

May 19, 2006

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Division Clerk
RI Division of Public Utilities & Carriers
89 Jefferson Boulevard
Warwick, RI 02888

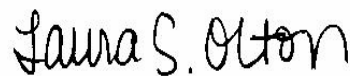
**RE: Docket D-06-13 - Joint Petition of The Narragansett Electric Company and Southern Union Company for Approval of Purchase and Sale of Assets
Responses to Division Data Requests 7-1, 7-2, 7-5 and 7-6**

Dear Ms. Massaro:

Enclosed please find five (5) copies of responses from The Narragansett Electric Company, d/b/a National Grid, to the seventh set of data requests issued by the Division on May 12, 2006, in the above-captioned proceeding. This set includes responses to data requests 7-1, 7-2, 7-5 and 7-6.

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

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket D-06-13 Service List

Division Data Request 7-1Request:

Please describe the NEG pension obligations to be assumed by Narragansett and the transfer of any funds to Narragansett associated with the NEG pension plans.

Response:

The obligations and assets of four NEG pension plans will be transferred to National Grid at the transition date. The amounts of the obligations and the assets are listed below, as extracted from the census data collected as of January 1, 2005, the most recent available, and the obligations rolled forward to September 30, 2005. These valuations utilize a discount rate of 5.5%. This information is extracted from the reports prepared for the December 31, 2005 FAS 87 and FAS 132R reporting by the actuarial firm Rudd and Wisdom, Inc.

	Projected Benefit Obligation 9/30/05	Fair Value of Assets at 9/30/05
Prov Energy Pension Plan (Non-Bargained)	61,302,469	46,826,707
Prov Energy Pension Plan (Bargained)	73,948,341	50,537,742
Valley Resources Pension Plan	9,273,766	14,745,412
Valley Resources Retirement Plan	26,589,961	36,972,073
Total – all plans	171,114,537	149,081,934

The pension assets of the New England Gas pension plans are presently part of a master trust encompassing all of the Southern Union pension plans. At the transition date, an allocated share of the assets of the trust, valued at the transition date, will transfer to National Grid. It has not yet been determined whether these assets will be merged into the National Grid pension plan, or maintained as separate pension plans.

Division Data Request 7-2Request:

Please describe the NEG obligations for postretirement benefits other than pensions to be assumed by Narragansett and the transfer of any funds to Narragansett associated with the NEG postretirement benefits plans.

Response:

The obligations and assets of two NEG postretirement medical, dental and death benefit plans will be transferred to National Grid at the transition date. The amounts of the obligations and the assets are listed below, as extracted from the census data as of January 1, 2005, the most recent available, with the obligations rolled forward to September 30, 2005. These valuations utilize a discount rate of 5.5%. This information is extracted from the reports prepared for the December 31, 2005 FAS 106 and FAS 132R reporting by the actuarial firm Rudd and Wisdom, Inc.

	Accumulated Postretirement Benefit Obligation 9/30/05	Fair Value of Assets at 9/30/05
Prov Energy PBOP	23,636,443	8,103,781
Valley Resources PBOP	11,206,034	4,182,146
Total – all PBOP plans	34,842,477	12,285,927

The assets of the postretirement benefit trusts are managed in three separate VEBA trusts (Voluntary Employees Beneficiary Association trusts). It is expected that these VEBA trusts will transfer in their entirety to National Grid at the transition date. It has not yet been determined whether these assets will be merged into the National Grid VEBA trusts, or maintained as separate VEBA trusts.

Division Data Request 7-5

Request:

Does Narragansett expect that the NEG balance sheet will be adjusted at the closing date to reflect the difference between the fair value of the NEG pension obligations and the fair value of plan assets? If the response is affirmative, please provide an estimate of such adjustments and any implications for the determination of future revenue requirements.

Response:

Yes. Pursuant to GAAP, at the acquisition date, the pension plan assets will be fair valued and any unrecognized prior service costs and unrecognized gains or losses must be realized. As was the case in the Eastern Utilities Associates (EUA) merger, for example, the EUA pension plan funded status included unrecognized net gains at the time of merger. For regulatory purposes, these gains were deferred and recorded as a regulatory liability which is being amortized as a reduction to pension expense over a period which approximates the remaining service life of the pension plan participants. This treatment effectively matches how the unrecognized amounts would have been recognized in pension expense pursuant to FAS87 had the merger not taken place. Narragansett expects that there will be an unrecognized loss in the NEG pension plan at the closing date, which would be deferred as a regulatory asset and amortized to pension expense. The unrecognized prior service costs and unrecognized losses in the NEG pension plan totaled \$55 million at September 30, 2005 per the actuarial valuations referred to in our response to Division Data Requests 7-1 and 7-2 and will be revalued via an actuarial study as of the acquisition date.

Division Data Request 7-6

Request:

Does Narragansett expect that the NEG balance sheet will be adjusted at the closing date to reflect the difference between the fair value of the NEG obligations for postretirement benefits other than pensions and the fair value of plan assets? If the response is affirmative, please provide an estimate of such adjustments and any implications for the determination of future revenue requirements.

Response:

Yes. Pursuant to GAAP, at the acquisition date, the postretirement benefits plan assets will be fair valued and any unrecognized prior service costs and unrecognized gains or losses must be realized. As was the case in the Eastern Utilities Associates (EUA) merger, for example, the EUA postretirement benefits plan funded status included unrecognized net gains at the time of merger. For regulatory purposes, these gains were deferred and recorded as a regulatory liability which is being amortized as a reduction to post retirement benefits expense over a period which approximates the remaining service life of the postretirement benefits plan participants. This treatment effectively matches how the unrecognized amounts would have been recognized in postretirement benefits expense pursuant to FAS106 had the merger not taken place. Narragansett expects that there will be an unrecognized loss in the NEG postretirement benefits plan at the closing date, which would be deferred as a regulatory asset and amortized to postretirement benefits expense. The unrecognized prior service costs and unrecognized losses in the NEG postretirement benefits plan totaled \$8 million at September 30, 2005 per the actuarial valuations referred to in our response to Division Data Requests 7-1 and 7-2 and will be revalued via an actuarial study as of the acquisition date.

Certificate of Service

I hereby certify that a copy of the cover letter and materials accompanying this certificate were mailed or hand-delivered to the parties listed below.



Joanne M. Scanlon

Date: May 19, 2006

National Grid & Southern Union - Docket D-06-13 Updated Service List as of 5/15/06

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