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Debra A. Howland

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10  
Concord, N.H. 03301-2429

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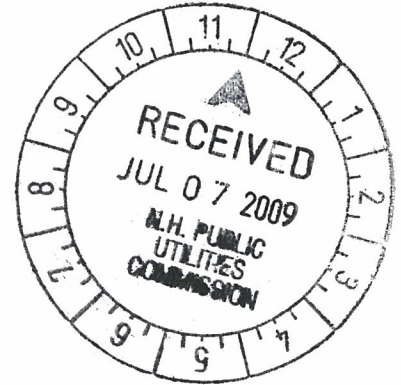
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July 7, 2009

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301



Re: DG 06-107 National Grid/KeySpan Corporation  
Cast Iron Bare Steel Replacement Program

Dear Ms. Howland:

Enclosed for filing is a letter received from National Grid dated May 15, 2009, listing 24 proposed cast iron bare steel main replacement candidates for fiscal year 2010 along with a cumulative computation of the estimated revenue and bill impact associated with the inclusion of \$3,529,305.06 in the rate base. This is related to the implementation of the Cast Iron Bare Steel (CIBS) Replacement Program pursuant to the settlement agreement approved by the Commission in Order No. 24,777 (2007).

This is for filing only and no action needs to be taken on the letter at this time. Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Edward N. Damon".

Edward N. Damon, Esq.  
Director, Legal Division

cc: Service list

**Via Overnight Mail and E-Mail**

May 15, 2009

Edward N. Damon, Esq.  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

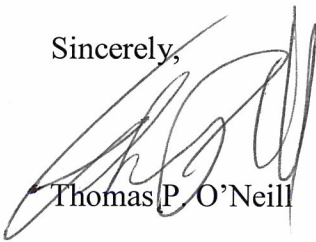
**Re: DG 06-107 National Grid/ KeySpan Corporation Merger**

Dear Attorney Damon:

In accordance with the Rate Plan Settlement Exhibit EN-3 section A-1 as approved by the Commission in Order No. 24,777 dated July 12, 2007, attached as Attachment A is a final list of 24 proposed cast iron bare steel main replacement candidates for fiscal year 2010 (April 1, 2009 through March 31, 2010). These replacement candidates were determined and prioritized in accordance with the Company's Procedure GENG-2050 (Identification, Evaluation and prioritization of Distribution Main Segments for Replacement), include targeted assets as agreed during previous technical sessions and reflect the comments of Staff at the technical session held on May 8, 2009. The Company's final proposal provides for the replacement of 4.08 miles at an estimated cost of \$4,029,305.06. Also enclosed, as Attachment B, is a cumulative computation of the estimated revenue and bill impact associated with the inclusion of \$3,529,305.06 million in rate base, which represents the incremental spending to the \$500,000 base amount, provided for in the merger settlement agreement.

Please contact me if you require any additional information.

Sincerely,



Thomas P. O'Neill

Enclosures

cc: Stephen P. Frink, Assistant Director, Gas and Water Division  
Kenneth E. Traum, Administrator III, Consumer Advocate  
Randall S. Knepper, Director, Safety Division

**Energy North**  
**Illustrative Cast Iron, Bare Steel Replacement Program**  
**Illustrative Computation of Revenue Requirement**

Annual Increase due to Cast Iron Bare Steel program

	Year 1 FY09	Year 2 FY10		
<b><u>Deferred Tax Calculation</u></b>				
1 CIBS Program Actual Spend	2,465,616	4,029,305		
2 Base Spending Amount	500,000	500,000		
3 Incremental Amount	1,965,616	3,529,305		
4 Cumulative REP Program Spend	1,965,616	5,494,921		
5				
6 Book Depreciation Rate (a)	2.23%	2.23%		
7 15/20 YR MACRS Tax Depr. Rates	5.00%	9.50%		
8 Vintage Year Tax Depreciation:				
9 Year 1 Spend	98,281	186,734		
10 Year 2 Spend		176,465		
11 Year 3 Spend				
12 Year 4 Spend				
13 Year 5 Spend				
14				
15 Annual Tax Depreciation	98,281	363,199		
16 Cumulative Tax Depreciation	98,281	461,480		
17				
18 Book Depreciation	43,800	122,445		
19 Cumulative Book Depreciation	43,800	166,246		
20				
21 Book/Tax Timer	54,480	295,234		
22 Effective Tax Rate	40.53%	40.53%		
23				
24 Deferred Tax Reserve	22,078	119,644		
25				
26 <b><u>Rate Base Calculation</u></b>				
27 Plant In Service	1,965,616	5,494,921		
28 Accum Depr	(43,800)	(166,246)		
29 Def Tax Reserve	(22,078)	(119,644)		
30 Year End Rate Base	1,899,737	5,209,032		
31				
32 <b><u>Revenue Requirement Calculation</u></b>				
33 Year End Rate Base	1,899,737	5,209,032		
34 Pre-Tax ROR	12.25%	12.25%		
35 Return and Taxes	232,778	638,272		
36 Book Depreciation	43,800	122,445		
37 Property Taxes (b)	1.92% 37,740	105,502		
38 Annual Revenue Requirement	314,318	866,219		
39				
40 <b><u>Annual Rate Adjustment</u></b>		<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	
41				
42 Incremental Annual Rate Adjustment		314,318	551,901	
43				
44				
45 <b><u>Imputed Capital Structure</u></b>				
46	<u>Ratio</u>	<u>Rate</u>	<u>Weighted Rate</u>	<u>Pre Tax</u>
47 Long Term Debt (c)	50.00%	7.02%	3.51%	3.51%
48 Short Term Debt	0.00%	0.00%	0.00%	0.00%
49 Common Equity (d)	50.00%	10.39%	5.20%	8.74%
50				
51	100.00%		8.71%	12.25%

(a) Actual 2007 Composite Depreciation rate for distribution property.

(b) Actual 2007 ratio of municipal tax expense to net plant in service.

(c) Capital structure per Merger Settlement in Docket DG 06-107, Exhibit 1, Section 3(c).

Bill Impacts due to Cast Iron and Bare Steel Replacement Program

	Total Yr 1	Incremental from Yr. 1
Annual Increase due to Cast Iron Bare Steel program	\$314,318	\$551,901
Annual Throughput (based on Nov 07 COG filing)	154,702,063	154,702,063
Increase Factor	\$0.0020	\$0.0036
Typical Residential bill (Based on Pk 08-09 and OffPeak 09 COG)	\$1,757	\$1,757
Typical Usage	1250	1250
Annual Increase for Residential Heating customer	\$2.54	\$4.46
Percent bill increase	0.14%	0.25%
Annual Revenues 2006-07 from Rate Case	\$176,520,000	\$176,520,000
Annual percent increase	0.18%	0.31%

2009 National Grid New Hampshire Cast Iron and Bare Steel Replacement (CIBS) Program

Priority	Paving	Category	Division	Town Code	STATUS	DESCRIPTION	Int Street 1	Int Street 2	Address Range	Exst Diameter	Exst Material	YOI	System Pressure	Relay Diameter	Relay Footage	Aband Count	Recnct Count	Relay/Insert Count	# of Services	Estimated Direct Main Cost	Estimated Direct Service Cost	Total Estimated Direct Cost	Total Estimated Loaded Cost (41%)	Avg Dcost/ Foot	Avg Lcost/ Foot	WONUM	Comments
1	No	PROG	New Hampshire-Central	MNC	INPRG	50-104 LOWELL ST, MNC, 488-500 CHESTNUT ST	CHESTNUT ST	BRIDGE ST	50-104	3 & 4	Cast Iron	1914/1920/1927	LP	6	1100	0	0	0	0	\$135,421.22	\$0.00	\$135,421.22	\$190,943.92	\$123.11	\$173.59	586529	COMP as of 5/09 - costs assigned to 2009 program
2	No	RNMC	New Hampshire-North	CCD	WSCHD	83 PLEASANT ST, CCD	BARBERRY LN		83	2	Bare Steel	1900	LP	4	120	0	0	0	0	\$12,720.00	\$0.00	\$12,720.00	\$17,935.20	\$106.00	\$149.46	588562	Work package created for 2008
3	No	PROG	New Hampshire-North	TIL	APPR	5-21 WINTER ST, TIL, & 4-22 PEABODY ST	CEDAR ST	W MAIN ST	5-21	4	Bare Steel	1931	60	6	1360	0	4	11	15	\$83,408.80	\$12,000.00	\$95,408.80	\$134,526.41	\$70.15	\$98.92	586554	Work package created for 2008
4	No	PROG	New Hampshire-Central	MNC	INPRG	148-227 SAGAMORE ST, MNC, & OAK ST	BEECH ST	RUSSELL ST	148-227	4	Cast Iron	1917/1924	LP	6	1505	3	9	22	34	\$169,848.39	\$35,789.39	\$205,646.78	\$289,961.96	\$136.64	\$192.67	586536	Work package created for 2008
5	Yes	PROG	New Hampshire-North	CCD	WSCHD	143-208 N MAIN ST, CCD	WASHINGTON ST	STORRS ST	143-208	6	Cast Iron	1892	LP	8	1175	0	5	11	16	\$100,838.30	\$18,996.96	\$119,835.26	\$168,967.72	\$101.99	\$143.80	586410	Work package created for 2008
6	TBD	PROG	New Hampshire-North	CCD	WSCHD	1-42 N SPRING ST, CCD, & WARREN ST	PLEASANT ST	RUMFORD ST	1-42	4	Cast Iron	1892/1900	LP	6	1425	2	5	14	21	\$89,954.79	\$20,706.46	\$110,661.25	\$156,032.36	\$77.66	\$109.50	586414	Work package created for 2008
7	TBD	PROG	New Hampshire-Central	MNC	ESTIM	287-522 BLODGET ST, MNC, & 154-162 LINDEN ST	OAK ST	HALL ST	287-522	4	Cast Iron	1925/1928/1941	LP	6	1905	0	0	23	23	\$234,315.00	\$18,400.00	\$252,715.00	\$356,328.15	\$132.66	\$187.05	627617	
8	TBD	PROG	New Hampshire-Central	MNC	APPR	25-174 CONCORD ST, MNC	ELM ST	UNION ST	25-174	6	Cast Iron	1925	LP	8	1505	0	0	8	8	\$185,115.00	\$6,400.00	\$191,515.00	\$270,036.15	\$127.25	\$179.43	642255	
9	TBD	PROG	New Hampshire-Central	MNC	APPR	24-67 TRENTON ST, MNC, CHESTNUT ST & N BAY ST	LEXINGTON AV	N ADAMS ST	24-67	4	Cast Iron	1927/1928	LP	6	1315	0	0	13	13	\$161,745.00	\$10,400.00	\$172,145.00	\$242,724.45	\$130.91	\$184.58	628880	
10	TBD	PROG	New Hampshire-North	CCD	WSCHD	128-160 BROADWAY, CCD	BROAD AV	WIGGIN ST	128-160	6	Cast Iron	1931	LP	8	1200	0	0	18	18	\$147,600.00	\$14,400.00	\$162,000.00	\$228,420.00	\$135.00	\$190.35	628730	
11	TBD	PROG	New Hampshire-Central	MNC	APPR	7-73 MIRROR ST, MNC, & 217-220 HARRISON ST	RUSSELL ST	BLODGET ST	7-73	4	Cast Iron	1915/1928	LP	6	650	0	0	7	7	\$92,568.32	\$5,600.00	\$98,168.32	\$138,417.33	\$151.03	\$212.95	628867	
12	TBD	PROG	New Hampshire-Central	MNC	APPR	323-353 CENTRAL ST, MNC	MAPLE ST	LINCOLN ST	323-353	4	Cast Iron	1915	LP	6	450	0	0	14	14	\$74,897.78	\$11,200.00	\$86,097.78	\$121,397.87	\$191.33	\$269.77	642220	
13	TBD	PROG	New Hampshire-Central	MNC	ESTIM	82-140 THIRD ST, MNC	FERRY ST	WALKER ST	82-140	4	Cast Iron	1899/1908	LP to 60 psig	6	425	0	0	9	9	\$65,301.24	\$7,200.00	\$72,501.24	\$102,226.75	\$170.59	\$240.53	642288	600 feet of 2 inch, 60 psig plastic to be installed
14	TBD	PROG	New Hampshire-North	FKN	WSCHD	20-23 PROCTOR AV, FKN	PEARL ST	CHESTNUT ST	20-23	2	Bare Steel	1900	60	2	365	0	0	1	1	\$38,690.00	\$800.00	\$39,490.00	\$55,680.90	\$108.19	\$152.55	641895	
15	Yes	PROG	New Hampshire-North	CCD	WSCHD	2-7 CORNELL ST, CCD	CLINTON ST		2-7	2	Bare Steel	1955	60	2	235	0	0	4	4	\$24,910.00	\$3,200.00	\$28,110.00	\$39,635.10	\$119.62	\$168.66	641873	
16	TBD	PROG	New Hampshire-North	FKN	WSCHD	25-28 DEPOT ST, FKN			25-28	2	Bare Steel	1931	60	2	165	0	0	2	2	\$17,490.00	\$1,600.00	\$19,090.00	\$26,916.90	\$115.70	\$163.13	641892	
17	TBD	RNMC	New Hampshire-South	NAS	APPR	2-4 FOURTH ST, NAS	LEDGE ST	N GROTON ST	2-4	2	Bare Steel	1926	LP	4	160	0	0	4	4	\$44,425.75	\$3,200.00	\$47,625.75	\$67,152.31	\$297.66	\$419.70	642294	
18	TBD	PROG	New Hampshire-South	NAS	APPR	12-25 BUCK ST, NAS, & 66-89 PALM ST	VINE ST	W HOLLIS ST		2	Bare Steel	1901/1903/1911	LP	4	1075	0	0	29	29	\$181,255.57	\$23,200.00	\$204,455.57	\$288,282.35	\$190.19	\$268.17	655576	
19	Yes	PROG	New Hampshire-Central	MNC	INPRG	94-139 YOUNG ST, MNC, & COTTER CT	TAYLOR ST		94-139	4	Cast Iron	1936/1917	LP	6	530	0	2	14	16	\$85,282.65	\$12,800.00	\$98,082.65	\$138,296.54	\$185.06	\$260.94	642290	
20	TBD	PROG	New Hampshire-Central	MNC	ESTIM	268-336 NOTRE DAME AV, MNC, & WAYNE ST	PUTNAM ST	DUBUQUE ST	268-336	3 & 4	Cast Iron	1899/1909	LP	6	990	0	0	12	12	\$121,770.00	\$9,600.00	\$131,370.00	\$185,231.70	\$132.70	\$187.10	642274	
21	TBD	PROG	New Hampshire-Central	MNC	APPR	6-48 BLUCHER ST, MNC	CONANT ST		6-48	6	Cast Iron	1923	LP	6	280	0	0	9	9	\$73,933.54	\$7,200.00	\$81,133.54	\$114,398.29	\$289.76	\$408.57	642210	
22	TBD	PROG	New Hampshire-South	NAS	ESTIM	31-39 NEWBURY ST, NAS, & 29-31 MCKEAN ST	HAINES ST		31-39	2 & 4	Bare Steel	1898/1910/1928	LP	6	530	0	0	41	41	\$56,180.00	\$32,800.00	\$88,980.00	\$125,461.80	\$167.89	\$236.72	642295	
23	TBD	PROG	New Hampshire-North	LAC	ESTIM	176-329 MECHANIC ST, LAC, & WALNUT ST	CHESTNUT ST	STARK ST	176-329	2, 3 & 4	CI-WI-BS	1900	LP to 60 psig	2	1750	0	0	31	31	\$215,250.00	\$24,800.00	\$240,050.00	\$338,470.50	\$137.17	\$193.41	660396	Associated with regulator aband/uprating project
24	TBD	RNMC	New Hampshire-South	NAS	ESTIM	5-11 BRISTOL ST, NAS, ESSEX ST & BERKSHIRE ST	PINE HILL AV	AMHERST ST	5-11	4	BS-WI	1947/1951/1954/1955	LP	6	1340	0	0	28	28	\$142,040.00	\$22,400.00	\$164,440.00	\$231,860.40	\$122.72	\$173.03	642292	1100 feet of 2 inch, 60 psig plastic to be installed
Grand Totals														Footage	21555	5	25	325	355	\$2,554,961.35	\$302,692.81	\$2,857,663.16	\$4,029,305.06				
														Mileage	4.08												