

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

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In Re: New England Gas Company  
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R.I.P.U.C. No. 3401

**SETTLEMENT AGREEMENT**

The New England Gas Company (the “Company”) enters into this settlement agreement (the “Settlement Agreement” or “Agreement”) with the Division of Public Utilities and Carriers (the “Division”) and the Energy Council of Rhode Island (“TEC-RI”) (together, the “Settling Parties”), to resolve all issues arising in this docket, R.I.P.U.C. No. 3401. This Settlement Agreement shall succeed the Price Stabilization Plan approved by the Rhode Island Public Utilities Commission (the “Commission”) on September 29, 2000, which expires on June 30, 2002.

The Settling Parties are seeking written approval of the Settlement Agreement by the Commission by June 10, 2002, so that the rates established in this Agreement may become effective as of the statutory deadline in the proceeding, which is July 1, 2002. The revenue requirement established by this Agreement reflects \$4.099 million of annual net merger-related savings that have been, and are projected to be, achieved by the Company in the period October 1, 2000 through June 30, 2005. Of that total, \$2.049 million in annual savings (or 50 percent of the projected annual savings) are credited directly to customers through the base-rate reduction. The Settlement Agreement also commits the Company to a

base-rate freeze through June 30, 2005, if the Agreement is approved without modification by the Commission.

Other elements of the Settlement Agreement include an earnings-sharing mechanism, a unified rate structure for all customers in Rhode Island served by the Company, the introduction of a Distribution Adjustment Charge (“DAC”), the continuation of the weather-normalization clause, the conversion to term billing, and an incentive mechanism to maximize sales to non-firm customers to the benefit of both customers and the Company. The Settlement Agreement also establishes a schedule for the continuation of discussions between the Company and the Division on the development of a comprehensive service-quality measurement and monitoring program (the “Service-Quality Program”), which would be submitted to the Commission no later than September 30, 2002, for review and approval in a separate proceeding.

## **I. PREAMBLE**

### **A. Introduction**

On July 24, 2000, the Division approved a settlement agreement resolving issues arising from the merger of Providence Energy Corporation, Providence Gas Company (“ProvGas”), Valley Gas Company (“Valley Gas”), and Bristol and Warren Gas Company (“Bristol and Warren”) into Southern Union Company (“Southern Union”). This proceeding was docketed as Dockets Nos. D-00-2 and D-00-3.

Under the terms of that settlement, the Company was obligated to develop and serve on all settling parties a plan to consolidate the operations and tariffs of ProvGas, Valley Gas and Bristol and Warren (the “Consolidation Plan”). As part of the Consolidation Plan, the Company was required to include estimated savings projected to result from the

consolidation, a timeline for integrating the operations, and an estimation of the present value of future synergy savings. The settlement agreement also obligated the Company to incorporate the provisions of the Consolidation Plan into a base-rate case filing to be filed with the Commission no later than December 1, 2001. Other items covered in the settlement included a provision for the sharing of net merger-related savings identified in the Consolidation Plan between customers and the Company, the establishment of a service-quality measurement and monitoring program, and an agreement by Southern Union not to pursue recovery of the acquisition premium or so-called “golden parachute” or merger-related bonus payments paid to former company officers.

Consistent with the terms of the merger settlement, the Company filed a base-rate case with the Commission on November 1, 2001. To identify net merger-related savings that would be subject to the sharing mechanism agreed upon in the merger settlement, the Company’s filing established a pre-merger, stand-alone revenue requirement for ProvGas and for Valley Gas/Bristol and Warren. The Company then combined the stand-alone revenue requirements to establish a consolidated revenue requirement for the New England Gas Company, with adjustments to account for pro forma changes occurring through the Rate Year ending June 30, 2003. Among other items, the pro forma adjustments were designed to reduce the consolidated revenue requirement for the New England Gas Company to reflect the customer share of annual, net merger-related savings projected to be achieved by the Company in the period October 1, 2000 through June 30, 2005, as a result of the implementation of the Consolidation Plan. The Company also included a proposal to establish a unified tariff structure reflecting a single set of rates based on the consolidated revenue requirement.

## **B. Procedural History**

On September 1, 2001, the Company submitted to the Division, the Attorney General and TEC-RI, a comprehensive plan for consolidating all facets of the operations of ProvGas, Valley Gas and Bristol and Warren. On November 1, 2001, the Company filed a request for a base-rate increase totaling \$7.2 million on a consolidated basis. During the period November 1 through April 30, 2002, the Company responded to approximately 380 data requests issued by the Division and the Commission. On March 6, 2002, the Division filed the direct testimony of David J. Effron, Richard W. LeLash, Bruce R. Oliver and Matthew I. Kahal. On March 22, 2002, the Company submitted rebuttal testimony. On April 19, 2002 the Division submitted its surrebuttal testimony.

## **C. Parties' Statement**

This Settlement Agreement is based on extensive discovery and negotiations among the Settling Parties concerning all issues involved in establishing new base rates for the Company to become effective July 1, 2002. The Settling Parties do not necessarily agree on every issue resolved by the Settlement; however, the Settling Parties agree that the outcome of this Settlement Agreement is just and reasonable.

## **II. TERMS OF SETTLEMENT**

### **A. Scope**

The Settlement Agreement establishes consolidated distribution rates for the Company's residential, commercial and industrial customers in Rhode Island. References in this Settlement Agreement to "customers" refers to all Rhode Island customers located in the service territories of the former ProvGas and Valley Gas/Bristol and Warren, unless otherwise noted.

## **B. Revenue Requirement**

The consolidated base-rate revenue requirement, upon which rates will be set in this proceeding, shall be \$124,927,397, exclusive of purchased gas costs, Rhode Island gross receipts tax, any costs recovered through the DAC, and non-base-tariff revenue. The base-revenue requirement includes the following amounts: (1) environmental response costs (\$1,310,000); (2) low-income heating assistance funds, including working capital (\$1,592,904); (3) low-income weatherization program costs, including working capital (\$200,997); and (4) demand-side management program costs, including working capital (\$301,496). The consolidated revenue requirement reflects average, annual net merger-related savings of \$4.099 million annually, with 50 percent of those savings credited to customers as a reduction to the consolidated revenue requirement. The revenue requirement also reflects the amortization of one-time operations and maintenance costs necessary to achieve the merger-related savings of \$4.099 million, which are set forth in Company Exhibit TEC-3. The amortization of these costs will be completed by June 30, 2005, and will not be reflected in the determination of the consolidated revenue requirement subsequent to that date.

## **C. Rates, Tariffs, and Terms & Conditions for Service**

The implementation of this Settlement Agreement will establish a “one state, one rate” tariff structure for Rhode Island gas customers as of July 1, 2002. The “one state, one rate” principle will be applied to all rate classes across the combined service territory. To mitigate the bill impacts on residential (heating and non-heating) and small commercial and industrial (“C&I”) customers in the Valley Gas/Bristol & Warren (“Valley”) service area, a credit to the DAC will be applied to these customer classes, so that the average residential

and small C&I customer will be held harmless in the first year of the rate consolidation (July 1, 2002 through June 30, 2003).

For the period July 1, 2003 through June 30, 2004, the credit to the DAC established for such customers in the Valley service area will be reduced by 50% and will be phased out as of July 1, 2004, in order to accomplish a phase-in of the unified rate structure. Credits to the DAC developed for such customers in the Valley service area will be collected from the same customer classes in the Providence service area, through an adjustment to the DAC in an aggregate amount equal to the credits provided to the customers in the Valley service area. In each year of the phase in, the credit to residential and small C&I customers in the Valley service area will be accomplished while maintaining a rate reduction for residential and small C&I customers in the Providence service area. Appendix A (attached hereto) sets forth the bill impacts as of July 1, 2002, for all customer classes that will result from the implementation of the unified rate structure and the application of the DAC (including the adjustments made to provide a credit to certain customers in the Valley service area, as discussed above). For those customer classes affected by the DAC adjustments discussed above, bill impacts are also provided as of July 1, 2003 and July 1, 2004.

Appendix B(1) (attached hereto) sets forth the rate tariffs that will take effect for billings to all customers for usage on and after July 1, 2002. Appendix B(2) sets forth the currently effective rate tariffs marked to show changes that are necessary to implement the new tariffs as of July 1, 2002. The effect of the rate consolidation will be to have one set of rates, tariffs, terms, and conditions applying to all customers and to terminate all rates, tariffs, terms, and conditions previously in effect for ProvGas and Valley Gas/Bristol and Warren.

**D. Base Rate Freeze**

1. Rate Freeze Period

If the Settlement Agreement is approved by the Commission without modification, the base rates set forth in Appendix B(1) will be frozen through June 30, 2005 (the “Rate-Freeze Period”), subject only to the exogenous events defined below (“Exogenous Events”) and changes in the DAC, as provided by section I, below. If an Exogenous Event occurs during the Rate-Freeze Period, the Company will adjust its base rates through a credit or debit to the DAC, subject to paragraph 2(c), below.

2. Exogenous Events

(a) State Initiated Cost Change: The Company shall adjust its distribution rates (upward or downward) if the occurrence of a “State Initiated Cost Change,” as defined below, causes (in the aggregate) a change in the Company’s revenue requirement by more than \$350,000. For purposes of this Settlement, the term “State Initiated Exogenous Change” shall mean:

- (i) the enactment or promulgation of any new or amended state or local tax laws, regulations, or precedents governing income, revenue, sales, franchise, or property taxes or any new or amended state or locally imposed fees (but excluding the effects of annual changes in local property tax rates and re-valuations);
- (ii) the elimination of any existing state or local tax or fee obligations; and
- (iii) any state legislative or state regulatory mandates that impose new obligations, duties or undertakings, or remove existing obligations,

duties, or undertakings that individually decrease or increase the Company's costs.

(b) Federally Initiated Cost Change: The Company shall adjust its base rates (upward or downward) if the occurrence of a "Federally Initiated Cost Change," as defined below, causes (in the aggregate) a change in the consolidated revenue requirement of more than \$500,000. For purposes of this Settlement Agreement, the term "Federally Initiated Cost Change" shall mean:

- (i) any externally imposed changes in the federal tax rates, laws, regulations, or precedents governing income, revenue, or sales taxes or any changes in federally imposed fees; and
- (ii) any federal legislative or federal regulatory mandates that impose new obligations, duties or undertakings, or remove existing obligations, duties, or undertakings that individually decrease or increase the Company's costs.

(c) Procedure for Adjusting Rates for Exogenous Event: If either of the Exogenous Events described above occur during the Rate-Freeze Period, the Company shall file for adjustments no later than August 1 of each year, based on financial results for the 12-month period ending June 30 of each year. If the Company has not made a filing, the Division (or other Settling Parties) has the right to make a filing on its own to open a proceeding if the Division (or other Settling Parties) believe an Exogenous Event has occurred. Any adjustments shall be subject to review by the Commission, and after public hearing and approval by the Commission, shall be implemented for usage on and after November 1 (unless suspended by the Commission) and shall be collected through the DAC.



In any proceeding under this subsection, the Settling Party claiming that there should be a rate modification resulting from the occurrence of an Exogenous Event shall carry the burden of proving the occurrence and the cost impact. The Company will file a certification with the Commission by August 1 of each year during the Rate-Freeze Period, with copies to the Settling Parties, certifying that, to the best of the Company's knowledge and belief, there have been no occurrences of Exogenous Events, except as identified in the certification.

(d) Earnings Limit For Exogenous Events

If and when the Company makes a filing seeking an adjustment that increases rates under this section, if the average return on equity, calculated using the same methodology as set forth in section F below, for the time period from July 1, 2002 to the end of the last quarter prior to the date of the filing for such adjustment, exceeds 11.25%, the Company will not be permitted to make a rate adjustment until the average return has dropped below 11.25%. If and when the average return drops below 11.25%, the Company may only recover costs on a prospective basis.

**E. Cost of Service Ratemaking After the Rate Freeze Period**

After the Rate-Freeze Period, no special adjustments to distribution rates for Exogenous Events, as described in the prior section, shall be permitted. The Company may file a base-rate proposal to change distribution rates for usage on or after July 1, 2005. The Parties also have the right to file a complaint with the Commission requesting a cost-of-service review to lower distribution rates on or after July 1, 2005. In any base-rate proceeding, whether commenced by a filing of the Company, a complaint, or on the Commission's initiative, the Company may include an allowance for its share of savings, to the extent permitted by section G of this Settlement.

## **F. Incentive-Based Earnings Sharing Mechanism**

The Settling Parties agree that a properly structured incentive-based rate plan can align the interests of the Company and its customers by establishing appropriate incentives to maximize merger-related savings for the benefit of the Company and its customers. To that end, the Settling Parties agree that the Company will implement an earnings-sharing mechanism (“ESM”) to provide for the sharing of net merger-related savings, or other savings, that may be achieved in excess of those identified and incorporated into the consolidated revenue requirement. The ESM will remain in place for the period July 1, 2002 through June 30, 2010. Any amounts due to customers as a result of the application of the ESM will be credited to customers through the DAC.

### **1. Earnings Sharing Calculation**

The Company will file the earnings-sharing calculation by September 1 of each year, based on financial results for the 12-month period ending each June 30. For the purpose of such earnings reports, the determination of earnings subject to the ESM will be based on an benchmark return on equity of 11.25 percent, excluding the Company’s portion of non-firm margins addressed in section H, below. Results will be adjusted to reflect established Commission ratemaking principles, including the impact of the Weather Normalization Clause, discussed in section J, below. However, there will be no adjustment to actual results to recognize or annualize known and measurable changes.

The return on common equity will be calculated by dividing the net income available for common equity by the common equity applicable to rate base; where the net income available for common equity is equal to operating income adjusted to reflect Commission ratemaking principles less applicable interest and preferred dividends (if any), subject to the

limitations in paragraph 2, below. The applicable interest shall be calculated by multiplying average rate base by the percentage debt in the capital structure times the applicable cost rate, and the applicable preferred dividends shall be calculated by multiplying average rate base by the percentage of preferred stock in the capital structure times the applicable cost rate.

The common equity applicable to rate base shall be calculated by multiplying the actual common equity ratio, subject to the limitations in paragraph 2 below, by rate base. The rate base used in these calculations will be the average rate base for the relevant period, based on a five-quarter average and established Commission ratemaking principles. The working capital allowance will be calculated pursuant to the method approved by the Commission in Docket No. 2286. Construction work in progress will be included in rate base, and the allowance for funds used during construction will be included in operating income. No prepaid taxes will be included in rate base. The deferred debits in rate base as of July 1, 2002 will be \$3,060,000, representing the remaining balance of deferred Year 2000 costs, exclusive of the legacy customer information system costs, as of that date. These deferred Year 2000 costs, exclusive of the legacy customer information system costs, will continue to be amortized at a rate of \$240,000 per year.

## 2. Capital Structure

Because the Company's actual equity as shown for financial accounting purposes cannot be distinguished from that of Southern Union Company ("Southern Union") as a result of the merger, the Company will use an imputed capital structure for the purpose of calculating the earned return on equity subject to the ESM. The imputed capital structure will be as follows during the Rate-Freeze Period:

Short Term Debt	8.8%
Long Term Debt	45.7%
Preferred Stock	1.9%
Common Equity	43.6%

To calculate the earned return on equity subject to the ESM during the Rate-Freeze Period, the cost of long-term debt will be 7.81%, the cost of preferred stock will be 9.93%, and the short-term debt cost rate will be the most recent 12-month average cost of short-term debt for Southern Union. To calculate the earned return on equity subject to the ESM subsequent to the Rate-Freeze Period, the Company will use the actual cost of long-term debt and the most recent 12-month average cost of short-term debt for Southern Union. All Settling Parties reserve their rights to take a different position regarding the appropriate capital structure and cost rates in any future ratemaking proceeding. If the capital structure and cost rates are changed in any future ratemaking proceeding, the revised capital structure and cost rates will be used for the purpose of calculating the earned return on equity subject to the ESM prospectively.

### 3. Merger Savings in Operating Expenses

For purposes of determining the level of earnings subject to sharing under this Settlement Agreement, the Company will include \$2.049 million in operating expenses during the rate freeze period, which will represent the investors' share of annual net merger-related savings. The Company will continue to include \$2.049 million in operating expenses for purposes of determining the level of earnings subject to sharing, until the first base-rate proceeding after the rate-freeze period, in order to represent the investors' share of annual net merger-related savings.

4. Merger Related Costs in Rate Freeze Period

The Rhode Island share of costs incurred to achieve merger savings, which is defined as actual employee severance costs and other one-time operation and maintenance costs, as included on Company Exhibit TEC-3, plus actual Integration/Rate Design costs as included on Company Exhibit WP-SP-1, Schedule 6-C, will be deferred and fully amortized over the period ending June 30, 2005.

5. Sharing Formula

For the purpose of calculating the earnings subject to the ESM, the benchmark return on equity will be 11.25%. Any annual earnings over 11.25%, up to and including 100 basis points, shall be shared 50% to customers and 50% to the Company. Any earnings in excess of 12.25% shall be shared 75% to customers and 25% to the Company. In calculating the earnings subject to the ESM on an annual basis, the benchmark will remain at 11.25%, unless modified in a subsequent proceeding setting base rates to be effective on or after July 1, 2005. The customer share of any excess earnings will be passed through as a credit to the DAC. An example of the sharing of any earnings in excess of 11.25% is shown on Appendix C (attached hereto).

**G. Merger Savings After the Rate-Freeze Period**

As stated above, the Settling Parties agree the sharing of merger-related savings is an appropriate mechanism to align the interests of the Company and its customers. In addition, the Settling Parties recognize that, once achieved, the Company should have the opportunity to retain its share of merger-related savings for a reasonable time period. To that end, the Settling Parties agree that demonstrable cost savings achieved by the Company shall be shared between the Company and its customers as described in this section.

1. Demonstration of Achieved Cost Savings

Achieved savings shall be measured by subtracting the Measurement-Year Cost of Service (“Measurement-Year COS”) from the Adjusted Benchmark Cost of Service (“Adjusted Benchmark COS”). For the purpose of this section, the “Measurement-Year COS” shall be the adjusted base-rate revenue requirement excluding environmental response costs, low-income heating assistance funds, low-income weatherization program costs, and demand-side management program costs in the test-year period used in any base-rate proceeding occurring subsequent to the Rate-Freeze Period, for rates to be effective prior to July 1, 2010. For the purpose of this section, the “Benchmark COS” shall mean the consolidated distribution cost-of-service established in this Settlement Agreement, excluding the customer share of annual net merger savings, environmental response costs, low-income heating assistance funds, low-income weatherization program costs, and demand-side management program costs, or \$127,700,000, escalated by 50 percent of the change in GDPIPD from the year ended June 30, 2003 through the Measurement Year. The escalated Benchmark COS will be added to the product of the escalated Benchmark COS times 30 percent of the growth in weather-normalized firm throughput for the period ended June 30, 2003 through the Measurement Year to determine the Adjusted Benchmark COS. For the purpose of this calculation, the year ending June 30, 2003 weather-normalized firm throughput is 345,400,000 therms.

2. Sharing of Merger Savings

The Measurement-Year COS will be used to determine the amount of savings that have been achieved by the Company since the merger (October 1, 2000). Fifty percent (50%) of the savings calculated in paragraph G.1, above, will be escalated by 50 percent of the cumulative change in GDPIPD from the 12 months ended June 30, 2005, and will be

allowed as an expense in base-rate filings made to effect a change in rates on or after July 1, 2005. In addition, such savings will be included for purposes of determining the earnings subject to the ESM in all years after the Rate-Freeze Period until July 1, 2010. An example of the quantification of the shared merger savings to be included in the revenue requirement is shown on Appendix D (attached hereto).

In no event will the shared merger savings to be included in the revenue requirement be greater than \$2,049,000 plus the Company's share of retained excess earnings above 11.25%, on a pre-tax basis, for the last fiscal year prior to the time of the base-rate filing. An example of the quantification of the cap on the shared merger savings to be included in the revenue requirement is shown on Appendix E (attached hereto).

### 3. Burden of Proof

For purposes of this subsection, the Company must meet the same burden of evidentiary proof as occurs in a cost-of-service rate case, subject to the review of the Commission and permitted evidentiary challenges by the Division and other intervenors.

#### **H. Non-Firm Margins**

The Settling Parties agree that it is appropriate to establish an incentive mechanism that will encourage the Company to promote the development of non-firm margins, which reduce the cost of service to all customers. Accordingly, the treatment of non-firm margins during the Rate-Freeze Period will be as follows:

1. Non-firm margins of \$1.6 million are incorporated into the consolidated revenue requirement. To the extent that non-firm margins for the 12-month period ending June 30 of each year are less than \$1.6 million, the Company will recover amounts up to this

threshold amount through the DAC. To the extent that non-firm margins for the 12-month period ending June 30 are greater than \$1.6 million, customers will receive a credit for 75 percent of the margins in excess of the threshold through the DAC, as described in section I, below.

2. Seventy-five percent (75%) of all non-firm margins will represent the customers' portion of non-firm margins. Twenty-five (25%) of all non-firm margins will represent the Company's portion of non-firm margins. Such margin will accrue to the Company and shall be excluded from the calculation of the Earnings Sharing Mechanism under sections F and G of this Settlement Agreement.

#### **I. Distribution Adjustment Clause**

The Settling Parties agree that the Company will establish a reconciling Distribution Adjustment Charge (referenced above as "DAC") to collect or refund certain costs not collected through base rates that are applicable to sales and transportation customers. To the extent that costs associated with, low income assistance programs, low-income weatherization, demand side management program, or environmental response differ from the amounts of such costs specified in Paragraph B, such difference will be reflected as a charge or credit to the DAC. In addition, system balancing costs will be reconciled through the DAC, and adjustments for margins from non-firm sales and transportation, earnings sharing, weather normalization and service-quality will take place through the DAC. Each year on August 1<sup>st</sup>, the Company will file a proposed DAC based on forecasts of applicable costs and volumes and will incorporate the results of a reconciliation for the 12-month period



ending the previous June 30. The DAC approved by the Commission will become effective on November 1 of each year.

**J. Weather Normalization Clause**

The Settling Parties agree that a weather normalization clause is an appropriate mechanism to mitigate the impact of weather volatility on customer billings. To that end, the Settling Parties agree that 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 (two percent colder than normal), customers shall accrue an amount equal to \$9,000 per DD. For each DD less than 4,682 (two percent warmer than normal), the Company shall accrue an amount equal to \$9,000 per DD. Recovery of the total amounts owed shall be recovered by the Company, or credited to customers, through the DAC, discussed in section I, above.

**K. Conversion to Therm Billing**

The Settling Parties agree that therm billing is a more appropriate approach to customer billing since it better recognizes the heat content of each unit of natural gas. Rates will be revised to reflect therm billing without a resulting dollar impact on customer bills. The Company will institute therm billing using a seasonal conversion factor.

**L. Accounting Treatment for Environmental Response Cost**

The Settling Parties agree that the Company shall be entitled to recover Environmental Response Costs, as defined below.

- (a) Definition of Environmental Response Costs: Environmental Response Costs are all reasonably and prudently incurred costs associated with evaluation,

remedial and clean-up obligations of the Company arising out of the Company's utility-related ownership and/or operation of, including, but not limited to: (1) manufactured gas plants and sites associated with the operation and disposal activities from such gas plants; (2) mercury regulators; and (3) meter disposal. In addition to actual remedial and clean up costs, "Environmental Response Costs" also includes, but is not limited to the cost of acquiring property associated with the clean up of such sites as well as litigation costs, claims, judgments, and settlements associated with such sites.

(b) Recovery of Environmental Response Costs

(1) The Company will use best efforts to minimize the Environmental Response Costs ("ERC") consistent with applicable regulatory requirements and sound environmental policies and to minimize litigation costs that may arise therefrom. In the event that the Company incurs such costs during the fiscal-year period ending June 30, the Company will be entitled to recover the costs through the DAC. The Company will amortize those costs over a 10-year period. Thus, the total amount of ERC to be recovered from customers during the 12-month period of November 1 through October 31 of each year (which is the period in which the DAC is applied), will equal one-tenth of the actual ERC incurred by the Company during the prior 12-month period ending June 30. In addition, any applicable insurance proceeds net of costs associated with obtaining such proceeds shall be credited to customers through the DAC.

- (2) In order to limit the bill impacts that could potentially result from the incurrence of environmental remediation costs, the ERC factor contained in the DAC shall be limited to an increase of no more than \$0.01 per therm in any annual DAC filing. If this limitation results in the Company recovering less than the amount that would otherwise be eligible for recovery in a particular year, then beginning on the date that the proposed ERC factor becomes effective, carrying costs shall accrue to the Company on the portion of the environmental remediation costs not included in the ERC factor as a result of this limitation. Such carrying costs shall accrue through the year in which such amount, together with accumulated carrying costs, are recovered from ratepayers. Any amounts so deferred shall be incorporated into the ERC factor in succeeding years consistent with the \$0.01 per therm ERC factor annual increase limitation. Such carrying charges shall accrue at the Interest on Deferred Balance rate specified in Section 1 schedule C of the Company's General Rules and Regulations.

**M. Service Quality Program**

The Settling Parties agree that the quality of service experienced by customers is an important factor in consolidating the operations of the New England Gas Company. The Company and the Division will continue ongoing discussions regarding the development and implementation of a Service-Quality Program, with the intention of submitting a proposal to the Commission no later than September 30, 2002, for review and approval in a separate proceeding. If the Company and the Division cannot agree on a Service Quality Plan, the

Company will file its own proposal by September 30, 2002. Any Service Quality Plan filed with the Commission will include a system of penalties and penalty offsets. In addition, the Company's ability to participate in the ESM will be linked to the establishment of the Service Quality Plan.

#### **N. ACCOUNT-RESTORATION AND RETURN CHECK CHARGES**

The Settling Parties agree that the Company shall waive account-restoration charges and return check fees for customers eligible for low-income assistance programs.

#### **O. JOINT AND COMMON COST ALLOCATIONS**

The Settling Parties agree that a portion of Southern Union's joint and common costs may be allocated to the Company and may be requested for recovery in the cost of service in future base-rate proceedings. Such costs will be allocated to the Company on terms that are no less favorable than those terms applied in other jurisdictions wherein Southern Union operates. The Settling Parties agree that, in any base-rate proceeding, the Company will have the burden of proving the reasonableness of any allocated or assigned cost to the Company from any affiliate, division or subsidiary of Southern Union, including all cost allocations. The Settling Parties further agree that the Commission has the authority to assess the reasonableness of such costs and the allocation thereof as part of its determination of the revenue requirement in that proceeding.

### **III. EFFECT OF SETTLEMENT AGREEMENT**

This Settlement Agreement is the result of negotiations among the Settling Parties. The discussions that have produced this Agreement have been conducted on the explicit understanding that all offers of settlement and discussions relating hereto are and shall be

privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the parties to this Settlement or otherwise. The agreement by a party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose. In the event that the Commission (i) rejects this Agreement, (ii) fails to accept this Agreement as filed, or (iii) accepts this Agreement subject to conditions unacceptable to any party hereto, then this Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the parties agree that this Agreement is reasonable and have caused this document to be executed by their respective representatives, each being fully authorized to do so. Dated at Providence this 14th day of June 2002.

Respectfully submitted,

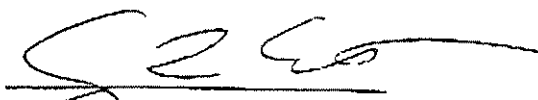
DIVISION OF PUBLIC UTILITIES AND CARRIERS.  
By its Attorney,

NEW ENGLAND GAS COMPANY  
By its Attorney,

SHELDON WHITEHOUSE  
ATTORNEY GENERAL

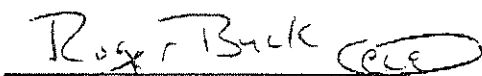


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THE ENERGY COUNCIL  
OF RHODE ISLAND  
By its Executive Director



Roger Buck

New England Gas Company  
Docket No. 3401

Settlement Agreement

Appendix A

Bill Impacts

Valley Gas Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		450	500	600	750	850	1,000	1,100	1,200	1,300	1,400	1,500	2,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	19.8%	3.9%	8.2%	14.0%	10.0%	13.6%	7.4%	5.9%	4.5%	3.3%	2.5%	5.1%
2	Cumulative Customers	19.8%	23.7%	31.9%	45.9%	55.9%	69.5%	77.0%	82.9%	87.3%	90.6%	93.1%	98.2%
3	Percentage of Volume	6.3%	2.2%	5.4%	11.4%	9.7%	15.1%	9.4%	8.2%	6.7%	5.3%	4.4%	10.4%
4	Total Revenue at Current Rates	\$ 512	\$ 560	\$ 654	\$ 795	\$ 888	\$ 1,028	\$ 1,121	\$ 1,214	\$ 1,307	\$ 1,400	\$ 1,492	\$ 1,954
5	Total Revenue at Proposed Rates	\$ 529	\$ 575	\$ 668	\$ 806	\$ 895	\$ 1,028	\$ 1,116	\$ 1,203	\$ 1,289	\$ 1,375	\$ 1,461	\$ 1,888
6	Difference (\$)	\$ 17	\$ 16	\$ 14	\$ 11	\$ 7	\$ (0)	\$ (5)	\$ (11)	\$ (18)	\$ (25)	\$ (32)	\$ (66)
7	Difference (%)	3.3%	2.8%	2.2%	1.4%	0.8%	0.0%	-0.5%	-0.9%	-1.4%	-1.8%	-2.1%	-3.4%

Valley Gas Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		40	50	75	90	100	125	150	200	250	300	350	400
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	20.5%	5.6%	9.1%	4.0%	2.5%	6.6%	6.8%	13.2%	10.6%	7.5%	5.1%	2.9%
2	Cumulative Customers	20.5%	26.1%	35.2%	39.2%	41.8%	48.3%	55.1%	68.4%	79.0%	86.5%	91.6%	94.6%
3	Percentage of Volume	2.7%	1.6%	3.5%	2.1%	1.5%	4.6%	5.8%	14.5%	14.9%	12.9%	10.3%	6.8%
4	Total Revenue at Current Rates	\$ 104	\$ 114	\$ 139	\$ 153	\$ 163	\$ 187	\$ 212	\$ 261	\$ 310	\$ 359	\$ 407	\$ 456
5	Total Revenue at Proposed Rates	\$ 122	\$ 130	\$ 151	\$ 163	\$ 171	\$ 191	\$ 211	\$ 252	\$ 292	\$ 333	\$ 373	\$ 413
6	Difference (\$)	\$ 18	\$ 16	\$ 12	\$ 10	\$ 8	\$ 4	\$ (1)	\$ (9)	\$ (17)	\$ (26)	\$ (34)	\$ (43)
7	Difference (%)	17.3%	14.3%	8.8%	6.3%	4.9%	2.0%	-0.3%	-3.5%	-5.6%	-7.2%	-8.4%	-9.4%



Valley Gas Bill Impact - Small C&I (Rate 80)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		200	350	500	600	750	1,000	1,200	1,500	2,000	3,000	4,000	5,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	27.8%	7.9%	6.6%	4.6%	5.5%	7.4%	4.2%	6.8%	7.8%	10.1%	6.8%	4.6%
2	Cumulative Customers	27.8%	35.7%	42.3%	46.9%	52.4%	59.7%	64.0%	70.7%	78.6%	88.7%	95.4%	100.0%
3	Percentage of Volume	1.2%	1.9%	2.4%	2.2%	3.2%	5.5%	4.1%	7.9%	11.9%	21.7%	20.3%	17.7%
4	Total Revenue at Current Rates	\$ 301	\$ 447	\$ 592	\$ 689	\$ 831	\$ 1,062	\$ 1,247	\$ 1,519	\$ 1,967	\$ 2,859	\$ 3,748	\$ 4,627
5	Total Revenue at Proposed Rates	\$ 355	\$ 495	\$ 634	\$ 727	\$ 861	\$ 1,077	\$ 1,248	\$ 1,500	\$ 1,915	\$ 2,736	\$ 3,557	\$ 4,378
6	Difference (\$)	\$ 54	\$ 48	\$ 42	\$ 39	\$ 30	\$ 15	\$ 1	\$ (19)	\$ (53)	\$ (123)	\$ (191)	\$ (248)
7	Difference (%)	18.0%	10.8%	7.1%	5.6%	3.7%	1.4%	0.1%	-1.3%	-2.7%	-4.3%	-5.1%	-5.4%

Valley Gas Bill Impact - Medium C&I (Rate 80)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		5,000	5,500	6,000	7,000	8,000	9,000	10,000	15,000	20,000	25,000	30,000	35,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	10.1%	8.6%	13.5%	9.5%	8.8%	7.5%	20.0%	9.2%	4.0%	4.8%	4.1%
2	Cumulative Customers	0.0%	10.1%	18.7%	32.2%	41.7%	50.5%	58.0%	78.0%	87.2%	91.2%	95.9%	100.0%
3	Percentage of Volume	0.0%	4.6%	4.3%	7.5%	6.1%	6.5%	6.2%	21.1%	13.6%	7.7%	11.1%	11.3%
4	Total Revenue at Current Rates	\$ 4,627	\$ 5,065	\$ 5,504	\$ 6,381	\$ 7,258	\$ 8,135	\$ 9,012	\$ 13,397	\$ 17,782	\$ 22,168	\$ 26,553	\$ 30,938
5	Total Revenue at Proposed Rates	\$ 4,945	\$ 5,386	\$ 5,826	\$ 6,707	\$ 7,588	\$ 8,469	\$ 9,351	\$ 13,756	\$ 18,161	\$ 22,566	\$ 26,972	\$ 31,377
6	Difference (\$)	\$ 319	\$ 321	\$ 323	\$ 327	\$ 331	\$ 335	\$ 339	\$ 359	\$ 379	\$ 399	\$ 419	\$ 439
7	Difference (%)	6.9%	6.3%	5.9%	5.1%	4.6%	4.1%	3.8%	2.7%	2.1%	1.8%	1.6%	1.4%

Valley Gas Bill Impact - Medium C&I (Rate 82)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		5,000	5,500	6,000	7,000	8,000	9,000	10,000	15,000	20,000	25,000	30,000	35,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	0.0%	0.0%	33.3%	0.0%	16.7%	0.0%	16.7%	33.3%	0.0%	0.0%	0.0%
2	Cumulative Customers	0.0%	0.0%	0.0%	33.3%	33.3%	50.0%	50.0%	66.7%	100.0%	100.0%	100.0%	100.0%
3	Percentage of Volume	0.0%	0.0%	0.0%	17.0%	0.0%	11.9%	0.0%	20.0%	51.1%	0.0%	0.0%	0.0%
4	Total Revenue at Current Rates	\$ 6,402	\$ 6,770	\$ 7,138	\$ 7,875	\$ 8,612	\$ 9,348	\$ 10,085	\$ 13,767	\$ 17,474	\$ 21,617	\$ 25,700	\$ 29,687
5	Total Revenue at Proposed Rates	\$ 4,945	\$ 5,386	\$ 5,826	\$ 6,707	\$ 7,588	\$ 8,469	\$ 9,351	\$ 13,756	\$ 18,161	\$ 22,566	\$ 26,972	\$ 31,377
6	Difference (\$)	\$ (1,457)	\$ (1,384)	\$ (1,312)	\$ (1,168)	\$ (1,023)	\$ (879)	\$ (734)	\$ (12)	\$ 687	\$ 950	\$ 1,272	\$ 1,690
7	Difference (%)	-22.8%	-20.4%	-18.4%	-14.8%	-11.9%	-9.4%	-7.3%	-0.1%	3.9%	4.4%	4.9%	5.7%

Valley Gas Bill Impact - Large C&I (Rate 80)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		34,000	36,000	38,000	40,000	42,500	45,000	50,000	65,000	75,000	100,000	125,000	150,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	4.7%	6.5%	5.6%	9.3%	6.5%	15.0%	17.8%	11.2%	18.7%	2.8%	1.9%
2	Cumulative Customers	0.0%	4.7%	11.2%	16.8%	26.2%	32.7%	47.7%	65.4%	76.6%	95.3%	98.1%	100.0%
3	Percentage of Volume	0.0%	2.8%	4.0%	3.7%	6.5%	4.9%	12.0%	16.7%	13.6%	26.5%	5.0%	4.4%
4	Total Revenue at Current Rates	\$ 30,061	\$ 31,815	\$ 33,569	\$ 35,324	\$ 37,516	\$ 39,709	\$ 44,094	\$ 57,250	\$ 66,021	\$ 87,947	\$ 109,874	\$ 131,800
5	Total Revenue at Proposed Rates	\$ 31,092	\$ 32,857	\$ 34,623	\$ 36,388	\$ 38,595	\$ 40,802	\$ 45,215	\$ 58,456	\$ 67,283	\$ 89,350	\$ 111,418	\$ 133,486
6	Difference (\$)	\$ 1,031	\$ 1,042	\$ 1,053	\$ 1,065	\$ 1,079	\$ 1,093	\$ 1,121	\$ 1,206	\$ 1,262	\$ 1,403	\$ 1,544	\$ 1,685
7	Difference (%)	3.4%	3.3%	3.1%	3.0%	2.9%	2.8%	2.5%	2.1%	1.9%	1.6%	1.4%	1.3%

Valley Gas Bill Impact - Large C&I (Rate 82)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		34,000	36,000	38,000	40,000	42,500	45,000	50,000	65,000	75,000	100,000	125,000	150,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	0.0%	0.0%	9.1%	0.0%	0.0%	0.0%	0.0%	0.0%	9.1%	45.5%	36.4%
2	Cumulative Customers	0.0%	0.0%	0.0%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	18.2%	63.6%	100.0%
3	Percentage of Volume	0.0%	0.0%	0.0%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	7.3%	45.9%	43.7%
4	Total Revenue at Current Rates	\$ 28,801	\$ 30,367	\$ 31,919	\$ 33,451	\$ 35,367	\$ 37,283	\$ 41,099	\$ 52,256	\$ 59,476	\$ 77,526	\$ 95,376	\$ 113,059
5	Total Revenue at Proposed Rates	\$ 31,092	\$ 32,857	\$ 34,623	\$ 36,388	\$ 38,595	\$ 40,802	\$ 45,215	\$ 58,456	\$ 67,283	\$ 89,350	\$ 111,418	\$ 133,486
6	Difference (\$)	\$ 2,291	\$ 2,490	\$ 2,704	\$ 2,937	\$ 3,228	\$ 3,519	\$ 4,116	\$ 6,199	\$ 7,806	\$ 11,824	\$ 16,042	\$ 20,427
7	Difference (%)	8.0%	8.2%	8.5%	8.8%	9.1%	9.4%	10.0%	11.9%	13.1%	15.3%	16.8%	18.1%

Valley Gas Bill Impact - Large C&I (Rate UFT)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		34,000	36,000	38,000	40,000	42,500	45,000	50,000	65,000	75,000	100,000	125,000	150,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	25.0%	25.0%
2	Cumulative Customers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	50.0%	75.0%	100.0%
3	Percentage of Volume	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	43.8%	25.7%	30.5%
4	Total Revenue at Current Rates	\$ 6,810	\$ 7,123	\$ 7,435	\$ 7,747	\$ 8,138	\$ 8,528	\$ 9,309	\$ 11,652	\$ 13,214	\$ 17,119	\$ 21,023	\$ 24,928
5	Total Revenue at Proposed Rates	\$ 7,557	\$ 6,785	\$ 7,102	\$ 7,419	\$ 7,815	\$ 8,211	\$ 9,003	\$ 11,380	\$ 12,965	\$ 16,926	\$ 20,888	\$ 24,850
6	Difference (\$)	\$ 747	\$ (338)	\$ (333)	\$ (329)	\$ (323)	\$ (317)	\$ (306)	\$ (272)	\$ (249)	\$ (192)	\$ (135)	\$ (78)
7	Difference (%)	11.0%	-4.7%	-4.5%	-4.2%	-4.0%	-3.7%	-3.3%	-2.3%	-1.9%	-1.1%	-0.6%	-0.3%

Valley Gas Bill Impact - Extra Large C&I (Rate 82)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		125,000	135,000	150,000	160,000	175,000	200,000	225,000	275,000	325,000	375,000	425,000	475,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	0.0%	0.0%	0.0%	37.5%	12.5%	12.5%	0.0%	25.0%	0.0%	0.0%	12.5%
2	Cumulative Customers	0.0%	0.0%	0.0%	0.0%	37.5%	50.0%	62.5%	62.5%	87.5%	87.5%	87.5%	100.0%
3	Percentage of Volume	0.0%	0.0%	0.0%	0.0%	17.2%	9.8%	11.4%	0.0%	31.5%	0.0%	0.0%	30.2%
4	Total Revenue at Current Rates	\$ 91,055	\$ 97,661	\$ 107,569	\$ 114,174	\$ 124,083	\$ 140,596	\$ 157,110	\$ 190,137	\$ 223,164	\$ 256,191	\$ 289,219	\$ 322,246
5	Total Revenue at Proposed Rates	\$ 82,826	\$ 89,164	\$ 98,671	\$ 105,009	\$ 114,516	\$ 130,362	\$ 146,207	\$ 177,897	\$ 209,588	\$ 241,278	\$ 272,969	\$ 304,659
6	Difference (\$)	\$ (8,229)	\$ (8,497)	\$ (8,898)	\$ (9,165)	\$ (9,566)	\$ (10,234)	\$ (10,903)	\$ (12,240)	\$ (13,576)	\$ (14,913)	\$ (16,250)	\$ (17,587)
7	Difference (%)	-9.0%	-8.7%	-8.3%	-8.0%	-7.7%	-7.3%	-6.9%	-6.4%	-6.1%	-5.8%	-5.6%	-5.5%

Valley Gas Bill Impact - Extra Large C&I (Rate UFT)													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		125,000	135,000	150,000	160,000	175,000	200,000	225,000	275,000	325,000	375,000	425,000	475,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	0.0%	0.0%	0.0%	83.3%
2	Cumulative Customers	0.0%	0.0%	0.0%	0.0%	0.0%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	100.0%
3	Percentage of Volume	0.0%	0.0%	0.0%	0.0%	0.0%	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	94.9%
4	Total Revenue at Current Rates	\$ 16,381	\$ 17,571	\$ 19,357	\$ 20,547	\$ 22,333	\$ 25,309	\$ 28,285	\$ 34,237	\$ 40,189	\$ 46,142	\$ 52,094	\$ 58,046
5	Total Revenue at Proposed Rates	\$ 13,852	\$ 12,697	\$ 13,707	\$ 14,381	\$ 15,392	\$ 17,077	\$ 18,761	\$ 22,130	\$ 25,499	\$ 28,869	\$ 32,238	\$ 35,607
6	Difference (\$)	\$ (2,528)	\$ (4,874)	\$ (5,649)	\$ (6,166)	\$ (6,941)	\$ (8,232)	\$ (9,524)	\$ (12,107)	\$ (14,690)	\$ (17,273)	\$ (19,856)	\$ (22,439)
7	Difference (%)	-15.4%	-27.7%	-29.2%	-30.0%	-31.1%	-32.5%	-33.7%	-35.4%	-36.6%	-37.4%	-38.1%	-38.7%

Valley Gas Bill Impact - Extra Large C&I (Rate 87)						
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:				
		3,000,000	3,200,000	3,300,000	3,400,000	3,500,000
	(a)	(b)	(c)	(d)	(e)	(f)
1	Percentage of Customers					
2	Percentage of Volume					
3	Total Revenue at Current Rates	\$ 253,034	\$ 257,614	\$ 259,904	\$ 262,194	\$ 264,484
4	Total Revenue at Proposed Rates	\$ 251,830	\$ 268,379	\$ 276,653	\$ 284,928	\$ 293,202
5	Difference (\$)	\$ (1,204)	\$ 10,765	\$ 16,749	\$ 22,733	\$ 28,718
6	Difference (%)	-0.5%	4.2%	6.4%	8.7%	10.9%

Providence Gas Company Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		450	500	600	750	850	1,000	1,100	1,200	1,300	1,400	1,500	2,000
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	24.9%	4.2%	5.1%	9.5%	7.1%	10.9%	6.8%	5.9%	5.0%	4.2%	3.3%	8.7%
2	Cumulative Customers	24.9%	29.2%	34.3%	43.7%	50.9%	61.7%	68.5%	74.4%	79.4%	83.6%	86.9%	95.6%
3	Percentage of Volume	4.4%	2.2%	3.2%	7.3%	6.5%	11.4%	8.1%	7.6%	7.1%	6.4%	5.5%	16.7%
4	Total Revenue at Current Rates	\$ 595	\$ 650	\$ 761	\$ 925	\$ 1,028	\$ 1,177	\$ 1,275	\$ 1,371	\$ 1,465	\$ 1,559	\$ 1,653	\$ 2,120
5	Total Revenue at Proposed Rates	\$ 582	\$ 634	\$ 739	\$ 896	\$ 996	\$ 1,146	\$ 1,245	\$ 1,344	\$ 1,441	\$ 1,539	\$ 1,636	\$ 2,123
6	Difference (\$)	\$ (13)	\$ (16)	\$ (21)	\$ (30)	\$ (32)	\$ (31)	\$ (29)	\$ (28)	\$ (24)	\$ (20)	\$ (16)	\$ 4
7	Difference (%)	-2.2%	-2.5%	-2.8%	-3.2%	-3.1%	-2.6%	-2.3%	-2.0%	-1.6%	-1.3%	-1.0%	0.2%

Providence Gas Company Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		40	50	75	90	100	125	150	200	250	300	350	400
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	26.0%	4.6%	8.2%	3.7%	2.1%	5.4%	5.2%	10.7%	10.0%	6.3%	5.2%	3.3%
2	Cumulative Customers	26.0%	30.6%	38.8%	42.4%	44.6%	50.0%	55.2%	65.9%	75.9%	82.2%	87.4%	90.7%
3	Percentage of Volume	2.5%	1.1%	2.8%	1.6%	1.1%	3.3%	3.9%	10.2%	11.2%	10.6%	9.2%	6.7%
4	Total Revenue at Current Rates	\$ 132	\$ 144	\$ 176	\$ 195	\$ 207	\$ 239	\$ 270	\$ 329	\$ 387	\$ 443	\$ 500	\$ 556
5	Total Revenue at Proposed Rates	\$ 136	\$ 148	\$ 177	\$ 194	\$ 206	\$ 235	\$ 264	\$ 322	\$ 379	\$ 437	\$ 495	\$ 553
6	Difference (\$)	\$ 5	\$ 4	\$ 1	\$ (0)	\$ (1)	\$ (4)	\$ (6)	\$ (8)	\$ (7)	\$ (6)	\$ (4)	\$ (3)
7	Difference (%)	3.5%	2.5%	0.6%	-0.2%	-0.7%	-1.6%	-2.3%	-2.3%	-1.9%	-1.3%	-0.9%	-0.5%

Providence Gas Company Bill Impact - Small Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		200	350	500	600	750	1,000	1,200	1,500	2,000	3,000	4,000	5,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	3.4%	7.6%	9.5%	6.4%	8.8%	12.7%	7.9%	9.4%	9.8%	11.9%	6.2%	3.9%
2	Cumulative Customers	3.4%	11.0%	20.5%	26.9%	35.7%	48.4%	56.3%	65.7%	75.5%	87.4%	93.7%	97.6%
3	Percentage of Volume	0.3%	1.4%	2.6%	2.3%	3.9%	7.3%	5.7%	8.3%	11.2%	19.2%	14.1%	11.5%
4	Total Revenue at Current Rates	\$ 388	\$ 560	\$ 732	\$ 846	\$ 1,012	\$ 1,274	\$ 1,476	\$ 1,769	\$ 2,256	\$ 3,223	\$ 4,186	\$ 5,149
5	Total Revenue at Proposed Rates	\$ 382	\$ 543	\$ 703	\$ 809	\$ 965	\$ 1,216	\$ 1,412	\$ 1,701	\$ 2,182	\$ 3,140	\$ 4,095	\$ 5,051
6	Difference (\$)	\$ (5)	\$ (18)	\$ (29)	\$ (37)	\$ (47)	\$ (58)	\$ (64)	\$ (69)	\$ (74)	\$ (83)	\$ (90)	\$ (97)
7	Difference (%)	-1.4%	-3.1%	-4.0%	-4.4%	-4.6%	-4.6%	-4.3%	-3.9%	-3.3%	-2.6%	-2.2%	-1.9%

Providence Gas Company Bill Impact - Small High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		200	350	500	600	750	1,000	1,200	1,500	2,000	3,000	4,000	5,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	20.8%	9.4%	6.9%	3.8%	3.4%	5.3%	4.5%	6.2%	7.9%	12.5%	10.1%	6.4%
2	Cumulative Customers	20.8%	30.2%	37.1%	40.9%	44.3%	49.6%	54.1%	60.4%	68.2%	80.7%	90.8%	97.3%
3	Percentage of Volume	1.3%	1.6%	1.8%	1.3%	1.4%	2.9%	3.1%	5.2%	8.2%	19.6%	21.9%	17.7%
4	Total Revenue at Current Rates	\$ 389	\$ 561	\$ 723	\$ 826	\$ 977	\$ 1,228	\$ 1,427	\$ 1,722	\$ 2,212	\$ 3,187	\$ 4,162	\$ 5,136
5	Total Revenue at Proposed Rates	\$ 382	\$ 543	\$ 703	\$ 809	\$ 965	\$ 1,216	\$ 1,412	\$ 1,701	\$ 2,182	\$ 3,140	\$ 4,095	\$ 5,051
6	Difference (\$)	\$ (7)	\$ (18)	\$ (20)	\$ (17)	\$ (12)	\$ (12)	\$ (15)	\$ (21)	\$ (30)	\$ (47)	\$ (66)	\$ (85)
7	Difference (%)	-1.7%	-3.3%	-2.8%	-2.0%	-1.2%	-1.0%	-1.0%	-1.2%	-1.4%	-1.5%	-1.6%	-1.7%

Providence Gas Company Bill Impact - Medium Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		5,000	5,500	6,000	7,000	8,000	9,000	10,000	15,000	20,000	25,000	30,000	35,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	5.6%	3.2%	5.4%	11.7%	10.2%	9.0%	7.6%	21.0%	11.2%	6.9%	3.4%	2.7%
2	Cumulative Customers	5.6%	8.7%	14.1%	25.8%	35.9%	44.9%	52.5%	73.5%	84.8%	91.6%	95.0%	97.8%
3	Percentage of Volume	1.7%	1.3%	2.4%	6.0%	6.0%	6.1%	5.7%	20.1%	15.4%	12.3%	7.5%	7.0%
4	Total Sales Revenue at Current Rates	\$ 5,267	\$ 5,761	\$ 6,255	\$ 7,243	\$ 8,231	\$ 9,219	\$ 10,207	\$ 15,148	\$ 20,089	\$ 25,029	\$ 29,970	\$ 34,910
5	Total Sales Revenue at Proposed Rates	\$ 4,895	\$ 5,330	\$ 5,766	\$ 6,637	\$ 7,508	\$ 8,379	\$ 9,250	\$ 13,605	\$ 17,960	\$ 22,314	\$ 26,669	\$ 31,024
6	Difference (\$)	\$ (372)	\$ (430)	\$ (489)	\$ (606)	\$ (723)	\$ (840)	\$ (957)	\$ (1,543)	\$ (2,129)	\$ (2,715)	\$ (3,301)	\$ (3,886)
7	Difference (%)	-7.1%	-7.5%	-7.8%	-8.4%	-8.8%	-9.1%	-9.4%	-10.2%	-10.6%	-10.8%	-11.0%	-11.1%
8	Transport Revenues at Current Rates	\$ 1,676	\$ 1,811	\$ 1,946	\$ 2,216	\$ 2,486	\$ 2,756	\$ 3,026	\$ 4,376	\$ 5,726	\$ 7,076	\$ 8,426	\$ 9,776
9	Transport Revenues at Proposed Rates	\$ 1,733	\$ 1,852	\$ 1,971	\$ 2,210	\$ 2,448	\$ 2,687	\$ 2,926	\$ 4,118	\$ 5,311	\$ 6,504	\$ 7,697	\$ 8,890
10	Difference (\$)	\$ 57	\$ 41	\$ 26	\$ (6)	\$ (37)	\$ (69)	\$ (100)	\$ (257)	\$ (415)	\$ (572)	\$ (729)	\$ (886)
11	Difference (%)	3.4%	2.3%	1.3%	-0.3%	-1.5%	-2.5%	-3.3%	-5.9%	-7.2%	-8.1%	-8.7%	-9.1%

Providence Gas Company Bill Impact - Medium High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		5,000	5,500	6,000	7,000	8,000	9,000	10,000	15,000	20,000	25,000	30,000	35,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	6.3%	5.0%	4.6%	10.5%	8.4%	8.2%	6.7%	21.1%	12.7%	6.7%	5.9%	2.6%
2	Cumulative Customers	6.3%	11.3%	15.8%	26.3%	34.7%	42.9%	49.6%	70.7%	83.4%	90.1%	96.0%	98.5%
3	Percentage of Volume	2.0%	2.1%	2.1%	5.3%	4.9%	5.5%	5.0%	20.1%	17.2%	11.5%	12.5%	6.5%
4	Total Sales Revenue at Current Rates	\$ 4,934	\$ 5,395	\$ 5,856	\$ 6,778	\$ 7,699	\$ 8,621	\$ 9,543	\$ 14,151	\$ 18,760	\$ 23,368	\$ 27,977	\$ 32,585
5	Total Sales Revenue at Proposed Rates	\$ 4,895	\$ 5,330	\$ 5,766	\$ 6,637	\$ 7,508	\$ 8,379	\$ 9,250	\$ 13,605	\$ 17,960	\$ 22,314	\$ 26,669	\$ 31,024
6	Difference (\$)	\$ (39)	\$ (65)	\$ (90)	\$ (141)	\$ (192)	\$ (242)	\$ (293)	\$ (547)	\$ (800)	\$ (1,054)	\$ (1,307)	\$ (1,561)
7	Difference (%)	-0.8%	-1.2%	-1.5%	-2.1%	-2.5%	-2.8%	-3.1%	-3.9%	-4.3%	-4.5%	-4.7%	-4.8%
8	Transport Revenues at Current Rates	\$ 1,344	\$ 1,445	\$ 1,547	\$ 1,751	\$ 1,954	\$ 2,158	\$ 2,361	\$ 3,379	\$ 4,397	\$ 5,415	\$ 6,432	\$ 7,450
9	Transport Revenues at Proposed Rates	\$ 1,733	\$ 1,852	\$ 1,971	\$ 2,210	\$ 2,448	\$ 2,687	\$ 2,926	\$ 4,118	\$ 5,311	\$ 6,504	\$ 7,697	\$ 8,890
10	Difference (\$)	\$ 389	\$ 407	\$ 424	\$ 459	\$ 494	\$ 529	\$ 564	\$ 739	\$ 914	\$ 1,089	\$ 1,264	\$ 1,439
11	Difference (%)	29.0%	28.1%	27.4%	26.2%	25.3%	24.5%	23.9%	21.9%	20.8%	20.1%	19.7%	19.3%

Providence Gas Company Bill Impact - Large Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		34,000	36,000	38,000	40,000	42,500	45,000	50,000	65,000	75,000	100,000	125,000	150,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	7.4%	1.6%	2.9%	4.5%	4.9%	5.3%	9.8%	28.7%	13.1%	10.7%	6.2%	2.9%
2	Cumulative Customers	7.4%	9.0%	11.9%	16.4%	21.3%	26.6%	36.5%	65.2%	78.3%	88.9%	95.1%	98.0%
3	Percentage of Volume	2.8%	0.9%	1.7%	2.8%	3.2%	3.7%	7.5%	25.9%	14.4%	14.7%	10.7%	6.2%
4	Total Sales Revenue at Current Rates	\$ 34,086	\$ 36,046	\$ 38,007	\$ 39,967	\$ 42,418	\$ 44,869	\$ 49,770	\$ 64,474	\$ 74,277	\$ 98,783	\$ 123,290	\$ 147,797
5	Total Sales Revenue at Proposed Rates	\$ 31,020	\$ 32,781	\$ 34,542	\$ 36,304	\$ 38,505	\$ 40,707	\$ 45,110	\$ 58,318	\$ 67,124	\$ 89,139	\$ 111,154	\$ 133,169
6	Difference (\$)	\$ (3,066)	\$ (3,265)	\$ (3,464)	\$ (3,664)	\$ (3,913)	\$ (4,162)	\$ (4,660)	\$ (6,156)	\$ (7,152)	\$ (9,644)	\$ (12,136)	\$ (14,628)
7	Difference (%)	-9.0%	-9.1%	-9.1%	-9.2%	-9.2%	-9.3%	-9.4%	-9.5%	-9.6%	-9.8%	-9.8%	-9.9%
8	Transport Revenues at Current Rates	\$ 9,669	\$ 10,193	\$ 10,718	\$ 11,242	\$ 11,897	\$ 12,552	\$ 13,863	\$ 17,795	\$ 20,416	\$ 26,970	\$ 33,523	\$ 40,076
9	Transport Revenues at Proposed Rates	\$ 9,229	\$ 9,709	\$ 10,188	\$ 10,668	\$ 11,267	\$ 11,866	\$ 13,064	\$ 16,660	\$ 19,057	\$ 25,049	\$ 31,041	\$ 37,033
10	Difference (\$)	\$ (440)	\$ (484)	\$ (529)	\$ (574)	\$ (630)	\$ (686)	\$ (799)	\$ (1,135)	\$ (1,360)	\$ (1,921)	\$ (2,482)	\$ (3,043)
11	Difference (%)	-4.5%	-4.8%	-4.9%	-5.1%	-5.3%	-5.5%	-5.8%	-6.4%	-6.7%	-7.1%	-7.4%	-7.6%

Providence Gas Company Bill Impact - Large High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		34,000	36,000	38,000	40,000	42,500	45,000	50,000	65,000	75,000	100,000	125,000	150,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	3.1%	6.3%	6.3%	6.3%	7.8%	6.3%	7.8%	18.0%	8.6%	18.0%	5.5%	5.5%
2	Cumulative Customers	3.1%	9.4%	15.6%	21.9%	29.7%	35.9%	43.8%	61.7%	70.3%	88.3%	93.8%	99.2%
3	Percentage of Volume	1.5%	3.4%	3.6%	3.8%	5.0%	4.2%	5.8%	15.7%	9.4%	24.7%	9.3%	11.4%
4	Total Sales Revenue at Current Rates	\$ 30,526	\$ 32,277	\$ 34,028	\$ 35,780	\$ 37,968	\$ 40,157	\$ 44,535	\$ 57,669	\$ 66,425	\$ 88,314	\$ 110,203	\$ 132,093
5	Total Sales Revenue at Proposed Rates	\$ 26,490	\$ 27,984	\$ 29,479	\$ 30,974	\$ 32,842	\$ 34,711	\$ 38,447	\$ 49,657	\$ 57,131	\$ 75,815	\$ 94,498	\$ 113,182
6	Difference (\$)	\$ (4,036)	\$ (4,293)	\$ (4,549)	\$ (4,806)	\$ (5,126)	\$ (5,447)	\$ (6,088)	\$ (8,011)	\$ (9,294)	\$ (12,499)	\$ (15,705)	\$ (18,911)
7	Difference (%)	-13.2%	-13.3%	-13.4%	-13.4%	-13.5%	-13.6%	-13.7%	-13.9%	-14.0%	-14.2%	-14.3%	-14.3%
8	Transport Revenues at Current Rates	\$ 6,109	\$ 6,424	\$ 6,739	\$ 7,054	\$ 7,448	\$ 7,841	\$ 8,628	\$ 10,990	\$ 12,564	\$ 16,500	\$ 20,436	\$ 24,372
9	Transport Revenues at Proposed Rates	\$ 6,639	\$ 6,966	\$ 7,293	\$ 7,621	\$ 8,029	\$ 8,438	\$ 9,256	\$ 11,708	\$ 13,343	\$ 17,431	\$ 21,519	\$ 25,607
10	Difference (\$)	\$ 530	\$ 542	\$ 554	\$ 566	\$ 582	\$ 597	\$ 627	\$ 718	\$ 779	\$ 931	\$ 1,083	\$ 1,235
11	Difference (%)	8.7%	8.4%	8.2%	8.0%	7.8%	7.6%	7.3%	6.5%	6.2%	5.6%	5.3%	5.1%

Providence Gas Company													
Bill Impact - Extra Large Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		125,000	135,000	150,000	160,000	175,000	200,000	225,000	275,000	325,000	375,000	425,000	475,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	0.0%	2.8%	7.6%	4.2%	18.8%	10.4%	4.2%	18.8%	2.1%	6.3%	2.1%	4.2%
2	Cumulative Customers	0.0%	2.8%	10.4%	14.6%	33.3%	43.8%	47.9%	66.7%	68.8%	75.0%	77.1%	81.3%
3	Percentage of Volume	0.0%	0.7%	2.7%	1.5%	7.2%	4.4%	2.1%	10.9%	1.5%	5.1%	1.9%	4.2%
4	Total Sales Revenue at Current Rates	\$ 105,852	\$ 114,087	\$ 126,440	\$ 134,675	\$ 147,028	\$ 167,617	\$ 188,205	\$ 229,382	\$ 270,559	\$ 311,735	\$ 352,912	\$ 394,089
5	Total Sales Revenue at Proposed Rates	\$ 94,277	\$ 101,531	\$ 112,412	\$ 119,666	\$ 130,547	\$ 148,683	\$ 166,818	\$ 203,089	\$ 239,359	\$ 275,630	\$ 311,901	\$ 348,171
6	Difference (\$)	\$ (11,575)	\$ (12,556)	\$ (14,028)	\$ (15,009)	\$ (16,481)	\$ (18,934)	\$ (21,387)	\$ (26,293)	\$ (31,199)	\$ (36,105)	\$ (41,011)	\$ (45,918)
7	Difference (%)	-10.9%	-11.0%	-11.1%	-11.1%	-11.2%	-11.3%	-11.4%	-11.5%	-11.5%	-11.6%	-11.6%	-11.7%
8	Transport Revenues at Current Rates	\$ 15,757	\$ 16,738	\$ 18,210	\$ 19,191	\$ 20,663	\$ 23,116	\$ 25,569	\$ 30,476	\$ 35,382	\$ 40,288	\$ 45,194	\$ 50,100
9	Transport Revenues at Proposed Rates	\$ 15,608	\$ 16,568	\$ 18,009	\$ 18,970	\$ 20,411	\$ 22,812	\$ 25,214	\$ 30,017	\$ 34,820	\$ 39,623	\$ 44,426	\$ 49,229
10	Difference (\$)	\$ (149)	\$ (170)	\$ (201)	\$ (222)	\$ (253)	\$ (304)	\$ (356)	\$ (459)	\$ (562)	\$ (665)	\$ (768)	\$ (871)
11	Difference (%)	-0.9%	-1.0%	-1.1%	-1.2%	-1.2%	-1.3%	-1.4%	-1.5%	-1.6%	-1.7%	-1.7%	-1.7%

Providence Gas Company													
Bill Impact - Extra Large High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in ccf) of:											
		125,000	135,000	150,000	160,000	175,000	200,000	225,000	275,000	325,000	375,000	425,000	475,000
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	13.8%	3.5%	3.5%	10.3%	0.0%	10.4%	10.3%	17.3%	10.3%	6.9%	3.5%	10.3%
2	Cumulative Customers	13.8%	17.2%	20.7%	31.0%	31.0%	41.4%	51.7%	69.0%	79.3%	86.2%	89.7%	100.0%
3	Percentage of Volume	5.8%	1.9%	2.0%	6.7%	0.0%	8.0%	9.1%	17.4%	13.1%	10.1%	5.9%	20.0%
4	Total Sales Revenue at Current Rates	\$ 104,047	\$ 112,138	\$ 124,274	\$ 132,365	\$ 144,502	\$ 164,729	\$ 184,957	\$ 225,412	\$ 265,866	\$ 306,321	\$ 346,776	\$ 387,231
5	Total Sales Revenue at Proposed Rates	\$ 83,623	\$ 90,025	\$ 99,627	\$ 106,029	\$ 115,632	\$ 131,637	\$ 147,641	\$ 179,650	\$ 211,660	\$ 243,669	\$ 275,678	\$ 307,687
6	Difference (\$)	\$ (20,424)	\$ (22,113)	\$ (24,647)	\$ (26,336)	\$ (28,870)	\$ (33,093)	\$ (37,315)	\$ (45,761)	\$ (54,207)	\$ (62,653)	\$ (71,098)	\$ (79,544)
7	Difference (%)	-19.6%	-19.7%	-19.8%	-19.9%	-20.0%	-20.1%	-20.2%	-20.3%	-20.4%	-20.5%	-20.5%	-20.5%
8	Transport Revenues at Current Rates	\$ 13,843	\$ 14,671	\$ 15,914	\$ 16,742	\$ 17,984	\$ 20,054	\$ 22,125	\$ 26,265	\$ 30,406	\$ 34,546	\$ 38,687	\$ 42,828
9	Transport Revenues at Proposed Rates	\$ 14,649	\$ 15,533	\$ 16,859	\$ 17,743	\$ 19,069	\$ 21,279	\$ 23,489	\$ 27,908	\$ 32,328	\$ 36,748	\$ 41,167	\$ 45,587
10	Difference (\$)	\$ 806	\$ 862	\$ 945	\$ 1,001	\$ 1,085	\$ 1,225	\$ 1,364	\$ 1,643	\$ 1,922	\$ 2,201	\$ 2,480	\$ 2,759
11	Difference (%)	5.8%	5.9%	5.9%	6.0%	6.0%	6.1%	6.2%	6.3%	6.3%	6.4%	6.4%	6.4%



Valley Gas Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		466	518	621	776	880	1,035	1,139	1,242	1,346	1,449	1,553	2,070
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	19.8%	3.9%	8.2%	14.0%	10.0%	13.6%	7.4%	5.9%	4.5%	3.3%	2.5%	5.1%
2	Cumulative Customers	19.8%	23.7%	31.9%	45.9%	55.9%	69.5%	77.0%	82.9%	87.3%	90.6%	93.1%	98.2%
3	Percentage of Volume	6.3%	2.2%	5.4%	11.4%	9.7%	15.1%	9.4%	8.2%	6.7%	5.3%	4.4%	10.4%
4	Total Revenue at Current Rates	\$ 529	\$ 575	\$ 668	\$ 806	\$ 895	\$ 1,028	\$ 1,116	\$ 1,203	\$ 1,289	\$ 1,375	\$ 1,461	\$ 1,888
5	Total Revenue at Proposed Rates	\$ 548	\$ 597	\$ 694	\$ 839	\$ 933	\$ 1,072	\$ 1,164	\$ 1,256	\$ 1,346	\$ 1,436	\$ 1,526	\$ 1,976
6	Difference (\$)	\$ 20	\$ 22	\$ 26	\$ 33	\$ 37	\$ 44	\$ 48	\$ 53	\$ 57	\$ 61	\$ 66	\$ 88
7	Difference (%)	3.7%	3.8%	3.9%	4.1%	4.2%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	4.6%

Valley Gas Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		41	52	78	93	104	129	155	207	259	311	362	414
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	20.5%	5.6%	9.1%	4.0%	2.5%	6.6%	6.8%	13.2%	10.6%	7.5%	5.1%	2.9%
2	Cumulative Customers	20.5%	26.1%	35.2%	39.2%	41.8%	48.3%	55.1%	68.4%	79.0%	86.5%	91.6%	94.6%
3	Percentage of Volume	2.7%	1.6%	3.5%	2.1%	1.5%	4.6%	5.8%	14.5%	14.9%	12.9%	10.3%	6.8%
4	Total Revenue at Current Rates	\$ 122	\$ 130	\$ 151	\$ 163	\$ 171	\$ 191	\$ 211	\$ 252	\$ 292	\$ 333	\$ 373	\$ 413
5	Total Revenue at Proposed Rates	\$ 128	\$ 137	\$ 161	\$ 175	\$ 185	\$ 209	\$ 232	\$ 280	\$ 327	\$ 375	\$ 422	\$ 469
6	Difference (\$)	\$ 6	\$ 7	\$ 10	\$ 13	\$ 14	\$ 17	\$ 21	\$ 28	\$ 35	\$ 42	\$ 49	\$ 56
7	Difference (%)	4.6%	5.4%	7.0%	7.7%	8.2%	9.1%	9.9%	11.1%	12.0%	12.6%	13.1%	13.5%

Valley Gas Bill Impact - Small C&I (Rate 80)													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	27.8%	7.9%	6.6%	4.6%	5.5%	7.4%	4.2%	6.8%	7.8%	10.1%	6.8%	4.6%
2	Cumulative Customers	27.8%	35.7%	42.3%	46.9%	52.4%	59.7%	64.0%	70.7%	78.6%	88.7%	95.4%	100.0%
3	Percentage of Volume	1.2%	1.9%	2.4%	2.2%	3.2%	5.5%	4.1%	7.9%	11.9%	21.7%	20.3%	17.7%
4	Total Revenue at Current Rates	\$ 355	\$ 495	\$ 634	\$ 727	\$ 861	\$ 1,077	\$ 1,248	\$ 1,500	\$ 1,915	\$ 2,736	\$ 3,557	\$ 4,378
5	Total Revenue at Proposed Rates	\$ 365	\$ 512	\$ 659	\$ 757	\$ 898	\$ 1,127	\$ 1,307	\$ 1,574	\$ 2,013	\$ 2,884	\$ 3,754	\$ 4,625
6	Difference (\$)	\$ 10	\$ 17	\$ 25	\$ 30	\$ 37	\$ 49	\$ 59	\$ 74	\$ 99	\$ 148	\$ 197	\$ 247
7	Difference (%)	2.8%	3.5%	3.9%	4.1%	4.3%	4.6%	4.7%	4.9%	5.2%	5.4%	5.5%	5.6%

Providence Gas Company Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		466	518	621	776	880	1,035	1,139	1,242	1,346	1,449	1,553	2,070
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	24.9%	4.2%	5.1%	9.5%	7.1%	10.9%	6.8%	5.9%	5.0%	4.2%	3.3%	8.7%
2	Cumulative Customers	24.9%	29.2%	34.3%	43.7%	50.9%	61.7%	68.5%	74.4%	79.4%	83.6%	86.9%	95.6%
3	Percentage of Volume	4.4%	2.2%	3.2%	7.3%	6.5%	11.4%	8.1%	7.6%	7.1%	6.4%	5.5%	16.7%
4	Total Revenue at Current Rates	\$ 582	\$ 634	\$ 739	\$ 896	\$ 996	\$ 1,146	\$ 1,245	\$ 1,344	\$ 1,441	\$ 1,539	\$ 1,636	\$ 2,123
5	Total Revenue at Proposed Rates	\$ 575	\$ 627	\$ 730	\$ 884	\$ 984	\$ 1,131	\$ 1,229	\$ 1,326	\$ 1,422	\$ 1,518	\$ 1,614	\$ 2,093
6	Difference (\$)	\$ (7)	\$ (7)	\$ (9)	\$ (11)	\$ (13)	\$ (15)	\$ (16)	\$ (18)	\$ (19)	\$ (21)	\$ (22)	\$ (30)
7	Difference (%)	-1.2%	-1.2%	-1.2%	-1.3%	-1.3%	-1.3%	-1.3%	-1.3%	-1.4%	-1.4%	-1.4%	-1.4%

Providence Gas Company Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		41	52	78	93	104	129	155	207	259	311	362	414
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	26.0%	4.6%	8.2%	3.7%	2.1%	5.4%	5.2%	10.7%	10.0%	6.3%	5.2%	3.3%
2	Cumulative Customers	26.0%	30.6%	38.8%	42.4%	44.6%	50.0%	55.2%	65.9%	75.9%	82.2%	87.4%	90.7%
3	Percentage of Volume	2.5%	1.1%	2.8%	1.6%	1.1%	3.3%	3.9%	10.2%	11.2%	10.6%	9.2%	6.7%
4	Total Revenue at Current Rates	\$ 136	\$ 148	\$ 177	\$ 194	\$ 206	\$ 235	\$ 264	\$ 322	\$ 379	\$ 437	\$ 495	\$ 553
5	Total Revenue at Proposed Rates	\$ 135	\$ 146	\$ 174	\$ 191	\$ 202	\$ 230	\$ 258	\$ 315	\$ 371	\$ 427	\$ 483	\$ 539
6	Difference (\$)	\$ (1)	\$ (2)	\$ (3)	\$ (3)	\$ (3)	\$ (4)	\$ (5)	\$ (7)	\$ (9)	\$ (10)	\$ (12)	\$ (14)
7	Difference (%)	-1.0%	-1.2%	-1.5%	-1.6%	-1.7%	-1.9%	-2.0%	-2.2%	-2.3%	-2.4%	-2.5%	-2.5%

Providence Gas Company Bill Impact - Small Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	3.4%	7.6%	9.5%	6.4%	8.8%	12.7%	7.9%	9.4%	9.8%	11.9%	6.2%	3.9%
2	Cumulative Customers	3.4%	11.0%	20.5%	26.9%	35.7%	48.4%	56.3%	65.7%	75.5%	87.4%	93.7%	97.6%
3	Percentage of Volume	0.3%	1.4%	2.6%	2.3%	3.9%	7.3%	5.7%	8.3%	11.2%	19.2%	14.1%	11.5%
4	Total Revenue at Current Rates	\$ 382	\$ 543	\$ 703	\$ 809	\$ 965	\$ 1,216	\$ 1,412	\$ 1,701	\$ 2,182	\$ 3,140	\$ 4,095	\$ 5,051
5	Total Revenue at Proposed Rates	\$ 379	\$ 537	\$ 694	\$ 798	\$ 951	\$ 1,198	\$ 1,390	\$ 1,674	\$ 2,146	\$ 3,086	\$ 4,023	\$ 4,961
6	Difference (\$)	\$ (4)	\$ (6)	\$ (9)	\$ (11)	\$ (13)	\$ (18)	\$ (22)	\$ (27)	\$ (36)	\$ (54)	\$ (72)	\$ (90)
7	Difference (%)	-0.9%	-1.2%	-1.3%	-1.3%	-1.4%	-1.5%	-1.5%	-1.6%	-1.6%	-1.7%	-1.8%	-1.8%

Providence Gas Company Bill Impact - Small High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	20.8%	9.4%	6.9%	3.8%	3.4%	5.3%	4.5%	6.2%	7.9%	12.5%	10.1%	6.4%
2	Cumulative Customers	20.8%	30.2%	37.1%	40.9%	44.3%	49.6%	54.1%	60.4%	68.2%	80.7%	90.8%	97.3%
3	Percentage of Volume	1.3%	1.6%	1.8%	1.3%	1.4%	2.9%	3.1%	5.2%	8.2%	19.6%	21.9%	17.7%
4	Total Revenue at Current Rates	\$ 382	\$ 543	\$ 703	\$ 809	\$ 965	\$ 1,216	\$ 1,412	\$ 1,701	\$ 2,182	\$ 3,140	\$ 4,095	\$ 5,051
5	Total Revenue at Proposed Rates	\$ 379	\$ 537	\$ 694	\$ 798	\$ 951	\$ 1,198	\$ 1,390	\$ 1,674	\$ 2,146	\$ 3,086	\$ 4,023	\$ 4,961
6	Difference (\$)	\$ (4)	\$ (6)	\$ (9)	\$ (11)	\$ (13)	\$ (18)	\$ (22)	\$ (27)	\$ (36)	\$ (54)	\$ (72)	\$ (90)
7	Difference (%)	-0.9%	-1.2%	-1.3%	-1.3%	-1.4%	-1.5%	-1.5%	-1.6%	-1.6%	-1.7%	-1.8%	-1.8%

Valley Gas Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		466	518	621	776	880	1,035	1,139	1,242	1,346	1,449	1,553	2,070
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	19.8%	3.9%	8.2%	14.0%	10.0%	13.6%	7.4%	5.9%	4.5%	3.3%	2.5%	5.1%
2	Cumulative Customers	19.8%	23.7%	31.9%	45.9%	55.9%	69.5%	77.0%	82.9%	87.3%	90.6%	93.1%	98.2%
3	Percentage of Volume	6.3%	2.2%	5.4%	11.4%	9.7%	15.1%	9.4%	8.2%	6.7%	5.3%	4.4%	10.4%
4	Total Revenue at Current Rates	\$ 548	\$ 597	\$ 694	\$ 839	\$ 933	\$ 1,072	\$ 1,164	\$ 1,256	\$ 1,346	\$ 1,436	\$ 1,526	\$ 1,976
5	Total Revenue at Proposed Rates	\$ 568	\$ 619	\$ 721	\$ 872	\$ 970	\$ 1,116	\$ 1,212	\$ 1,308	\$ 1,403	\$ 1,498	\$ 1,592	\$ 2,063
6	Difference (\$)	\$ 20	\$ 22	\$ 26	\$ 33	\$ 37	\$ 44	\$ 48	\$ 53	\$ 57	\$ 61	\$ 66	\$ 88
7	Difference (%)	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%	4.1%	4.2%	4.2%	4.3%	4.3%	4.4%

Valley Gas Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		41	52	78	93	104	129	155	207	259	311	362	414
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	20.5%	5.6%	9.1%	4.0%	2.5%	6.6%	6.8%	13.2%	10.6%	7.5%	5.1%	2.9%
2	Cumulative Customers	20.5%	26.1%	35.2%	39.2%	41.8%	48.3%	55.1%	68.4%	79.0%	86.5%	91.6%	94.6%
3	Percentage of Volume	2.7%	1.6%	3.5%	2.1%	1.5%	4.6%	5.8%	14.5%	14.9%	12.9%	10.3%	6.8%
4	Total Revenue at Current Rates	\$ 128	\$ 137	\$ 161	\$ 175	\$ 185	\$ 209	\$ 232	\$ 280	\$ 327	\$ 375	\$ 422	\$ 469
5	Total Revenue at Proposed Rates	\$ 134	\$ 144	\$ 172	\$ 188	\$ 199	\$ 226	\$ 253	\$ 308	\$ 362	\$ 416	\$ 471	\$ 525
6	Difference (\$)	\$ 6	\$ 7	\$ 10	\$ 13	\$ 14	\$ 17	\$ 21	\$ 28	\$ 35	\$ 42	\$ 49	\$ 56
7	Difference (%)	4.4%	5.1%	6.5%	7.2%	7.6%	8.4%	9.0%	10.0%	10.7%	11.2%	11.6%	11.9%

Valley Gas Bill Impact - Small C&I (Rate 80)													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Percentage of Customers	27.8%	7.9%	6.6%	4.6%	5.5%	7.4%	4.2%	6.8%	7.8%	10.1%	6.8%	4.6%
2	Cumulative Customers	27.8%	35.7%	42.3%	46.9%	52.4%	59.7%	64.0%	70.7%	78.6%	88.7%	95.4%	100.0%
3	Percentage of Volume	1.2%	1.9%	2.4%	2.2%	3.2%	5.5%	4.1%	7.9%	11.9%	21.7%	20.3%	17.7%
4	Total Revenue at Current Rates	\$ 365	\$ 512	\$ 659	\$ 757	\$ 898	\$ 1,127	\$ 1,307	\$ 1,574	\$ 2,013	\$ 2,884	\$ 3,754	\$ 4,625
5	Total Revenue at Proposed Rates	\$ 375	\$ 530	\$ 684	\$ 786	\$ 935	\$ 1,176	\$ 1,366	\$ 1,648	\$ 2,112	\$ 3,032	\$ 3,952	\$ 4,871
6	Difference (\$)	\$ 10	\$ 17	\$ 25	\$ 30	\$ 37	\$ 49	\$ 59	\$ 74	\$ 99	\$ 148	\$ 197	\$ 247
7	Difference (%)	2.7%	3.4%	3.7%	3.9%	4.1%	4.4%	4.5%	4.7%	4.9%	5.1%	5.3%	5.3%

Providence Gas Company Bill Impact - Residential Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		466	518	621	776	880	1,035	1,139	1,242	1,346	1,449	1,553	2,070
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	24.9%	4.2%	5.1%	9.5%	7.1%	10.9%	6.8%	5.9%	5.0%	4.2%	3.3%	8.7%
2	Cumulative Customers	24.9%	29.2%	34.3%	43.7%	50.9%	61.7%	68.5%	74.4%	79.4%	83.6%	86.9%	95.6%
3	Percentage of Volume	4.4%	2.2%	3.2%	7.3%	6.5%	11.4%	8.1%	7.6%	7.1%	6.4%	5.5%	16.7%
4	Total Revenue at Current Rates	\$ 575	\$ 627	\$ 730	\$ 884	\$ 984	\$ 1,131	\$ 1,229	\$ 1,326	\$ 1,422	\$ 1,518	\$ 1,614	\$ 2,093
5	Total Revenue at Proposed Rates	\$ 568	\$ 619	\$ 721	\$ 873	\$ 971	\$ 1,116	\$ 1,212	\$ 1,308	\$ 1,402	\$ 1,497	\$ 1,591	\$ 2,063
6	Difference (\$)	\$ (7)	\$ (7)	\$ (9)	\$ (11)	\$ (13)	\$ (15)	\$ (16)	\$ (18)	\$ (19)	\$ (21)	\$ (22)	\$ (30)
7	Difference (%)	-1.2%	-1.2%	-1.2%	-1.3%	-1.3%	-1.3%	-1.3%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%

Providence Gas Company Bill Impact - Residential Non-Heat													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		41	52	78	93	104	129	155	207	259	311	362	414
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	26.0%	4.6%	8.2%	3.7%	2.1%	5.4%	5.2%	10.7%	10.0%	6.3%	5.2%	3.3%
2	Cumulative Customers	26.0%	30.6%	38.8%	42.4%	44.6%	50.0%	55.2%	65.9%	75.9%	82.2%	87.4%	90.7%
3	Percentage of Volume	2.5%	1.1%	2.8%	1.6%	1.1%	3.3%	3.9%	10.2%	11.2%	10.6%	9.2%	6.7%
4	Total Revenue at Current Rates	\$ 135	\$ 146	\$ 174	\$ 191	\$ 202	\$ 230	\$ 258	\$ 315	\$ 371	\$ 427	\$ 483	\$ 539
5	Total Revenue at Proposed Rates	\$ 134	\$ 144	\$ 172	\$ 188	\$ 199	\$ 226	\$ 253	\$ 308	\$ 362	\$ 416	\$ 471	\$ 525
6	Difference (\$)	\$ (1)	\$ (2)	\$ (3)	\$ (3)	\$ (3)	\$ (4)	\$ (5)	\$ (7)	\$ (9)	\$ (10)	\$ (12)	\$ (14)
7	Difference (%)	-1.0%	-1.2%	-1.5%	-1.6%	-1.7%	-1.9%	-2.0%	-2.2%	-2.4%	-2.5%	-2.5%	-2.6%

Providence Gas Company Bill Impact - Small Low Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	3.4%	7.6%	9.5%	6.4%	8.8%	12.7%	7.9%	9.4%	9.8%	11.9%	6.2%	3.9%
2	Cumulative Customers	3.4%	11.0%	20.5%	26.9%	35.7%	48.4%	56.3%	65.7%	75.5%	87.4%	93.7%	97.6%
3	Percentage of Volume	0.3%	1.4%	2.6%	2.3%	3.9%	7.3%	5.7%	8.3%	11.2%	19.2%	14.1%	11.5%
4	Total Revenue at Current Rates	\$ 379	\$ 537	\$ 694	\$ 798	\$ 951	\$ 1,198	\$ 1,390	\$ 1,674	\$ 2,146	\$ 3,086	\$ 4,023	\$ 4,961
5	Total Revenue at Proposed Rates	\$ 375	\$ 530	\$ 685	\$ 787	\$ 938	\$ 1,180	\$ 1,369	\$ 1,647	\$ 2,110	\$ 3,032	\$ 3,952	\$ 4,871
6	Difference (\$)	\$ (4)	\$ (6)	\$ (9)	\$ (11)	\$ (13)	\$ (18)	\$ (22)	\$ (27)	\$ (36)	\$ (54)	\$ (72)	\$ (90)
7	Difference (%)	-1.0%	-1.2%	-1.3%	-1.4%	-1.4%	-1.5%	-1.6%	-1.6%	-1.7%	-1.7%	-1.8%	-1.8%

Providence Gas Company Bill Impact - Small High Load Factor													
Line No.	Description	If Customer Uses Annual Volumes (in therms) of:											
		207	362	518	621	776	1,035	1,242	1,553	2,070	3,105	4,140	5,175
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	Percentage of Customers	20.8%	9.4%	6.9%	3.8%	3.4%	5.3%	4.5%	6.2%	7.9%	12.5%	10.1%	6.4%
2	Cumulative Customers	20.8%	30.2%	37.1%	40.9%	44.3%	49.6%	54.1%	60.4%	68.2%	80.7%	90.8%	97.3%
3	Percentage of Volume	1.3%	1.6%	1.8%	1.3%	1.4%	2.9%	3.1%	5.2%	8.2%	19.6%	21.9%	17.7%
4	Total Revenue at Current Rates	\$ 379	\$ 537	\$ 694	\$ 798	\$ 951	\$ 1,198	\$ 1,390	\$ 1,674	\$ 2,146	\$ 3,086	\$ 4,023	\$ 4,961
5	Total Revenue at Proposed Rates	\$ 375	\$ 530	\$ 685	\$ 787	\$ 938	\$ 1,180	\$ 1,369	\$ 1,647	\$ 2,110	\$ 3,032	\$ 3,952	\$ 4,871
6	Difference (\$)	\$ (4)	\$ (6)	\$ (9)	\$ (11)	\$ (13)	\$ (18)	\$ (22)	\$ (27)	\$ (36)	\$ (54)	\$ (72)	\$ (90)
7	Difference (%)	-1.0%	-1.2%	-1.3%	-1.4%	-1.4%	-1.5%	-1.6%	-1.6%	-1.7%	-1.7%	-1.8%	-1.8%



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Appendix C

Sharing Formula

**THE NEW ENGLAND GAS COMPANY**  
**Illustrative Calculation of Earnings Sharing**  
**(\$000)**

1	Net Income Available for Common Equity	14,000
2	Common Equity Supporting Rate Base	110,000
3	Earned Return on Common Equity	12.73%
4	Benchmark Return on Common Equity	11.25%
5	Return on Equity above Benchmark	1.48%
6	Earnings above Benchmark	1,625
7	Company Share of Earnings above Benchmark - 50/50 Sharing Range	550
8	Company Share of Earnings above Benchmark - 75/25 Sharing Range	131
9	Ratepayer Share of Earnings above Benchmark	944
10	Revenue to be Refunded (Excludes RIGRT)	1,452

Line Notes

- 1 Net Income Available for Common Equity, inclusive of \$2,049 Mil of Company shared savings
- 2 Rate Base times 43.6%
- 3 Line 1 / Line 2
- 4 Per Settlement
- 5 Line 3 - Line 4
- 6 Line 5 \* Line 2
- 7 Line 5 (up to 1.00%) \* Line 2 / 2, not Less than Zero
- 8 ((Line 5 - 1.00%)\*Line 2)/4, not Less than Zero
- 9 Line 6 - Line 7 - Line 8
- 10 Line 9 /.65 (1-Estimated Tax Rate)

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Appendix D

Demonstration of Achieved Savings

**THE NEW ENGLAND GAS COMPANY**  
**Illustrative Calculation of Savings Proof - FY2006**  
**(\$000)**

1	Benchmark Cost of Service		127,700
2	GDPIPD Growth Y/E 6/30/2004	1.80% * 50%	1.0090
3	GDPIPD Growth Y/E 6/30/2005	2.00% * 50%	1.0100
4	GDPIPD Growth Y/E 6/30/2006	2.10% * 50%	1.0105
5	2006 Escalated Benchmark COS		131,504
6	2003 Therm Sales from Settlement (000)		345,400
7	Weather Adjusted 2006 Therm Sales (000)		355,000
8	Weather Normalized Sales Growth		2.779%
9	Cost Growth Factor		30%
10	Adjustment for Growth		1,097
11	Adjusted Benchmark Cost of Service		132,601
12	Normalized Cost of Service - Test Year 6/30/2006		128,000
13	Savings to be Shared		4,601
14	50/50 Sharing of Savings - 2005		2,300
15	Sharing of Savings - Measurement Year		2,325

Subject to Cap - see Illustration

Line Notes

- 1 FY 2003 Cost of Service, per Settlement
- 2-4 Assumed GDPIPD Change by Year
- 5 Line1 \* Line 2 \* Line 3 \* Line 4
- 6 Firm Throughput, FY 2003, per Settlement
- 7 Assumed Therm Sales, FY 2006
- 8 Line 7 / Line 6 - 1
- 9 Per Settlement
- 10 Line 8 \* Line 9\*Line 5
- 11 Line 5 + Line 10
- 12 Estimated Base Rate Cost of Service, FY 2006
- 13 Line 11 - Line 12
- 14 Line 13 / 2
- 15 Line 14 \* Line 4 (1/2 GDPIPD Change from FY 2005 to Measurement Year)

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Appendix E

Shared Merger Savings Cap

**THE NEW ENGLAND GAS COMPANY**  
**Illustrative Calculation of Cap on Shared Savings**  
**(\$000)**

1	Net Income Available for Common Equity - Latest FY	15,000
2	Common Equity Supporting Rate Base	120,000
3	Earned Return on Common Equity	12.50%
4	Benchmark Return on Common Equity	11.25%
5	Return on Equity above Benchmark	1.25%
6	Earnings above Benchmark	1,500
7	Company Share of Earnings above Benchmark - 50/50 Sharing Range	600
8	Company Share of Earnings above Benchmark - 75/25 Sharing Range	75
9	Total Company Share of Earnings above Benchmark	675
10	Company Share of Earnings above Benchmark Grossed Up for FIT	1,038
11	Merger Sharing in Rate Freeze Period	2,049
12	Maximum Merger Savings to be Included in Revenue Requirement	3,087

Line Notes

- 1 Net Income Available for Common Equity
- 2 Rate Base times 43.6%
- 3 Line 1 / Line 2
- 4 Per Settlement
- 5 Line 3 - Line 4
- 6 Line 5 \* Line 2
- 7 Line 5 (up to 1.00%) \* Line 2 / 2, not Less than Zero
- 8 ((Line 5 - 1.00%)\*Line 2)/4, not Less than Zero
- 9 Line 7 + Line 8
- 10 Line 9 / .65
- 11 Per Settlement
- 12 Line 10 + Line 11