Charge ("DAC") in concert with the Company's updated Gas Cost Recovery ("GCR") filing in Docket No. 3982 being made under separate cover letter in that docket. The updated Attachment PCC-1 also incorporates any updates and corrections previously identified and filed in response to various data requests.

The proposed DAC rate is a credit of \$.0043 per therm for firm service customers, which represents a decrease from last year. The overall impact of the proposed DAC on average customer bills is an annual decrease of \$1.92 for residential heating customers.

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

Very truly yours,



Thomas R. Teehan

Enclosures

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

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

Line No.	Description	reference	Factor
1	System Pressure	Updated Attach. PCC2	\$0.0044 #
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	(\$0.0020)
5	On-System Margin Credits (MC)	Updated Attach. PCC-5	(\$0.0076)
6	Weather Normalization (WN)	Attach. PCC-6	\$0.0000
7	Earnings Sharing Mechanism (ESM)	PCC Supplemental Testimony	-
8	Reconciliation Factor (R)	Updated Attach. PCC-7	\$0.0010
9	Subtotal	sum ([1]:[8])	(\$0.0042)
10	Uncollectible Percentage	Dkt 3401	2.10%
11	DAC adjusted for uncollectible	[9] / (1 - [10])	(\$0.0043) per therm

note # Reflects October 31 update in Docket No. 3982

Calculation of System Pressure Factor

	LNG Commodity Related Costs			Total
	Withdrawal Commodity	Inventory Costs	Demand from GCR	
Nov-08	\$196,029	\$83,569	\$157,500	\$437,098
Dec-08	\$358,851	\$83,187	\$252,500	\$694,538
Jan-09	\$1,112,712	\$76,551	\$252,500	\$1,441,763
Feb-09	\$1,517,738	\$64,845	\$252,500	\$1,835,082
Mar-09	\$254,929	\$62,348	\$157,500	\$474,777
Apr-09	\$196,772	\$63,951	\$157,500	\$418,223
May-09	\$201,339	\$66,235	\$157,500	\$425,073
Jun-09	\$192,821	\$68,435	\$157,500	\$418,755
Jul-09	\$197,620	\$72,977	\$157,500	\$428,096
Aug-09	\$197,104	\$77,584	\$157,500	\$432,188
Sep-09	\$190,467	\$80,856	\$157,500	\$428,823
Oct-09	\$196,291	\$81,388	\$157,500	\$435,179
Total	\$4,812,672	\$881,925	\$2,175,000	\$7,869,597
System Balancing Factor (Dkt 3401)	0.2039	0.2039	0.2039	
GCR Costs allocated to DAC	\$981,304	\$179,825	\$443,483	\$1,604,612
Firm Thru-put				36,073,744 dth
System Pressure Factor				\$0.0445 per dth
System Pressure Factor				\$0.0044 per Therm