

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH

Cost of Service Exhibits
Summary
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ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Computation of Revenue Deficiency

Line No.	Description (A)	Updated Pro Forma (B)
1	Rate Base Proposed	\$ 167,171,345
2	Rate of Return	<u>8.87%</u>
3	Income Required	14,827,196
4	Adjusted Net Operating Income	<u>9,077,279</u>
5	Deficiency	5,749,918
6	Tax Effect	<u>1.6814</u>
7	Revenue Deficiency	9,667,789
8	Revenue Increase	9,667,789
9	Income Tax Rate	<u>41%</u>
10	Income Tax	<u><u>\$ 3,917,872</u></u>

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1 - Operating Revenues

Line No.	Description (A)	Revenue			COG			Margin		
		Twelve Months Ending June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Test Year (D)	Twelve Months Ending June 30, 2009 (E)	Pro Forma Adjustments (F)	Pro Forma Test Year (G)	Twelve Months Ending June 30, 2009 (H)	Pro Forma Adjustments (I)	Pro Forma Test Year (J)
1	Firm Sales Rev	\$ 163,297,939	\$ -	\$ 163,297,939	\$ (119,982,666)	\$ -	\$ (119,982,666)	\$ 40,637,905	\$ -	\$ 40,637,905
2	Firm Transportation Rev	7,597,409	-	7,597,409	2,829	-	2,829	-	-	-
3	Firm LIDAF Rev- Sales	-	-	-	(2,677,369)	-	(2,677,369)	6,593,426	-	6,593,426
4	Firm LIDAF Rev- Sales	-	-	-	(1,006,812)	-	(1,006,812)	-	-	-
5	Interruptible Sales	22,666	(22,666)	-	(22,666)	22,666	-	-	-	-
6	Interruptible Transportation	-	-	-	-	-	-	-	-	-
7	Non Core	733,421	-	733,421	(12,835)	-	(12,835)	720,586	-	720,586
8	Sub-total	171,651,435	(22,666)	171,628,769	(123,699,519)	22,666	(123,676,853)	47,951,917	-	47,951,917
9	Late Payment Charges	1,192,394	-	1,192,394	-	-	-	1,192,394	-	1,192,394
10	Unbilled Revenue	(2,991,010)	-	(2,991,010)	2,846,500	-	2,846,500	(144,510)	-	(144,510)
11	Reconnect Fees	245,820	-	245,820	-	-	-	245,820	-	245,820
12	NG Check Fees	8,635	17,270	25,905	-	-	-	8,635	17,270	25,905
13	Commercial Sales Allowance	(26,667)	-	(26,667)	-	-	-	(26,667)	-	(26,667)
14	Sales Allowance	1,014,354	(1,014,354)	-	(978,743)	978,743	-	35,610	(35,610)	-
15	Broker Balancing	-	-	-	-	-	-	-	-	-
16	Broker Late Payment	-	-	-	-	-	-	-	-	-
17	Off System Sales	10,043,615	(10,043,615)	-	(10,076,032)	10,076,032	-	(32,416)	32,416	-
18	DSM Incentive	164,816	(164,816)	-	-	-	-	164,816	(164,816)	-
19	Financial Hedge	-	-	-	-	-	-	-	-	-
20	Wet Gas Therm Adjustment 2001-2007	-	-	-	-	-	-	-	-	-
21	Wet Gas Therm Adj Jul 06-Jan 07	-	-	-	-	-	-	-	-	-
22	Normalized Weather adjustment	-	(2,979,052)	(2,979,052)	-	2,602,851	2,602,851	-	(376,201)	(376,201)
23	DG 08-009/09-95 Rate Normalization	-	(2,736,588)	(2,736,588)	-	-	-	-	(2,736,588)	(2,736,588)
24	Low Income Assistance Program	-	-	-	-	-	-	-	-	-
25	Other	-	-	-	1,302,444	-	1,302,444	1,302,444	-	1,302,444
26	Deferral of Temporary Rate Increase	(5,456,198)	5,456,198	-	(250,787)	250,787	-	(250,787)	250,787	-
27	Reverse Occupant	(76,841)	76,841	-	(58,566)	(58,566)	-	(5,456,198)	5,456,198	-
28	Reallocate gas cost related bad debt from Acct. 90400 to Gas Cost	-	-	-	58,566	(58,566)	-	(18,274)	18,274	-
29	Additional Gas Cost B/D 1.75% TY to 2.54%	-	-	-	-	2,093,198	2,093,198	-	2,093,198	2,093,198
30	Reallocate production & storage from Acct. 8492k to Gas Costs	-	-	-	-	900,482	900,482	-	900,482	900,482
31	Adjustment for P&S and Misc Gas cost from DG 08-009	-	-	-	-	2,240,782	2,240,782	-	2,240,782	2,240,782
32	Sub-total	4,118,918	(11,388,116)	(7,269,198)	(7,098,052)	18,618,295	11,520,243	(2,979,133)	7,230,178	4,251,045
33	Total	\$ 175,770,353	\$ (11,410,782)	\$ 164,359,571	\$ (130,797,571)	\$ 18,640,961	\$ (112,156,610)	\$ 44,972,784	\$ 7,230,178	\$ 52,202,962

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Summary of Pro Forma Adjustment Income or Expense

Line No.	Description (A)	Reference (B)	Twelve Months Ended June 30, 2009 (C)	Pro Forma Adjustments (D)	Pro Forma Adjustments Agreed Upon (E)	Pro Forma Test Year (F)	First Preceding Fiscal Year Ended December 31, 2008 (G)	Second Preceding Fiscal Year Ended December 31, 2007 (H)
1	Operating Revenues	EN 2-2	\$ 175,770,354	\$ (11,410,782)	\$ 297,936	\$ 164,657,508	\$ 174,896,023	\$ 186,292,227
2	Operation & Maintenance Expenses	EN 2-2-2 Summary	155,706,773	(14,597,273)	(587,285)	140,522,214	152,463,604	163,071,575
3	Depreciation	EN 2-2-4	9,693,262	(1,801,635)		7,891,627	10,124,481	9,061,517
4	Amortization		-	-	-	-	-	-
5	Loss from Disposition of Property		-	-	-	-	-	-
6	Taxes Other Than Income Taxes	EN 2-2-3, p1	4,191,305	751,259	(2,076)	4,940,488	4,020,133	3,883,177
7	Interest on Customer Deposits	EN 2-2-6	19,557	-	-	19,557	-	-
8	Total Operating Revenue Deductions		169,610,896	(15,647,649)	(589,361)	153,373,886	166,608,219	176,016,268
9	Operating Income Before Federal Income Taxes		6,159,458	4,236,867	887,297	11,283,622	8,287,804	10,275,959
10	State Income Taxes	EN 2-2-5 p1	7,892	454,882		462,774	93,719	307,352
11	Federal Income Taxes	EN 2-2-5 p2	430,570	1,313,000		1,743,570	1,248,670	2,544,279
12	Total Income Taxes		438,462	1,767,882		2,206,344	1,342,389	2,851,631
13	Operating Income After Federal & State Income Taxes		\$ 5,720,996	\$ 2,468,986		\$ 9,077,279	\$ 6,945,415	\$ 7,424,328
14	Rate Base		\$ 170,722,365			\$ 167,171,345		
15	Rate of Return	EN 3-1	3.35%			5.43%		

ENERGYNORTH NATURAL GAS, INC. d/b/a NATIONAL GRID NH
Attachment - Summary of Pro Forma Adjustment Income or Expense

Line No.	Description (A)	Reference (B)	Twelve Months Ended June 30, 2009 (C)	Pro Forma Adjustments (D)	Pro Forma Adjustments Agreed Upon (E)	Pro Forma Test Year (F)	Proposed Rate Increase (G)	Rate Year (H)
1	Operating Revenues	EN 2-2	\$ 175,770,354	\$ (11,410,782)	\$ 297,936	\$ 164,657,508	\$ 9,667,789	\$ 174,325,297
2	Operation & Maintenance Expenses	EN 2-2-2 Summary	155,706,773	(14,597,273)	(587,285)	140,522,214	-	140,522,214
3	Depreciation	EN 2-2-4	9,693,262	(1,801,635)	-	7,891,627	-	7,891,627
4	Amortization		-	-	-	-	-	-
5	Loss from Disposition of Property		-	-	-	-	-	-
6	Taxes Other Than Income Taxes	EN 2-2-3, p1	4,191,305	751,259	(2,076)	4,940,488	-	4,940,488
7	Interest on Customer Deposits	EN 2-2-6	19,557	-	-	19,557	-	19,557
8	Total Operating Revenue Deductions		169,610,896	(15,647,649)	(589,361)	153,373,886	-	153,373,886
9	Operating Income Before Federal Income Taxes		6,159,458	4,236,867	887,297	11,283,622	9,667,789	20,951,411
10	State Income Taxes	EN 2-2-5 p1	7,892	454,882	-	462,774	821,762	1,284,536
11	Federal Income Taxes	EN 2-2-5 p2	430,570	1,313,000	-	1,743,570	3,096,109	4,839,679
12	Total Income Taxes		438,462	1,767,882	-	2,206,344	3,917,872	6,124,215
13	Operating Income After Federal & State Income Taxes		\$ 5,720,996	\$ 2,468,986	-	\$ 9,077,279	\$ 5,749,918	\$ 14,827,196
14	Rate Base		\$ 170,722,365			\$ 167,171,345		167,171,345
15	Rate of Return	EN 3-1	3.35%			5.43%		8.87%

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1B - Summary of Taxes Other Than Income Taxes

Line No.	Description (A)	Twelve Months Ended June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Adjustments Agreed Upon (D)	4th Installment Payment made to City of Concord (E)	Pro Forma Test Year (F)
1	Property Taxes	\$ 3,855,759	\$ 601,410	\$ (2,076)	\$ 152,646	\$ 4,607,739
2	Total Property Taxes	<u>3,855,759</u>	<u>601,410</u>	<u>(2,076)</u>	<u>152,646</u>	<u>4,607,739</u>
3	State					
4	Unemployment Insurance	979	3,482	-		4,461
5	Other					
6	Total State Taxes	<u>979</u>	<u>3,482</u>	<u>-</u>		<u>4,461</u>
7	Federal					
8	FICA Tax	514,269	(9,652)	-		504,617
9	Unemployment Tax	5,189	(97)	-		5,092
10	Total Federal Taxes	<u>519,458</u>	<u>(9,749)</u>	<u>-</u>		<u>509,709</u>
11	Payroll Taxes Capitalized	(184,891)	3,470	-		(181,421)
12	Total Taxes Other than Income Taxes	<u>\$ 4,191,305</u>	<u>\$ 598,613</u>	<u>\$ (2,076)</u>	<u>\$ 152,646</u>	<u>\$ 4,940,488</u>

Note: Payroll Taxes increased by overall EnergyNorth payroll.

**WORKPAPER - EXHIBIT EN 2-2-3
COS - SUMMARY - TAXES OTHER THAN INC TAX**

Energy North Natural Gas

Real Estate Taxes Paid 2009 (Tax Year April 2009 - March 2010)

<u>Taxing Authority</u>	<u>Utility Taxes</u>
State of New Hampshire- Utility Tax	865,342.92
	<u>Property Taxes</u>
Allenstown	54,755.46
Amherst	51,537.00
Auburn	773.00
Bedford	31,170.02
Belmont	15,864.37
Berlin	10,911.00
Boscawen	12,766.00
Bow	115,484.00
Canterbury	7,785.00
Concord	395,438.08
Derry	43,888.27
Franklin	41,216.00
Gilford	7,472.00
Goffstown	28,930.45
Hollis	1,922.00
Hooksett	173,080.00
Hudson	199,547.34
Laconia	77,835.00
Litchfield	6,352.00
Londonderry	354,552.00
Loudon	32,416.00
Manchester	698,143.37
Merrimack	125,370.00
Milford	41,197.16
Nashua	786,761.88
Northfield	22,170.00
Pembroke	85,844.00
Sanbornton	355.00
Tilton	168,290.00
	<u>3,591,826.40</u>
Total Property Taxes Test Year	3,855,759.00
Accrual to Return Adjustment	601,410.32
Total Taxes Paid: Utility & Property	4,457,169.32

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1C - Depreciation Expense

Line No.	Description (A)	Twelve Months Ended June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Test Year (D)
1	Total Depreciation Expense	\$ 9,693,262	\$ (1,801,635)	\$ 7,891,627
2		<u>\$ 9,693,262</u>	<u>\$ (1,801,635)</u>	<u>\$ 7,891,627</u>

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1D - State Income Tax Computation - Utility Operations

Line No.	Description (A)	Twelve Months Ended June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Test Year (D)	Proposed Rate Increase (E)	Pro Forma Test Year (F)
1	OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	\$ 6,159,458	\$ 5,124,165	\$ 11,283,622	\$ 9,667,789	\$ 20,951,411
2	INTEREST CHARGES and Other Charges	4,044,920	1,789,360	5,834,280	-	5,834,280
3	OPERATING INCOME BEFORE INCOME TAXES	2,114,537	3,334,805	5,449,342	9,667,789	15,117,131
SECTION I - FLOW THROUGH ITEMS						
Permanent Differences						
4	Lobbying Expenses	(41,786)	41,786	-	-	-
5	Meals & Entertainment	(7,077)	-	(7,077)	-	(7,077)
6	Penalties & Fines	-	-	-	-	-
7	Medicare Income	2,136	-	2,136	-	2,136
8	AFUDC Equity	481,018	(481,018)	-	-	-
9	Total Perm Differences	434,291	(439,232)	(4,941)	-	(4,941)
10	Income Subject To Tax	2,548,828	2,895,573	5,444,401	9,667,789	15,112,190
11	Income Tax @ 8.5%	216,650	246,124	462,774	821,762	1,284,536
Accrual To Return Adjustment						
12	Current	(1,277,249)	1,277,249	-	-	-
13	Deferred	1,068,491	(1,068,491)	-	-	-
14	Total	(208,758)	208,758	-	-	-
15	State Income Tax Expense	7,892	454,882	462,774	821,762	1,284,536
Timing Differences						
16	Deferred Gas Costs	9,049,101	(9,049,101)	-	-	-
17	Gain/ <Loss> on Sale of Assets	-	-	-	-	-
18	Regulatory Liability	(785,998.00)	-	(785,998)	-	(785,998)
19	AFUDC Debt	15,372	(15,372)	-	-	-
20	Pension Cost	(1,687,352)	-	(1,687,352)	-	(1,687,352)
21	Unbilled Revenue	965,273	(965,273)	-	-	-
22	Unamortized Debt Expense	(7,473)	-	(7,473)	-	(7,473)
23	Amortization Expense	(313,808)	-	(313,808)	-	(313,808)
24	Bad Debts	(1,883,753)	1,883,753	-	-	-
25	Gas Research Institute	-	-	-	-	-
26	Incentive Plan	-	-	-	-	-
27	OPEB/FASB 106	62,767	-	62,767	-	62,767
28	Performance Shares	-	-	-	-	-
29	Vacation Accrual	(8,815)	-	(8,815)	-	(8,815)
30	Reserve- Environmental	(159,961)	-	(159,961)	-	(159,961)
31	Environmental Clean Up Costs	-	-	-	-	-
32	Catholic Protection	171	-	171	-	171
33	CIAC -- Deferral	(70,971)	-	(70,971)	-	(70,971)
34	Depreciation Expense -- Tax	(1,279,469)	-	(1,279,469)	-	(1,279,469)
35	Depreciation Expense -- Books	9,982,391	-	9,982,391	-	9,982,391
36	Non- improvement Mains	436,026	-	436,026	-	436,026
37	Removal Cost -- Deferral	256,851	-	256,851	-	256,851
38	Property Tax Deferral	-	-	-	-	-
39	Uniform Capitalization -- Section 263	(15,372)	15,372	-	-	-
40	UNICAP Inventory	353,499	(353,499)	-	-	-
41	UNICAP -- Self-Constructed Assets	113,114	(113,114)	-	-	-
42	R&E Expense	66,437	(66,437)	-	-	-
43	Total Timing Differences	15,088,030	(8,663,671)	6,424,359	-	6,424,359
44	Taxable Income	17,636,858	(5,768,098)	11,868,760	9,667,789	8,687,831
45	Current Income Tax @ 8.5%	1,499,133	(490,288)	1,008,845	821,762	738,466
46	Current Accrual To Return Adjustment	(1,277,249)	1,277,249	-	-	-
47	Current Income Tax Expense	221,884	786,961	1,008,845	821,762	738,466
48	Deferred Income Tax Expense	(1,282,483)	736,412	(546,071)	-	546,071
49	Deferred Accrual To Return Adjustment	1,068,491	(1,068,491)	-	-	-
50	Deferred Income Tax Expense	(213,992)	(332,079)	(546,071)	-	546,071
51	Total Income Tax Expense Deferred & Current	\$ 7,892	\$ 454,882	462,774	821,762	1,284,536

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1D - Federal Income Tax Computation - Utility Operations

Line No.	Description (A)	Twelve Months Ended June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Test Year (D)	Proposed Rate Increase (E)	Pro Forma Test Year (F)
1	OPERATING INCOME BEFORE INCOME TAXES& INTEREST CHARGES	\$ 6,159,458	\$ 5,124,165	\$ 11,283,622	\$ 9,667,789	\$ 20,951,411
2	INTEREST CHARGES and Other Charges	4,044,920	1,789,360	5,834,280	-	5,834,280
3	OPERATING INCOME BEFORE INCOME TAXES	2,114,537	3,334,805	5,449,342	9,667,789	15,117,131
4	State Income Taxes	216,650	246,124	462,774	821,762	1,284,536
5	SECTION I - FLOW THROUGH ITEMS					
5	Permanent Differences					
6	Lobbying Expenses	(41,786)	41,786	-	-	-
7	Meals & Entertainment	(7,077)	-	(7,077)	-	(7,077)
8	Penalties & Fines	-	-	-	-	-
9	Medicare Income	2,136	-	2,136	-	2,136
10	AFUDC Equity	481,018	(481,018)	-	-	-
11	Total Perm Differences	434,291	(439,232)	(4,941)	-	(4,941)
12	Income Subject To Tax	2,332,178	2,649,449	4,981,627	8,846,027	13,827,654
13	Income Tax @35%	816,262	927,307	1,743,570	3,096,109	4,839,679
	Accrual To Return Adjustment					
14	Current	479,571	(479,571)	-	-	-
15	Deferred	(865,264)	865,264	-	-	-
16	Total	(385,692)	385,692	-	-	-
17	Federal Income Tax Expense	\$ 430,570	\$ 1,313,000	\$ 1,743,570	\$ 3,096,109	\$ 4,839,679
	Timing Differences					
18	Deferred Gas Costs	9,049,101	(9,049,101)	-	-	-
19	Gain<Loss> on Sale of Assets	-	-	-	-	-
20	Regulatory Liability	(785,998)	-	(785,998)	-	(785,998)
21	AFUDC Debt	15,372	(15,372)	-	-	-
22	Pension Cost	(1,687,352)	-	(1,687,352)	-	(1,687,352)
23	Unbilled Revenue	965,273	(965,273)	-	-	-
24	Unamortized Debt Expense	(7,473)	-	(7,473)	-	(7,473)
25	Amortization Expense	(313,808)	-	(313,808)	-	(313,808)
26	Bad Debts	(1,883,753)	1,883,753	-	-	-
27	Gas Research Institute	-	-	-	-	-
28	Incentive Plan	-	-	-	-	-
29	OPEB/FASB 106	62,767	-	62,767	-	62,767
30	Performance Shares	-	-	-	-	-
31	Vacation Accrual	(8,815)	-	(8,815)	-	(8,815)
32	Reserve- Environmental	(159,961)	-	(159,961)	-	(159,961)
33	Environmental Clean Up Costs	-	-	-	-	-
34	Catholic Protection	171	-	171	-	171
35	CIAC -- Deferral	(70,971)	-	(70,971)	-	(70,971)
36	Depreciation Expense -- Tax	(1,279,469)	-	(1,279,469)	-	(1,279,469)
37	Depreciation Expense -- Books	9,982,391	-	9,982,391	-	9,982,391
38	Non- improvement Mains	436,026	-	436,026	-	436,026
39	Removal Cost -- Deferral	256,851	-	256,851	-	256,851
40	Property Tax Deferral	-	-	-	-	-
41	Uniform Capitalization -- Section 263	(15,372)	15,372	-	-	-
42	UNICAP Inventory	353,499	(353,499)	-	-	-
43	UNICAP -- Self-Constructed Assets	113,114	(113,114)	-	-	-
44	R&E Expense	66,437	(66,437)	-	-	-
45	Deferred State Income Tax Expense	1,282,483	(1,282,483)	-	-	-
46	Total Timing Differences	16,370,513	(9,946,154)	6,424,359	-	6,424,359
47	Taxable Income	18,702,690	(7,296,704)	11,405,986	8,846,027	20,252,013
48	Current Income Tax @ 35%	6,545,942	(2,553,847)	3,992,095	3,096,109	7,088,205
49	Current Accrual To Return Adjustment	479,571	(479,571)	-	-	-
50	Current Income Tax Expense	7,025,513	(3,033,418)	3,992,095	3,096,109	7,088,205
51	Deferred Income Tax Expense	(5,729,679)	3,481,154	(2,248,526)	-	(2,248,526)
52	Deferred Accrual To Return Adjustment	(865,264)	865,264	-	-	-
53	Deferred Income Tax Expense	(6,594,943)	4,346,417	(2,248,526)	-	(2,248,526)
54	Total Income Tax Expense Deferred & Current	\$ 430,570	\$ 1,313,000	\$ 1,743,570	\$ 3,096,109	\$ 4,839,679

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Utility Operations Interest Deduction

Line No.	Description (A)	Total (B)
1	Rate Base	\$ 167,171,345
2	Long Term Debt	<u>3.49%</u>
3	Interest Deduction	<u><u>\$ 5,834,280</u></u>

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Schedule 1E - Interest on Customer Deposits

Line No.	Description (A)	Twelve Months Ended June 30, 2009 (B)	Pro Forma Adjustments (C)	Pro Forma Test Year (D)
1	Total Interest on Customer Deposits	\$ 19,557	-	\$ 19,557
2		<u>\$ 19,557</u>	<u>-</u>	<u>\$ 19,557</u>

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Rate Base

	Total Gas Plant In Service	Noninterest Bearing CWIP	Reserve for Depreciation (1)	(Total) Net Utility Plant Service
June 2008	286,595,350	281,767	(99,418,734)	187,458,383
July	287,451,339	3,523,874	(100,031,149)	190,944,064
August	288,276,509	4,340,681	(100,665,696)	191,951,494
September	289,875,225	4,373,693	(101,221,337)	193,027,581
October	290,566,073	4,776,403	(101,850,443)	193,492,033
November	294,529,527	3,532,409	(102,508,222)	195,553,714
December	298,931,548	1,607,264	(103,333,074)	197,205,738
January	300,212,892	727,530	(103,901,364)	197,039,058
February	300,419,343	1,136,922	(104,013,596)	197,542,670
March	301,405,300	1,031,913	(104,672,240)	197,764,972
April	302,320,874	769,517	(105,391,735)	197,698,656
May	303,543,029	945,727	(106,085,619)	198,403,137
June 2009	308,862,633	-	(106,480,932)	202,381,701
Subtotal	3,852,989,642	27,047,699	(1,339,574,141)	2,540,463,200
1/2 June 08	143,297,675	140,884	(49,709,367)	93,729,192
1/2 June 09	154,431,317	-	(53,240,466)	101,190,851
	297,728,992	140,884	(102,949,833)	194,920,042
Total	3,555,260,651	26,906,816	(1,236,624,308)	2,345,543,158
Average (Total ÷ 12)	308,862,633	-	(106,480,932)	202,381,701
		Property Base Adjustments		(35,835,702)
		Customer Deposits & Interest Accrued on Deposits		(434,601)
		Adjusted Property Base		166,111,397
		Working Capital		1,059,948
		Average Rate Base		167,171,345

(1) Includes:

- (a) Includes Asset Retirement Obligation (2300K) and other deferred credits in Depreciation Reserve averaging (838,807)
- (b) Includes Contributions In Aid of Construction (27100 & 27101) averaging 10,403

ENERGYNORTH NATURAL GAS, INC d/b/a NATIONAL GRID NH
Summary of Property Base Adjustments

Line No.	Description	Staff Pro Forma
	<u>UnAmortized Deferred Assets</u>	\$ 2,757,128.00
	<u>Property Related Differences:</u>	
	2820K 00T382 DEPRECIATION EXPENSE	\$ (65,932,557)
	2820S 00T382 DEPRECIATION EXPENSE	(405,051)
	Subtotal	(66,337,608)
	<u>Investment Tax Credit:</u>	
	25302 000000 DEFAULT ACTIVITY	(1,109,159)
	25302 003057 AMORT INVEST CREDIT POST-1970	142,842
	25302 00T399 INVESTMENT TAX CREDITS	652,992
	Subtotal	(313,325)
	Property Base Adjustment Exhibit: Deferred Income Taxes Exhibit	(2,789,398)
	Fixed Asset Study	32,572,501
	Plus: Increase in Tax Repairs	(600,000)
	\$9 million in Fiscal Year 2009 - \$11 million in Fiscal Year 2010	
	\$11 million in Fiscal Year 2010 - \$13 million in Fiscal Year 2011	
		<u>\$ (37,467,830)</u>
	Net Property Base Adjustment	\$ (1,125,000)
		\$ (35,835,702.47)

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

National Grid NH's Responses to
Staff's Technical Session Requests – Set 1

Date Received: August 12, 2010
Request No.: Staff Tech 1-17

Date of Response: August 25, 2010
Witness: Frank Lombardo

REQUEST: Reference OCA 2-97. What is the amount of insurance company expenses included in the test year?

RESPONSE: Insurance premiums paid by the Company in the test year totaled \$219,797, which consisted of general liability, auto, property and other insurance in the amount of \$155,269 of which \$68,269 represented premiums paid to the National Grid Insurance Company (Vermont) ("NGIC") and insurance related to employees (i.e., workers compensation) in the amount of \$64,528, of which \$48,443 represented premiums paid to NGIC. Under the insurance arrangement with NGIC, the Company insured its self-insured retention for a set premium. That arrangement ended April 1, 2009.

In reviewing the Company's insurance expense in order to prepare this response, the Company determined (1) that the insurance expense included in the revenue requirement did not include the cost of claims paid directly during the portion of the test year when there was no insurance in place through NGIC and (2) in light of the termination of the arrangement with NGIC and in order to properly reflect the cost of claims expense that is within the Company's self-insured retention limits, an adjustment should be made to the revenue requirement. This adjustment consists of removing the premiums paid to NGIC during the test year and adding back an amount equal to the five year average of the actual amount of claims paid for the period 2005 to 2009. A five year average was used to smooth fluctuations in claims payments from year to year. Attachment Staff Tech 1-17 is a five year summary of claims paid by the Company that constitute its full self-insurance cost. The five year average is \$237,582 as compared to the self-insurance premiums of \$116,712. Therefore, a pro forma adjustment of \$120,870 should be made to increase the revenue requirement. The Company will include this adjustment when it files its updated revenue requirement including all adjustments identified during the discovery process.

Attachment Staff Tech 1-17

EnergyNorth Natural Gas, Inc., d/b/a National Grid NH

Historical Claim Data

Valued as of 12/31/09

Claim Payments

Period	General Liability Paid	Automobile Liability Paid	Workers' Compensation Paid	Grand Total
Gas:				
01/01/05 - 12/31/05	44,154.79	425,417.50	66,711.22	536,283.51
01/01/06 - 12/31/06	21,417.78	5,810.09	133,882.05	161,109.92
01/01/07 - 12/31/07	13,541.22	16,746.74	66,682.39	96,970.35
01/01/08 - 12/31/08	36,279.83	13,746.82	143,851.35	193,878.00
01/01/09 - 12/31/09	129,350.31	3,106.81	67,210.88	199,668.00
5 Yr Avg - Gas	48,948.79	92,965.59	95,667.58	237,581.96

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 64

Date of Response: November 23, 2010
Witness: Stephen Frink

REQUEST:

Ref. Attachment SPF-3, p. 1, Average Rate Base. As the Company stated in its response to OCA 1-73 and OCA 2-72, the Company's initial filing double counted non-growth capital for June 2009 because it was included in both the test year and the update of non-growth capital through September 2010. Given Staff's use of an end of test year (i.e., June 2009) rate base and the exclusion of non-growth capital beyond that date, Staff's rate base appears to eliminate that double count--that is, the Company believes that by excluding the updated non-growth capital, Staff has addressed (i.e., excluded) the second counting of the June 2009 non-growth capital amount and no further adjustment to rate base is required. Therefore, the Company believes that, in SPF-3 the line entitled "Adjustment per Staff Tech 3-43," the amount of \$1,249,821 should be removed from the exhibit, and the correct rate base figure in Mr. Frink's testimony should be \$168,919,824. Does Staff concur? If not, please explain.

RESPONSE:

Staff concurs.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 66

Date of Response: November 23, 2010
Witness: Stephen Frink

REQUEST:

Does the Staff support recovery by the Company of interest paid to the IRS (as opposed to penalties) as part of the deferred tax adjustment mechanism discussed beginning on p. 28 of Mr. Frink's testimony? If not, please explain why not.

RESPONSE:

Staff supports recovery of interest paid to the IRS as part of the deferred tax adjustment mechanism if the IRS interest rate used to calculate the interest charge does not exceed the Company's weighted average cost of capital approved by the Commission.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 113

Date of Response: November 23, 2010
Witness: James J. Cunningham, Jr.

REQUEST:

Ref. p. 6, lines 17-20 and p. 7, line 1-2 of Mr. Cunningham's testimony. For purposes of this question assume that (1) in Staff Tech 3-10, the Company provided an amount (\$161,392) for the FY 2011 direct OPEB expense that was an estimate using a fractional FY period of April 2010 – August 2010 and (2) Staff Tech 3-9, Attachment Staff Tech 3-9 (a), p 7, includes an estimate for the entire FY 2010 (in the amount of \$383,669). Assuming the foregoing is correct, is it Staff's position that only the amount in response to Staff Tech 3-10 should be used in calculating direct OPEB expense or does Staff agree that an amount for the entirety of FY 2011 should be used? Please explain. If Staff believes that an amount for the entirety of FY 2011 should be used, please provide Staff's recommended amount and show how it was derived.

RESPONSE:

Based on the methodology used by Staff to calculate its recommendation for OPEBs, Staff agrees that the estimated OPEB amount for the entirety of the twelve-month fiscal year ending March 31, 2011 should be used. However, Staff does not know the correct amount. Based on the information provided in discovery Staff Tech 3-10 (October 4, 2010), it appears that the Company has made adjustments to the amount previously provided by Hewitt Associates, LLC in Staff Tech 3-9 (September 27, 2010). Staff is not aware of the reasons for the adjustment and noted that at the time of preparation of its testimony, the adjustment was still under review (page 6, footnote 3).

To resolve the outstanding difference, Staff suggests that the Company provide the reasons for the adjustment along with the most recent OPEBs estimate for 12-month fiscal year ending March 31, 2011, as prepared by Hewitt Associates, LLC. After receiving this information, Staff can review and re-calculate, as appropriate, the amount of OPEBs expense.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 114

Date of Response: November 23, 2010
Witness: James J. Cunningham, Jr.

REQUEST:

Ref. p. 7, line 3-6 of Mr. Cunningham's testimony. For purposes of this question assume that (1) in Staff Tech 3-10, the Company provided an amount (\$127,359) for the FY 2011 for fair value amortization that was an estimate using a fractional FY period of April 2010 – August 2010 and (2) Staff Tech 3-13 includes a monthly amortization amount (\$25,472) and a yearly amortization amount (\$305,660). Assuming the foregoing is correct, is it Staff's position that only the amount in response to Staff Tech 3-10 should be used in calculating fair value amortization or does Staff agree that an amount for the entirety of FY 2011 should be used? Please explain. If Staff believes that an amount for the entirety of FY 2011 should be used, please provide Staff's recommended amount and show how it was derived.

RESPONSE:

Based on the methodology used by Staff to calculate its recommendation for OPEBs, Staff agrees that the estimated OPEB amount for the entirety of twelve-month fiscal year ending March 31, 2011 should be used. However, Staff does not know the correct amount. Based on the information provided in discovery Staff Tech 3-10, the estimated amount for the fiscal year ended March 2011 was \$127,359. This amount did not match with the estimated amount of \$305,660 amount provided in Staff Tech 3-13.

To resolve the outstanding difference, Staff suggests that the Company provide a reconciliation of the two amounts. After receiving this information, Staff can review and re-calculate, as appropriate, the fair value amortization component of OPEBs expense.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 115

Date of Response: November 23, 2010
Witness: James J. Cunningham, Jr.

REQUEST:

Ref p. 7, lines 7-9 of Mr. Cunningham's testimony. Please assume the following in responding to this question. FAS 112 expenses relate to costs of benefits provided by an employer to former or inactive employees after employment but before retirement. Postemployment benefits include all types of benefits provided to former or inactive employees, their beneficiaries, and covered dependents, such as salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care benefits and life insurance coverage. FAS 106 expenses relate to post retirement benefits other than pensions. If the foregoing is correct, does Staff agree that prudently incurred FAS 112 expenses should be included in the Company's revenue requirement? If so, please explain why Staff did not include \$77,112 in FAS 112 expense in the Company's revenue requirement in this case. If not, please explain.

RESPONSE:

As noted in my testimony, there was no explanation provided in the filing for FAS 112 expenses.

Staff suggests that the Company provide supporting documentation for its proposed amount, including actual amounts incurred for fiscal year ended March 31, 2010 and the most recent estimate for FAS 112 expenses for fiscal year ending March 31, 2011.

A. Staff Data Request Grid – Staff 113:

The Company’s initial response to Staff Tech 3-10 provided an estimate in the amount of \$161,392 utilizing a fractional FY period of April 2010 – August 2010. The response in Staff Tech 3-10 was an estimate that reflected 5 months of actual expense without a forecast for the remaining 7 months of the fiscal year. Response to Staff Tech 3-9 included a full a year (12 Month) estimate which should be used to determine FY 2011 expense. The following table reflects the proper FY 2011 estimate which bridges back to the September 27, 2010 Hewitt Associates, LLC estimate:

	Estimated Pension	Estimated Retiree Welfare	Estimated 30-Mar-2011
Total net periodic cost	1,463,964	383,669	1,847,632
Fair Value Amortization	727,304	305,660	1,032,964
Allocations	680,581	463,225	1,143,806
Capital	(925,396)	(101,772)	(1,027,168)
Total Pension & OPEB expense	\$ 1,946,453	\$ 1,050,782	\$ 2,997,234

B. Staff Data Request Grid – Staff 114:

The Company’s initial response to Staff Tech 3-10 provided an estimate for fair value amortization in the amount of \$127,359 utilizing a fractional FY period of April 2010 – August 2010. The response in Staff Tech 3-10 was an estimate that reflected 5 months of actual expense without a forecast for the remaining 7 months of the fiscal year. Response to Staff Tech 3-13 included a full a year (12 Month) estimate of \$305,660 which should be used to determine FY 2011 expense as authorized by DG 06-107. DG 06-107 authorized the Company to defer the recognition of any unrecognized gains or losses resulting from the fair market valuation of the assets in its pension and OPEB plans as of the closing date of the merger. The resulting regulatory liability or asset is to be amortized to expense over a period equal to the average estimated remaining service lives of the employees in the plan. In effect, the amortization of this regulatory asset or liability will become a component of net periodic expense for pension and OPEB’s. The determination of the required deferral is pending as of the date of this filing but is expected to be final by the Company’s fiscal year end, March 31, 2008.

The following table reflects the proper FY 2011 estimate:

	Staff Tech 3-10	Full Year	Variance
April 2010 Amortization	25,472	25,472	0
May 2010 Amortization	25,472	25,472	0
June 2010 Amortization	25,472		0

		25,472	
July 2010 Amortization	25,472	25,472	-
August 2010 Amortization	25,472	25,472	-
September 2010 Amortization	-	25,472	(25,472)
October 2010 Amortization	-	25,472	(25,472)
November 2010 Amortization	-	25,472	(25,472)
December 2010 Amortization	-	25,472	(25,472)
January 2011 Amortization	-	25,472	(25,472)
February 2011 Amortization	-	25,472	(25,472)
March 2011 Amortization	-	25,472	(25,472)
	127,359	305,660	(178,301)

C. Staff Data Request Grid – Staff 115:

The Company’s initial response to Staff Tech 3-10 was compiled using annual FY 10 actual data totaling \$3,959,753 for pension and OPEB expense. The FY 10 OPEB expense included in the response to Staff Tech 3-10 was presented net of FAS 112 totaling (\$214,328) (confirmed with the Company’s pension \ OPEB accounting team). The Company’s revised FY 2011 Pension \ OPEB estimated expense (as provided above in point A.) totaling \$2,997,234 excludes the impact of FAS 112. Consequently, any comparison of FY 2011 Pension \ OPEB estimated expense to FY 10 OPEB expense (included in the response to Staff Tech 3-10) would require FY 2011 estimated OPEB expense to be reduced by an estimated \$214,328 as provided in table below:

	FAS 112	Total 31-Mar-2010	Estimated FAS 112	Estimated 30-Mar-2011
Total net FAS 112	(214,328)	(214,328)	(214,328)	(214,328)
Total FAS 112 expense	(\$214,328)	(\$214,328)	(\$214,328)	(\$214,328)

As noted in the initial request, FAS 112 expenses relate to costs of benefits provided by an employer to former or inactive employees after employment but before retirement. Post employment benefits include all types of benefits provided to former or inactive employees, their beneficiaries, and covered dependents, such as salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers’ compensation), job training and counseling, and continuation of benefits such as health care benefits and life insurance coverage. The Company believes these are prudently incurred costs and warrant Staff’s consideration.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

National Grid NH's Responses to
OCA's Data Requests – Set #3

Date Received: August 24, 2010
Request No.: OCA 3-28

Date of Response: September 14, 2010
Witness: Frank Lombardo

REQUEST: Page 31 of the NHPUC Audit Report dated August 16, 2010, addresses account # 9030K, Customer Records and Collection Expenses, and states: “[A]ccording to the Company, [this account] includes ‘incremental costs associated with the contract center consolidation,’ in the amount of \$983,788 which should be considered non-recurring.”

- (a) Please provide copies of all responses provided to the PUC Audit Staff with regards to this issue. See, e.g., NHPUC Audit Report, pp. 20-21.
- (b) Please explain if the proposed revenue requirement is higher by \$983,788 or a different figure because of incurrence of these costs. What was the level of expense recorded to Account 9030K Activity 003602 in the test year?

- RESPONSE:**
- (a) Responses provided to the PUC Audit Staff with regards to this issue are attached hereto as Attachment OCA 3-28(a) and Attachment OCA 3-28(b).
 - (b) The proposed revenue requirement includes \$983,788 - the level of expense recorded to Account 9030K Activity 003602 in the test year. As discussed in the Company's response to the PUC Audit Staff, this charge relates to call center operations, specifically the costs associated with operating and maintaining the Company's internal call center that receives and addresses customer calls for issues such as-existing customers with no gas, bill inquiries, safety issues (e.g., gas odor calls), etc. The \$983,788 reflects labor costs in operating the call center. Labor costs increased to address the level of customer inquiries received in the normal course of business. The Company continues to incur these costs, which allow it to maintain the proper level of staffing in the Company's call center.

AUDIT REQUEST

UTILITY NAME: EnergyNorth
NUMBER: 76
NHPUC - AUDIT BY: Karen Moran
DOCKET REFERENCE: DG 10-017

TODAY'S DATE: 6/14/2010
RETURN REQUESTED BY: 6/21/2010
COMPANY CONTACT PERSON: Frank Lombardo
TEST YEAR: 7/1/2008 – 6/30/2009

AUDIT REQUEST

Regarding your responses to Audit Request #25:

- a. Account 90300 Activity 002005 \$44,856 you provided a spread of labor, consulting, labor loading and other charged. How many FTE/hours does the labor represent and on what basis is the labor loading calculated?
- b. Account 90300 Activity 002037 how many vehicles?
- c. Account 90300 Activity 003373 How many FTE/hours does the labor represent and on what basis is the labor loading calculated?
- d. Account 90300 Activity 00NG99 How many FTE/hours does the labor represent and on what basis is the labor loading calculated?
- e. Account 9030K requested an explanation for the increases. Your sum that it is postage \$367,037 plus lockbox \$45,909 plus Other \$129,915 does not answer the question, does not relate to any of the activity codes. Finally, the indication that the \$983,788 in Activity code 003602 is "Call Center Operations" is so generalized that it is not an indication of what the expense is.
- f. Account 90400-your summary of expenses does not provide an explanation for how the numbers were determined.
- g. Account 90500 your indication that \$20k was spread among labor, loading and other does not answer the question of why did the account and activity increase from \$3,639 at 12/08?
- h. Account 909FK requested documentation for the \$119,639. If there is a lead journal entry, or something to actually document what the customer markets expense from the service company was, please provide that.
- i. Please indicate what the "Low Income Settlement" is, and why this account (9100K) should be included at all in the current rate case.
- j. Please indicate why account 91200 should be included in the current rate case.
- k. Please indicate why account 91300 should be included in the current rate case.
- l. Please indicate why account 9160K, 9170K and 9301K should be included in the current rate case

PERSON RESPONSIBLE FOR RESPONSE: _____
RESPONSE:

Requests a. thru d.:

The information requested is unavailable in our general ledger system and because of the volume of material required to produce responses, the Company will not be able to provide the detailed information requested. In general, the burden rate is derived by dividing the specific cost (i.e., vacation, paid absence) for each company by the total direct labor for each company. During the burdening process, for Energy North, the resulting rate is applied to capital and clearing accounts

direct labor only. After the burdening process, a second process is run, where the clearing accounts are then allocated to either O&M or capital accounts.

Request e.:

In reviewing the totals to Account 9030K – the 12 months ending Dec 2008 reflect an approximate \$105,000 decrease from 12 months ending December 2007, 12 months ending June 2009 reflects an approximate \$163,000 increase from 12 months ending December 2008. In order to provide an explanation for the increase in account 9030K overall, the costs were shown by description of expense: labor, consulting, labor loading, postage, lockbox and other. The primary driver of the increase is in activity code 003602 which relates to customer billing and accounting costs. This increase is due to incremental costs associated with contact center consolidation. Call center operations includes the costs associated with running and maintaining our internal call center that receives and addresses customer calls for issues such as – existing customers with no gas, bill inquiries, safety issues – customers smell gas, etc.

Request f.:

Please see the attached file, “Audit Request #76 attachment A.xls”.

Request g.:

During 2008 the allocation process changed from the KeySpan model to a new National Grid model implemented across all segments. The National Grid model includes the same basic source details but employs different target accounts. This change was implemented to ensure consistency across all corporate segments. The increase in account 905 is the result of this change in targeting.

Request h.:

The \$119,639 charge results from a larger allocation of dollars (approximately \$4.4M) tied to a brand conversion project. The allocation is based upon the Company’s billing pool allocation process and EnergyNorth was allocated 2.708% through Bill Pool 200. Please see the attached file, “Audit Request #76 attachment B.xls” for bill pool detail.

Request i.:

The low income settlement is referred to in the bottom of page 5 and page 6 in the attached file, “Audit Request #76 attachment C.doc”. In the current filing \$77,832.25 of charges related to the low income settlement has been booked to GL acct# 9100K. Of this amount, \$25,899 has been pro formed out of the revenue requirement. See the current filing: Volumes 1A & 1B, Exhibit EN 2-2-2, Schedule 13, p.2. for this adjustment. In addition, please find attached “Audit Request #76 attachment D.xls” for additional detail – this file is an update to response provided to Audit request 29. Although components of charge are recorded to Cost type 520 - INCENTIVE PROGRAMS – OTHER, given this charge relates to the low income settlement, during the update phase of the current filing an additional \$51,933.25 will be adjusted from the Company’s revenue requirement.

Request j.:

These costs are normal operating costs of the business, and as consistent with the resolution in DG 08-009, are included in our revenue requirement. The O&M exhibits included categories

based upon Cost Type and General Ledger Account. As a result, O&M was categorized by Cost Element and Cost Element Group. For GL account 91200 items related to advertising and incentive programs in the amount of \$429,299 has been pro formed out of the Company's revenue requirement. Please see the current filing: Volumes 1A & 1B, Exhibit EN 2-2-2, Schedule 13, p.2. for this adjustment. In addition, please find attached "Audit Request #76 attachment D.xls" for additional detail – this file is an update to response provided to Audit request 29.

Request k.:

These costs are normal operating costs of the business, and as consistent with the resolution in DG 08-009, are included in our revenue requirement. The O&M exhibits included categories based upon Cost Type and General Ledger Account. For GL account 91300; \$31,644 has been pro formed out of our revenue requirement. Please see the current filing: Volumes 1A & 1B, Exhibit EN 2-2-2, Schedule 13, p.2. for this adjustment. In addition, please find attached "Audit Request #76 attachment D.xls" for additional detail – this file is an update to response provided to Audit request 29.

Request l.:

These costs are normal operating costs of the business, and as consistent with the resolution in DG 08-009, are included in our revenue requirement. The O&M exhibits included categories based upon Cost Type and General Ledger Account. For GL account 9170K; \$7,427 has been pro formed out of our revenue requirement. For GL account 9301K; \$44,822 has been pro formed out of our revenue requirement. Please see the current filing: Volumes 1A & 1B, Exhibit EN 2-2-2, Schedule 13, p.2. for these adjustments. In addition, please find attached "Audit Request #76 attachment D.xls" for additional detail – this file is an update to response provided to Audit request 29.

DATE RETURNED: _____ **DATE RELEASED:** _____

PLEASE RETURN TO:

Karen Moran
NHPUC 21 So. Fruit St., Suite 10
Concord, NH 03301-2429

e-mail Karen.moran@puc.nh.gov

Fax: (603) 271-3878

Phone (603) 271-7092

UTILITY NAME: Energy North

AUDIT REQUEST

TODAY'S DATE: 3/16/10

NUMBER: 25

RETURNS REQUESTED BY: ASAP

NHPUC - AUDIT BY: Karen Moran

COMPANY CONTACT PERSON: Frank Lombardo

DOCKET REFERENCE: DG 10-017

TEST PERIOD:

AUDIT REQUEST: I have attached a spreadsheet which is a condensed version of your EnergyNorth Ledger Source Report. Please consider the sheet as request #25. There are questions relating to certain accounts and activity codes within the sheet itself. Your prompt responses may result in further detailed questions from me, but it will be a starting point from which I will be able to proceed. Thank you for your attention. As always, call or email me if my sheet or questions are not clear.

RESPONSE: Please see attached file – 'audit request #25 detailed listing_acctng Acct 904 Response.xls'

PERSON RESPONSIBLE FOR RESPONSE: _____

GL Account	GL Account Desc	Activity	Activity Desc	Financial Classification	Financial Statement	Sort	Key	Opening Balance 7/1/2009	Accounts Payable System	Employees Expense System	Inventory Control System	Manual Journal Entry	Mass Allocation	NY PeopleSoft Financials	NY PeopleSoft Time & Labor System	PowerPlant System	Projects	Purchasing System	Treasury Workstation	Income Summary Transfer	Ending Balance 6/30/2009	Dec-2009	Dec-2007	Labor	Consulting	Labor Loading	Other Charges	Total Charges	
9200	AGS Regulatory Comm Exp	00NS99	NS Reference - Default Activity	Operations-Other	Income Statement	5	9200004299	-	-	-	-	-	-	20,011.24	-	-	-	-	-	-	20,011.24	10,957.97	-	11,720	43,912	7,423	859	20,011	
9200	Regulatory Commission Expenses	007398	REG SUPPL/DOWNS/TATE	Operations-Other	Income Statement	5	9200007398	-	-	-	-	-	-	64,378.36	-	-	-	-	-	-	64,378.36	-	-	8,680	43,912	4,199	1,587	64,378	
<p>Please provide an explanation of the two 028 accounts below</p> <p>00NS99 NS Reference - Default Activity</p> <p>007398 REG SUPPL/DOWNS/TATE</p>																													
<p>In general, why are there so many expense accounts with balances at the end of the test year, but with zero balances at the calendar year end of both 12/31/2008 and 12/31/2007?</p>																													
9020	Cost AC-Meter Read Exp	002000	SUPERVISION	Operations-Other	Income Statement	5	9020002000	-	-	-	-	-	-	4,968.33	-	-	-	-	-	-	4,968.33	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002004	GENERAL & ADMINISTRATIVE EXPENSE	Operations-Other	Income Statement	5	9020002004	-	-	-	-	-	-	2,098.34	-	-	-	-	-	-	2,098.34	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002008	TRAINING	Operations-Other	Income Statement	5	9020002008	-	-	-	-	-	-	3,008.00	-	-	-	-	-	-	3,008.00	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002036	Transportation-Guesting Charges	Operations-Other	Income Statement	5	9020002036	-	-	-	-	-	-	1,008	-	-	-	-	-	-	1,008	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002037	TRANSPORTATION - OTHER FLEET CHARGES	Operations-Other	Income Statement	5	9020002037	-	-	-	-	-	-	7,078.53	-	-	-	-	-	-	7,078.53	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002045	RENTAL LEASE	Operations-Other	Income Statement	5	9020002045	-	-	-	-	-	-	38.00	-	-	-	-	-	-	38.00	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002050	REPAIRS	Operations-Other	Income Statement	5	9020002050	-	-	-	-	-	-	4,100	-	-	-	-	-	-	4,100	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002050	OTHER EXPENSES	Operations-Other	Income Statement	5	9020002050	-	-	-	-	-	-	791.14	-	-	-	-	-	-	791.14	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002321	ACCURED PAYROLL - NON-AMT	Operations-Other	Income Statement	5	9020002321	-	-	-	-	-	-	3.62	-	-	-	-	-	-	3.62	-	-	-	-	-	-	-	-
<p>Please provide an explanation of the "Project" \$88,801</p>																													
9020	Cost AC-Meter Read Exp	003379	Meter Reading	Operations-Other	Income Statement	5	9020003379	-	88,801.70	-	-	(87.46)	-	46,985.47	-	-	-	88,801.70	-	-	88,801.70	107,795.13	152,939.67	75,938.6	21,209	12,815	88,801	88,801	
<p>The term Projects refers to the source system in which the charge originated. The actual project description of the \$88,801.70 of charges is Meter Reading & Collection Home BNH</p>																													
<p>As above, why balances at 6/30, but no calendar year end?</p>																													
9020	Cost AC-Meter Read Exp	004600	Service Labor	Operations-Other	Income Statement	5	9020004600	-	-	-	-	-	-	3,412.67	-	-	-	-	-	-	3,412.67	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	004611	Tools & Supplies	Operations-Other	Income Statement	5	9020004611	-	-	-	-	-	-	3,094.86	-	-	-	-	-	-	3,094.86	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	004659	PFM Inspector Labor	Operations-Other	Income Statement	5	9020004659	-	-	-	-	-	-	6,318.43	-	-	-	-	-	-	6,318.43	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	004660	Supplies	Operations-Other	Income Statement	5	9020004660	-	-	-	-	-	-	2,018.24	-	-	-	-	-	-	2,018.24	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	004681	Meter Hardware & Misc	Operations-Other	Income Statement	5	9020004681	-	-	-	-	-	-	721.79	-	-	-	-	-	-	721.79	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	003552	Materials & Supplies	Operations-Other	Income Statement	5	9020003552	-	-	-	-	-	-	9.84	-	-	-	-	-	-	9.84	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	003750	Other Employee Related	Operations-Other	Income Statement	5	9020003750	-	-	-	-	-	-	1,960.01	-	-	-	-	-	-	1,960.01	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	003791	Contractor	Operations-Other	Income Statement	5	9020003791	-	-	-	-	-	-	5,897.12	-	-	-	-	-	-	5,897.12	-	-	-	-	-	-	-	-
9020	Cost AC-Meter Read Exp	002000	SUPERVISION	Operations-Other	Income Statement	5	9020002000	-	-	-	-	-	-	2,361.82	-	-	-	-	-	-	2,361.82	-	-	-	-	-	-	-	-
9020	Cost AC-Cur Rec & Coll.	002004	GENERAL & ADMINISTRATIVE EXPENSE	Operations-Other	Income Statement	5	9030002004	-	-	-	-	-	-	44,886.47	-	-	-	-	-	-	44,886.47	89,934	152,939.67	21,076	21,209	1,225	1,347	89,934	89,934
9020	Cost AC-Cur Rec & Coll.	002005	Admin Assistant Office Suppl	Operations-Other	Income Statement	5	9030002005	-	-	-	-	-	-	70,371.64	-	-	-	-	-	-	70,371.64	58,464.24	51,489.85	27,854	21,209	1,225	1,347	44,856	44,856
9020	Cost AC-Cur Rec & Coll.	002010	Employee Expenses	Operations-Other	Income Statement	5	9030002010	-	-	-	-	-	-	17,682.27	-	-	-	17,682.27	-	-	17,682.27	58,464.24	51,489.85	27,854	21,209	1,225	1,347	44,856	44,856
<p>Please provide supporting documentation for the \$44,885</p>																													
9020	Cost AC-Cur Rec & Coll.	003379	Collection Field Personnel	Operations-Other	Income Statement	5	9030003379	-	848.78	-	-	(100.58)	-	7,985.35	-	-	-	17,682.27	-	-	70,371.64	149,214.02	109,248.46	151,794	21,209	2,030	3,079	70,371	70,371
<p>Please provide the activity for (re)dated activity relating to the two accounts below.</p>																													
9020	Cost AC-Cur Rec & Coll.	002037	TRANSPORTATION - OTHER FLEET CHARGES	Operations-Other	Income Statement	5	9030002037	-	36,820.08	-	-	-	8,005.84	7,985.35	-	-	-	17,682.27	-	-	70,371.64	149,214.02	109,248.46	151,794	21,209	2,030	3,079	70,371	70,371
9020	Cost AC-Cur Rec & Coll.	003379	Collection Field Personnel	Operations-Other	Income Statement	5	9030003379	-	848.78	-	-	(100.58)	-	7,985.35	-	-	-	17,682.27	-	-	70,371.64	149,214.02	109,248.46	151,794	21,209	2,030	3,079	70,371	70,371
<p>Please provide supporting documentation for the \$4,064</p>																													
9020	Cost AC-Cur Rec & Coll.	00NS99	NS Reference - Default Activity	Operations-Other	Income Statement	5	903000NS99	-	-	-	-	(4.28)	-	46,985.47	-	-	-	-	-	-	46,985.47	16,267.75	-	37,849	21,209	6,211	4	44,064	44,064
<p>The term Projects refers to the source system in which the charge originated. The actual project description of the \$88,801.70 of charges is Meter Reading & Collection Home BNH</p>																													

GL Account	GL Account Desc	Activity	Activity Desc	Financial Classification	Financial Statement	Sort	Key	Opening Balance 7/1/2009	Accounts Payable System	Employee Expense System	InVENTORY Control System	Manual Journal Entry	Mass Allocation	NDRB Preprobcat Financials	NY Preprobcat Time & Labor System	PowerPlant System	Projects	Purchasing System	Treasury Workstation	Income Summary Transfer	Ending Balance 6/30/2009	Dec-2008	Dec-2007	Labor	Consulting	Labor Loading	Other Charges	Total Charges								
8026K	Customer Records and Collection	002602	HANDLE CUSTOMER INQUIRY	Operations-Other	Income Statement	5	9300002602	-	-	-	-	-	(19,219)	960,897.13	-	-	-	-	-	-	960,797.87	756,026.50	866,097.45	489,271	28,489	109,026	357,101	960,787	Call Center Operations							
			Total					(301,230)	2,208,874.89	-	-	-	22,280,363.36	2,136,463.40	-	-	-	-	-	-	2,240,884.96	2,240,884.96	-	-	-	-	-	-	Call Center Operations							
90200	Customer Assistance Expenses			Operations-Other	Income Statement	5	9300002000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
90200	Customer Assistance Expenses	020004	RES ATTIC INSUL	Operations-Other	Income Statement	5	9300002004	-	-	-	-	26,035.46	11,670.89	-	-	-	-	-	-	-	-	26,035.46	31,673.79	-	-	-	-	-	-	-	-					
90200	Customer Assistance Expenses	020010	RES FURNACE	Operations-Other	Income Statement	5	9300002010	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	-					
			Total					6,520.90	-	-	-	40,855.46	-	-	-	-	-	-	-	-	40,855.46	31,673.79	-	-	-	-	-	-	-	-	-					
<p>Please provide an explanation for the credit balance in the first 904 account and supporting documentation for the \$3,763.08 in the second.</p> <p>Out of ACC Unallocated Ac: 002600 PROVISION FOR UNCOLLECT ACCTS-GAS Operations-Other Income Statement 5 9300002600</p> <p>Out of ACC Unallocated Ac: 002604 PROVISION FOR UNCOLLECT ACCTS-GAS Operations-Other Income Statement 5 9300002604</p>																																				
90200	Customer Assistance Expenses	002609	RES PRTG ARM	Operations-Other	Income Statement	5	9300002609	-	-	-	-	-	28,035.46	-	-	-	-	-	-	-	28,035.46	24,193.54	-	-	-	-	-	-	-	-	-					
90200	Customer Assistance Expenses	002604	RES ATTIC INSUL	Operations-Other	Income Statement	5	9300002604	-	-	-	-	11,670.89	-	-	-	-	-	-	-	-	11,670.89	31,673.79	-	-	-	-	-	-	-	-	-	-				
90200	Customer Assistance Expenses	002610	RES FURNACE	Operations-Other	Income Statement	5	9300002610	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	-	-	-	-			
			Total					54,531.45	-	-	-	44,531.45	-	-	-	-	-	-	-	-	44,531.45	56,837.12	-	-	-	-	-	-	-	-	-	-				
<p>Please provide supporting documentation for the mass allocations below, along with an explanation for the increase.</p> <p>Sales-Diamond & Sell Exp 007090 NEW ENGLAND ACTIVITIES Operations-Other Income Statement 5 9300007090</p> <p>Sales-Diamond & Sell Exp 007092 REBIDENTIAL EQUIPMENT Operations-Other Income Statement 5 9300007092</p> <p>Sales-Diamond & Sell Exp 007199 GAS SALES Operations-Other Income Statement 5 9300007199</p>																																				
<p>Please provide an explanation for the increase in account 90200, Activity code 00NG89</p> <p>Cust Acc/Cust Acc Ex: 00NG89 NG Reference: Default Activity Operations-Other Income Statement 5 930000NG89</p>																																				
<p>Please provide an explanation for this account and supporting documentation for the balance</p> <p>Informational & Institutional 00NG99 NG Reference: Default Activity Operations-Other Income Statement 5 930000NG99</p>																																				
<p>Please provide supporting documentation for the three manual journal entries below.</p> <p>Customer Assistance Expenses 003000 RES PRTG ARM Operations-Other Income Statement 5 9300003000</p> <p>Customer Assistance Expenses 003004 RES ATTIC INSUL Operations-Other Income Statement 5 9300003004</p> <p>Customer Assistance Expenses 003010 RES FURNACE Operations-Other Income Statement 5 9300003010</p>																																				
<p>Please provide supporting documentation for the mass allocations below, along with an explanation for the increase.</p> <p>Sales-Diamond & Sell Exp 007090 NEW ENGLAND ACTIVITIES Operations-Other Income Statement 5 9300007090</p> <p>Sales-Diamond & Sell Exp 007092 REBIDENTIAL EQUIPMENT Operations-Other Income Statement 5 9300007092</p> <p>Sales-Diamond & Sell Exp 007199 GAS SALES Operations-Other Income Statement 5 9300007199</p>																																				
91200	Advertising			Operations-Other	Income Statement	5	9300000928	-	-	-	-	-	20,944.28	-	-	-	-	-	-	-	20,944.28	3,639.66	-	-	-	-	4,514	20,544	-	-	-	-				
91200	Advertising	00NG99	NG Reference: Default Activity	Operations-Other	Income Statement	5	9300000928	-	-	-	-	119,038.93	-	-	-	-	-	-	-	-	119,038.93	-	-	-	-	-	119,039	20,544	-	-	-	-	-			
9100K	Customer Assistance Expenses	003000	RES PRTG ARM	Operations-Other	Income Statement	5	9300003000	-	-	-	-	26,035.46	-	-	-	-	-	-	-	-	26,035.46	24,193.54	-	-	-	-	-	-	-	-	-	-	-	-		
9100K	Customer Assistance Expenses	003004	RES ATTIC INSUL	Operations-Other	Income Statement	5	9300003004	-	-	-	-	11,670.89	-	-	-	-	-	-	-	-	11,670.89	31,673.79	-	-	-	-	-	-	-	-	-	-	-	-	-	
9100K	Customer Assistance Expenses	003010	RES FURNACE	Operations-Other	Income Statement	5	9300003010	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
			Total					54,531.45	-	-	-	44,531.45	-	-	-	-	-	-	-	-	44,531.45	56,837.12	-	-	-	-	-	-	-	-	-	-	-	-	-	
<p>Please provide supporting documentation for the mass allocations below, along with an explanation for the increase.</p> <p>Sales-Diamond & Sell Exp 007090 NEW ENGLAND ACTIVITIES Operations-Other Income Statement 5 9300007090</p> <p>Sales-Diamond & Sell Exp 007092 REBIDENTIAL EQUIPMENT Operations-Other Income Statement 5 9300007092</p> <p>Sales-Diamond & Sell Exp 007199 GAS SALES Operations-Other Income Statement 5 9300007199</p>																																				
<p>Please provide an explanation of the allocation process which results in so many credit balances in the advertising accounts below.</p> <p>Sales-Advertising Exp 001185 MISC MEDIA ADVERTISING Operations-Other Income Statement 5 9300001185</p> <p>Sales-Advertising Exp 001186 AGENCY FEES ADVERTISING Operations-Other Income Statement 5 9300001186</p> <p>Sales-Advertising Exp 001187 GENERAL SPONSORSHIP FEES Operations-Other Income Statement 5 9300001187</p> <p>Sales-Advertising Exp 001192 COLATERAL/FULFILL ADVERTISING Operations-Other Income Statement 5 9300001192</p> <p>Sales-Advertising Exp 002609 OTHER ADVERTISING CHARGES Operations-Other Income Statement 5 9300002609</p> <p>Sales-Advertising Exp 002777 Advertising Charges Operations-Other Income Statement 5 9300002777</p> <p>Sales-Advertising Exp 002822 PROPERTY TAX ALLOCATION STUDY Operations-Other Income Statement 5 9300002822</p> <p>Sales-Advertising Exp 003793 TELMARKETING Operations-Other Income Statement 5 9300003793</p> <p>Sales-Advertising Exp 007096 DIRECT MAIL ADS SUPPORT PROGRAM Operations-Other Income Statement 5 9300007096</p> <p>Sales-Advertising Exp 007098 ENVISLETTERS Operations-Other Income Statement 5 9300007098</p> <p>Sales-Advertising Exp 007155 PROMOTIONAL MATERIALS Operations-Other Income Statement 5 9300007155</p> <p>Sales-Advertising Exp 007196 TRADE ACTIVITY/JOURNAL ADS Operations-Other Income Statement 5 9300007196</p> <p>Sales-Advertising Exp 007197 WEB ADVERTISING Operations-Other Income Statement 5 9300007197</p> <p>Sales-Advertising Exp 007175 VENDOR SUPPORT Operations-Other Income Statement 5 9300007175</p> <p>Sales-Advertising Exp 007176 FINANCE PROGRAM SUPPORT Operations-Other Income Statement 5 9300007176</p> <p>Sales-Advertising Exp 007212 FEES Operations-Other Income Statement 5 9300007212</p> <p>Sales-Advertising Exp 007216 RADIO Operations-Other Income Statement 5 9300007216</p> <p>Sales-Advertising Exp 007217 PRNT Operations-Other Income Statement 5 9300007217</p> <p>Sales-Advertising Exp 007218 OUTDOOR Operations-Other Income Statement 5 9300007218</p> <p>Sales-Advertising Exp 007219 TV PRODUCTION Operations-Other Income Statement 5 9300007219</p> <p>Sales-Advertising Exp 007221 PRNT PRODUCTION Operations-Other Income Statement 5 9300007221</p> <p>Sales-Advertising Exp 007307 DIRECT MAIL POSTAGE Operations-Other Income Statement 5 9300007307</p> <p>Manufacturing and Selling Expenses 001193 MANUFACTURERS REBATES Operations-Other Income Statement 5 9300001193</p> <p>Promotional Advertising Expense 004875 KEENE - OTHER Operations-Other Income Statement 5 9300004875</p>																																				
91200	Advertising	004875	KEENE - OTHER	Operations-Other	Income Statement	5	9300004875	-	-	-	-	28,282.47	-	-	-	-	-	-	-	-	28,282.47	-	-	-	-	-	-	-	-	-	-	-	-	-		
9100K	Customer Assistance Expenses	003000	RES PRTG ARM	Operations-Other	Income Statement	5	9300003000	-	-	-	-	26,035.46	-	-	-	-	-	-	-	-	26,035.46	24,193.54	-	-	-	-	-	-	-	-	-	-	-	-	-	
9100K	Customer Assistance Expenses	003004	RES ATTIC INSUL	Operations-Other	Income Statement	5	9300003004	-	-	-	-	11,670.89	-	-	-	-	-	-	-	-	11,670.89	31,673.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9100K	Customer Assistance Expenses	003010	RES FURNACE	Operations-Other	Income Statement	5	9300003010	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	14,825.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			Total					54,531.45	-	-	-	44,531.45	-	-	-	-	-	-	-	-	44,531.45	56,837.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<p>Please provide an explanation of the allocation process which results in so many credit balances in the advertising account below.</p> <p>Institutions or Goodwill Advertising 004845 PUBLIC AFFAIRS ADVERTISING Operations-Other Income Statement 5 9300004845</p> <p>Institutions or Goodwill Advertising 004849 GENERAL SPONSORSHIP FEES Operations-Other Income Statement 5 9300004849</p> <p>Institutions or Goodwill Advertising 004899 CYCLES METS SPONSORSHIP FEES Operations-Other Income Statement 5 9300004899</p> <p>Institutions or Goodwill Advertising 004898 GENERAL SPONSORSHIP ACTIVATION Operations-Other Income Statement 5 9300004898</p> <p>Institutions or Goodwill Advertising 004897 GENERAL SPONSORSHIP ACTIVATION Operations-Other Income Statement 5 9300004897</p> <p>Institutions or Goodwill Advertising 004899 CYCLES METS PRODUCTION FEES Operations-Other Income Statement 5 9300004899</p> <p>Institutions or Goodwill Advertising 007206 BRANDING - ADVERTISING Operations-Other Income Statement 5 9300007206</p> <p>Institutions or Goodwill Advertising 007208 BRANDINGS - RADIO Operations-Other Income Statement 5 9300007208</p> <p>Institutions or Goodwill Advertising 007209 BRANDING - TV Operations-Other Income Statement 5 9300007209</p> <p>Institutions or Goodwill Advertising 007210 BRANDING - OUTDOOR Operations-Other Income Statement 5 9300007210</p> <p>Institutions or Goodwill Advertising 00NG28 VISUAL IMAGE Operations-Other Income Statement 5 930000NG28</p>																																				

Postage	367,637
Condo	5,519
Other	4,240,281
	5,413,437

Summary of Expenses 904 002460 000000

Advertising	1,918,624.43
Contingency/ Reserve Adjustments	680,000
Allowance for Supply Related Bad Debt, activity 002460	(2,088,928)
Subtotal 904 002460	3,763,310
Adjustment for Supply Related Bad Debt, activity 000000	-
Total 904	3,763,310

Service Company allocated Customer Markets expense
Cost reversion the Low Income Settlement
See BGC 8050 Tab

Labor	14,638
Consulting	4,514
Other Charges	4,514
Total Charges	20,544

Cost relocation from KES through National Grid Timing difference
See BGC 8050 Tab

Labor	109,107
Consulting	64,480
Other Charges	3,022
Total Charges	176,609

Manufacturers Rebates
Cost relocation from KES through National Grid Timing difference

Manufacturers Rebates	2,451.48
Other	2,240.86
Total	4,692.34

NG Activity net credits at June 2009 include the transfer of prior months costs to achieve expense to the regulatory asset account.

Dec-2008	46,154.62
Dec-2007	130,724.66

NG Activity net credits at June 2009 include the transfer of prior months costs to achieve expenses to the regulatory asset account. The transfer of prior months costs to achieve expenses to the regulatory asset account.

8001K Institutional or Goodwill Advertising 00NGS0 CUSTOMER & MARKETS
8001K Institutional or Goodwill Advertising 00NGS2 EXTERNAL MARKETS
8001K Institutional or Goodwill Advertising 00NGS4 EMP. ENGAGEMENT

Operations-Other Income Statement 5 001100NGS10
Operations-Other Income Statement 5 001100NGS2
Operations-Other Income Statement 5 001100NGS4

(3,482.21) 2,695.35
(2,090.64) 0.70

(490.86)
(2,079.94)

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

NH PUC Staff Responses
To Data Requests of National Grid

Date Received: November 5, 2010
Request: Grid-Staff 106

Date of Response: November 23, 2010
Witness: James J. Cunningham, Jr.

REQUEST:

Ref. p. 7, 11, 12-13 and Attachment JJC-1 of Mr. Cunningham's testimony. The health and hospitalization amount that Mr. Cunningham refers to as proposed is different from the pro forma test year amount submitted in the Company's filing. Please identify the source in the Company's filing for the \$1,708,913 figure for health and hospitalization expense.

RESPONSE:

The amount of \$1,708,913 is an incorrect amount. The correct amount is \$1,724,632, as shown in the Company's filing, Schedule EN 2-2-2, Schedule 4, Column D, line 5.

Attachment Data Response, Ngrid-NH 1-106 is a corrected version of Schedule JJC-4. Highlighted cells show corrected amounts. This correction does not change Staff recommendation of \$1,686,945.

Health and Hospitalization Expense - Proposal vs. Staff Recommendation

Rate Year (July 1 2009 to June 30, 2010)

Data Response
Ngrid-NH 1-106
Attachment

CORRECTED 11-23-2010

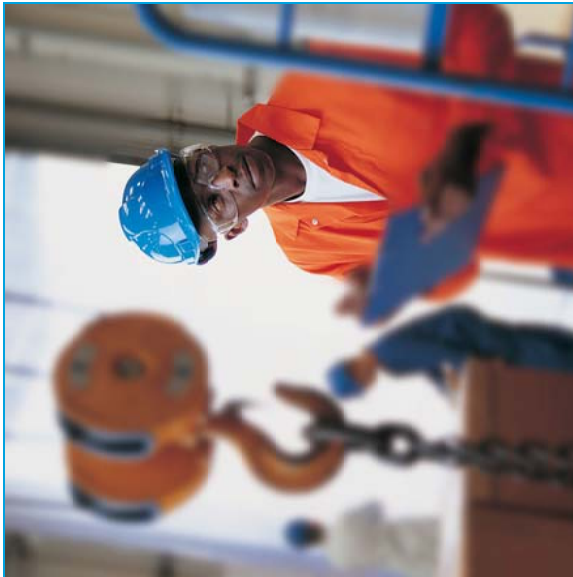
	Original Testimony	"Corrected" Proposed <i>EN 2-2-2 Sch 4</i>	Staff Recommendation		Variance
			Test Year	Recommend <i>Test Year + 8.5%</i>	
EnergyNorth	\$ 1,223,144	\$ 1,223,144	\$ 1,077,744	\$ 1,169,352 <i>Tech Sess. Staff 3-9 (Att. p.1)</i>	\$ (53,792)
Corporate Services	\$ 469,649	\$ 469,649	\$ 449,276	\$ 487,464	\$ 17,815
Utility Services	\$ 3,175	\$ 1,886	\$ 1,557	\$ 1,689	\$ (197)
NGUSA Services	\$ 12,945	\$ 29,954	\$ 26,211	\$ 28,439	\$ (1,515)
Total	\$ 1,708,913	\$ 1,724,633	\$ 1,554,788	\$ 1,686,945	\$ (37,688)

MERCER

Consulting. Outsourcing. Investments.



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



July 8, 2010

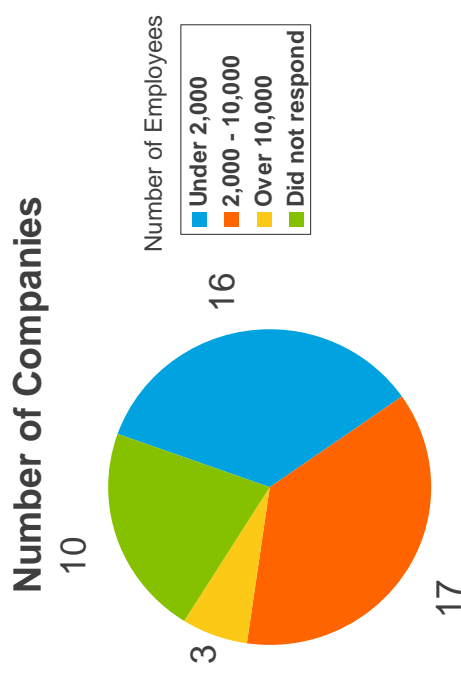
Mercer's Survey of Retirement Benefit Trends in Utility Rate Case Filings

Conducted in 2nd Quarter 2010

About the survey

- As the costs of retirement benefits are increasing, a number of utilities are seeking approval from state regulators to reflect the increases in their rates
- In response, regulators are requesting more detail about the rationale for the rate increases
- Further, regulators are asking about the steps utilities are taking to manage plan risk going forward and how they will avoid significant fluctuations in cost from year to year
- Mercer conducted a national survey of regulated utilities to evaluate trends regarding the inclusion of retirement benefit costs in a rate case

46 regulated utilities representing 21 states completed the survey. The distribution by number of employees is as follows:



Survey Results

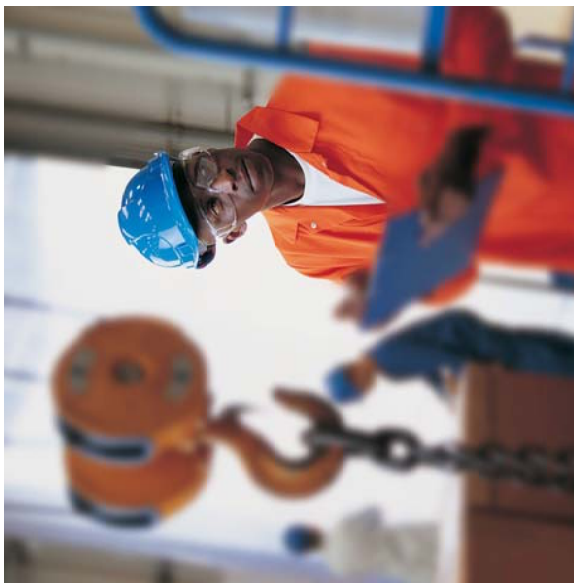
Rate setting procedures:

- Frequency
- Cost basis
- Tracking mechanisms

Building a rate case:

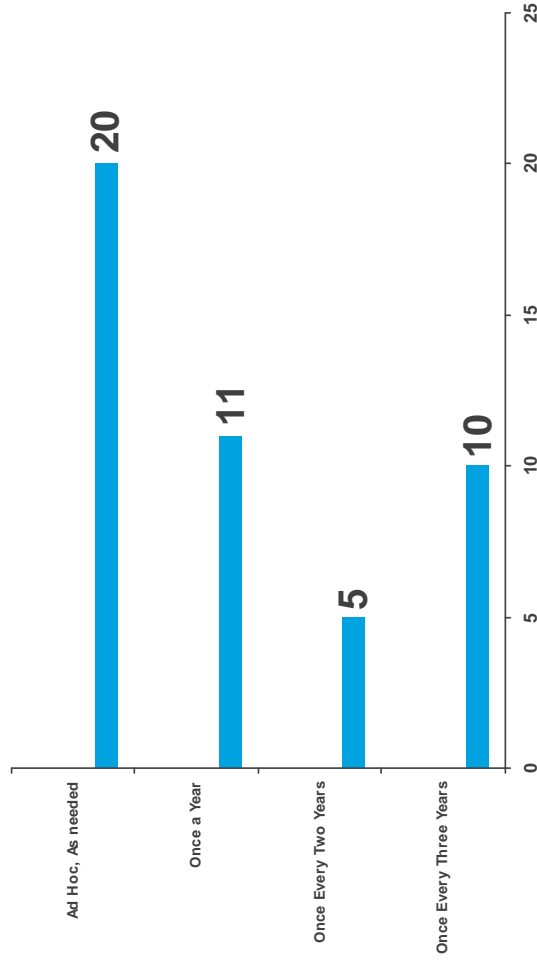
- Benchmarking
- Assumption justification
- Regulator objections

Rate Setting Procedures



Rate setting procedures

What is the typical frequency of your rate case filings?

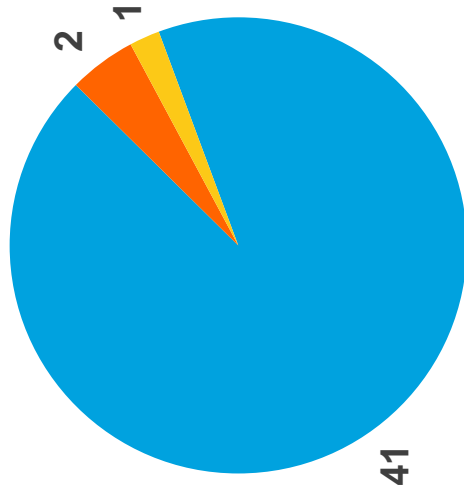


- The majority of the organizations file rate cases on an as needed ad-hoc basis
- Of those with a regularly scheduled filing cycle, either every year or every three years were the most common cycle lengths
- Of the three companies surveyed with over 10,000 employees, all three have regular cyclical filings

Rate setting procedures

What is the cost basis for recouping retirement benefit costs?

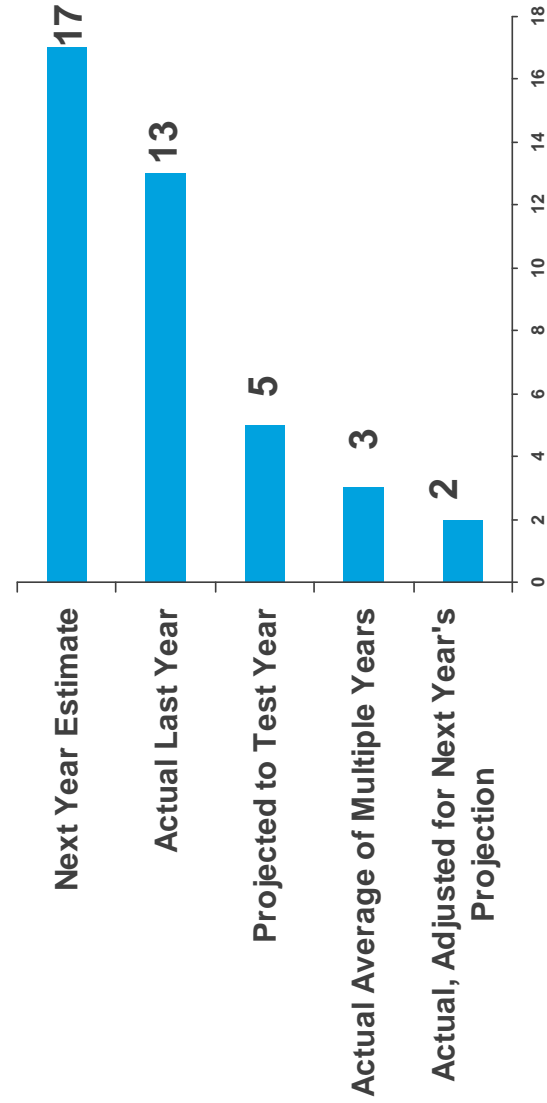
- FAS expense is by far the most prevalent method for both pension and retiree medical costs



Note: 2 did not respond to this question

Rate setting procedures

What is the costing period?

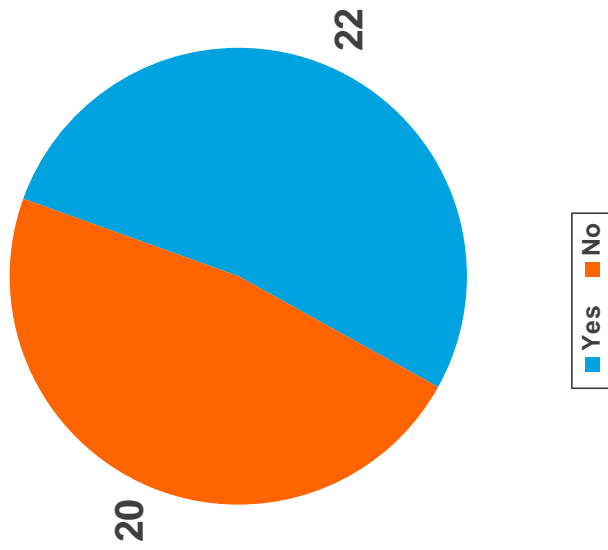


- Recent year, either last year or next year, are most common methods

Note: 6 did not respond to this question

Rate setting procedures

Is there a funding requirement?

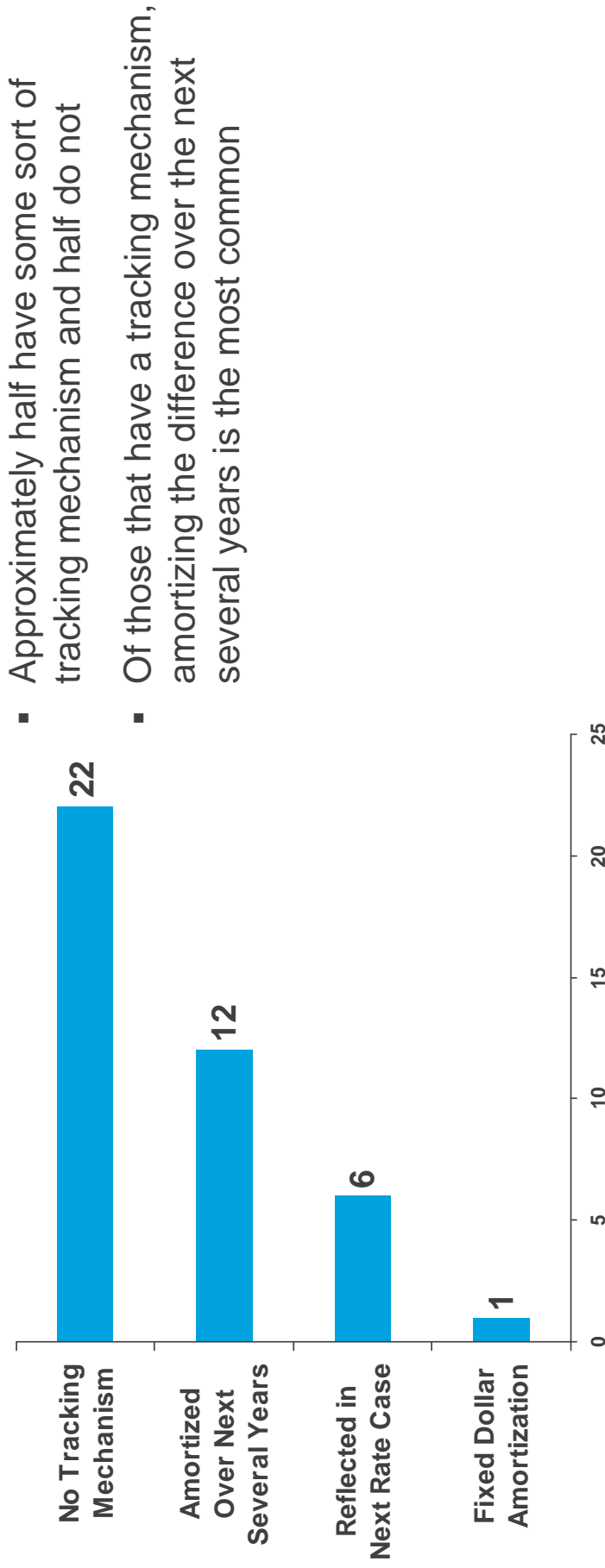


- Slightly more have a funding requirement for rate reimbursement, but very close to half and half
- One company has a contribution requirement for OPEB only

Note: 4 did not respond to this question

Rate setting procedures

What is the tracking mechanism to recoup differences in forecasted and actual costs?

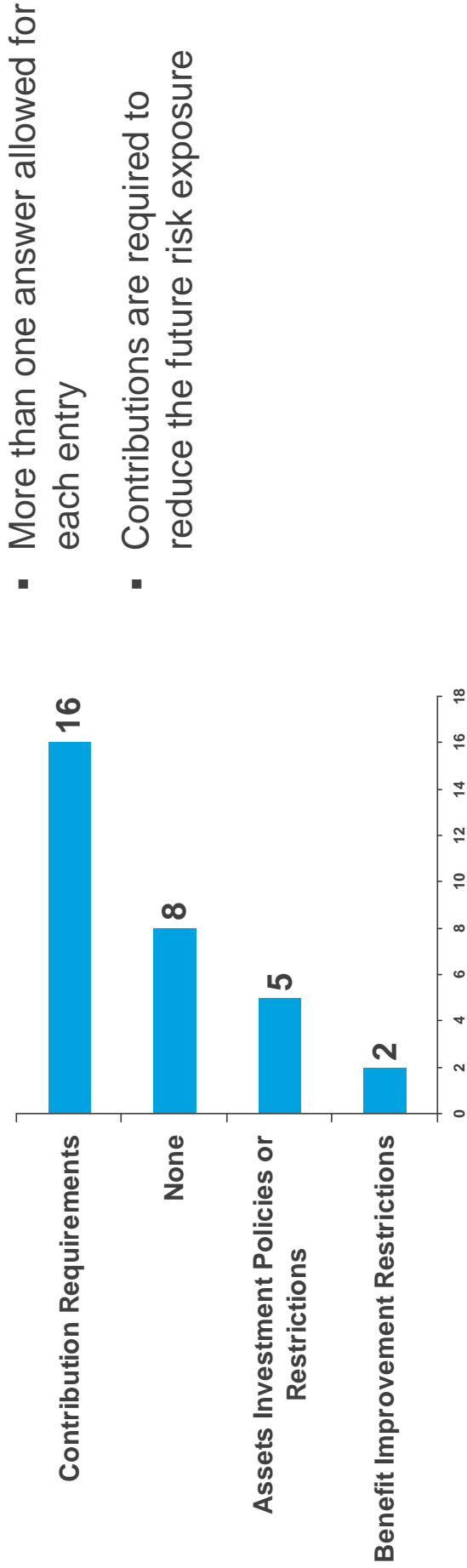


- Approximately half have some sort of tracking mechanism and half do not
- Of those that have a tracking mechanism, amortizing the difference over the next several years is the most common

Note: 5 did not respond to this question

Rate setting procedures

What type of risk controls or cost reduction methods are required?

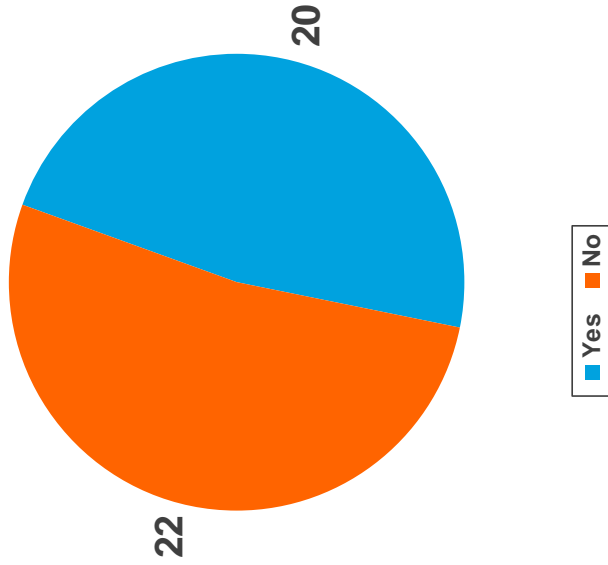


Note: 20 did not respond to this question

Rate setting procedures

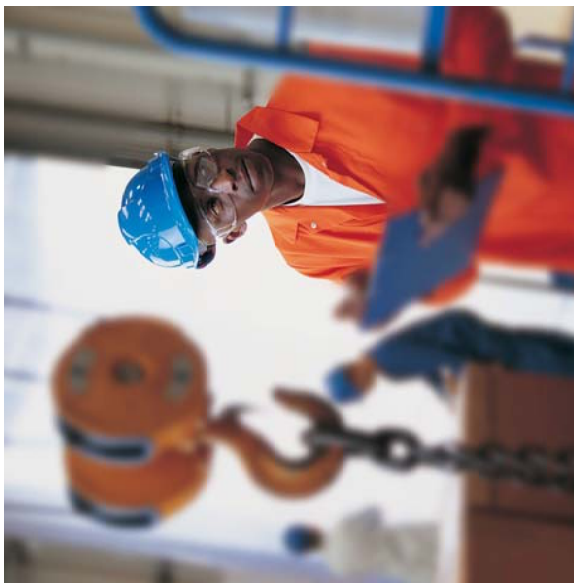
Do you establish a regulatory asset or liability for all or part of the difference between annual FAS expense and amount collected in rates?

- Slightly more do not, but close to half and half
- Trend is for more and more states to have a tracking mechanism



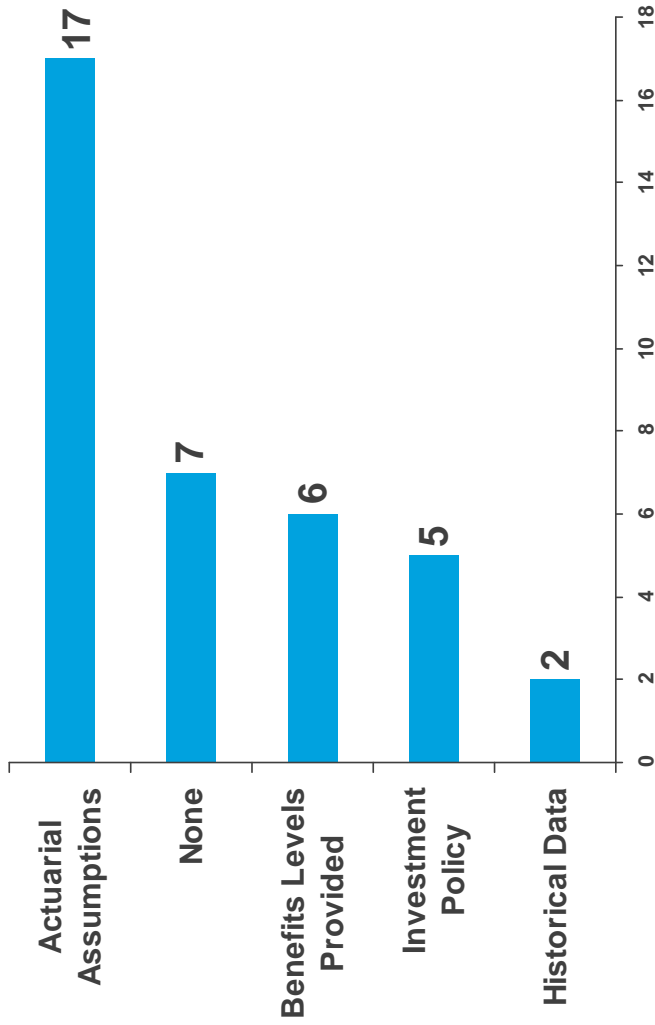
Note: 4 did not respond to this question

Building a Rate Case



Building a rate case

What type of benchmarking is required?



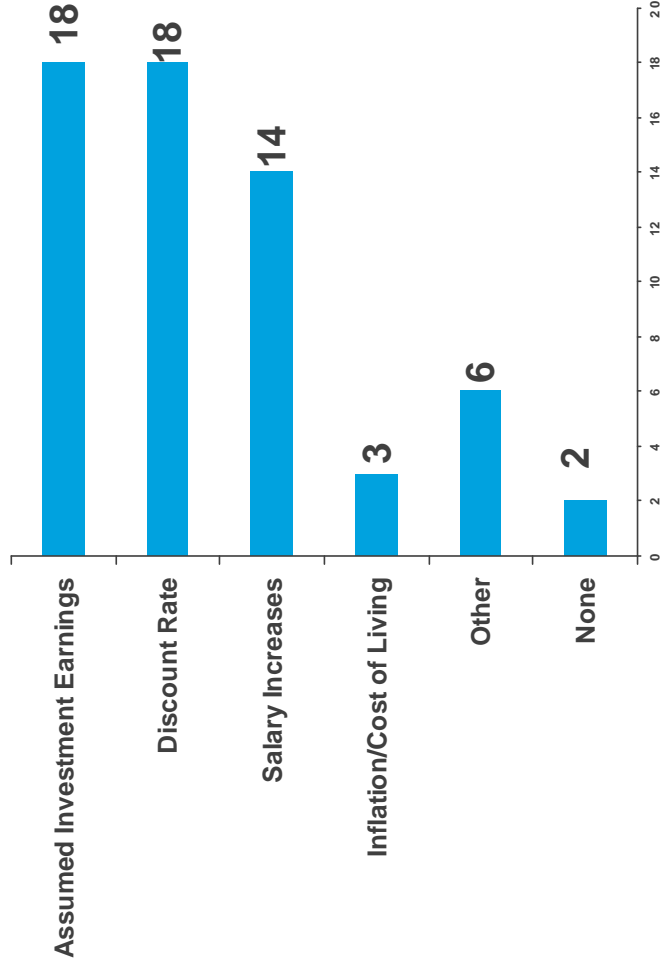
- More than one answer allowed for each entry
- Actuarial assumptions continue to get high scrutiny from regulators

Note: 20 did not respond to this question

Building a rate case

What, if any, assumptions are garnering heightened scrutiny from regulators?

- More than one answer allowed for each entry
- Regulators are particularly asking about salary increase, investment earnings, and discount rate assumptions. These assumptions have the largest impact on expense
- “Other” category includes
 - Any changes since last filing
 - Assurance of contributions to the trust
 - Differences in assumptions between cash and FAS expense

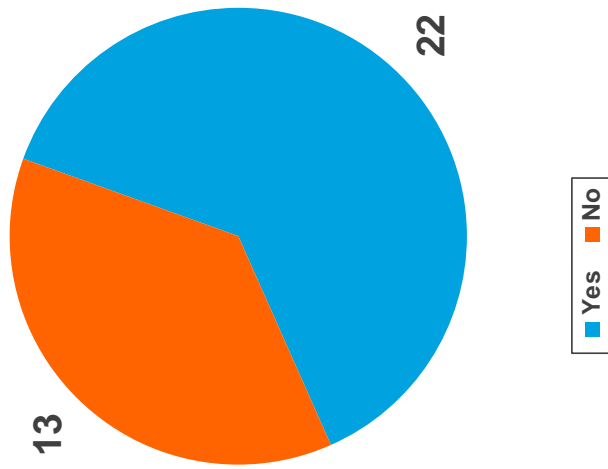


Note: 14 did not respond to this question

Building a rate case

Are non-qualified benefits allowed in rate requests?

- In most cases, non-qualified benefits are allowed to be included in filings

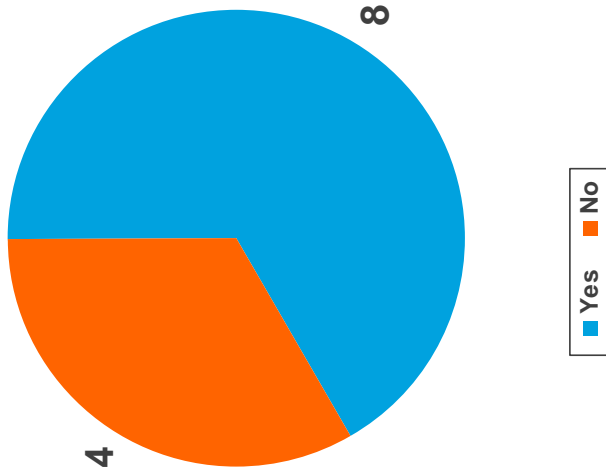


Note: 11 either did not respond to this question or do not have non-qualified benefits

Building a rate case

If you have reduced risk at the price of increasing costs, have you been able to recoup the cost increases in your rates?

- There was a limited response to this question.
- Of those who have implemented risk reduction techniques, 2/3 have been able to recoup associated increase in rates



Note: 34 were either not applicable or did not respond to this question

Building a rate case

If you expect objections to upcoming rate increase requests with respect to retirement benefit costs, what arguments will you put forth to refute those objections?

Potential Objections	Potential Arguments
<ul style="list-style-type: none"> ▪ Disallowance of SERP ▪ Justification of benefit levels ▪ Reasons for increasing costs ▪ Recovery mechanism of true-up between forecasted expense and actual expense ▪ Including cash requirements in filings ▪ Why do you have a DB plan? Aren't companies exiting these plans? 	<ul style="list-style-type: none"> ▪ Benefits needed to retain and attract qualified individuals ▪ Providing benchmarking and survey data in and outside industry, national and local markets ▪ Retirement benefits are just a piece of overall package ▪ Demonstration of cost containment measures taken ▪ True-up recovery mechanism allowed for better matched customer costs and employee benefits provided ▪ Benefits negotiated with union ▪ Surveys showing utility industry is maintaining DB plans ▪ Law changes such as PPA are putting companies in worse cash positions

Building a rate case

What additional information are regulators requesting regarding retirement benefits?

- Full FAS expense documentation, actuarial reports
- Comparisons to other industries
- Information regarding benefits available to select groups (i.e., executives)
- Support for assumptions used
- Historical cost details

States represented in the survey

- Arizona
- Florida
- Hawaii
- Indiana
- Kansas
- Kentucky
- Louisiana
- Massachusetts
- Minnesota
- Missouri
- North Carolina
- Nebraska
- New York
- Ohio
- Oklahoma
- Oregon
- South Carolina
- Texas
- Washington
- Virginia
- Wisconsin

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The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

ENERGYNORTH NATURAL GAS, INC.
d/b/a NATIONAL GRID NH
DG 10-017

National Grid NH's Responses to
Staff's Data Requests – Set #1

Date Received: May 11, 2010
Request No.: Staff 1-3

Date of Response: June 4, 2010
Witness: Frank Lombardo

REQUEST: Reference 1604.01 (a) (2) 2008-2009 Filing Requirements, page 121 of 204. The Company's accounting policies indicate that, "for defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date." Based on this statement, please respond to the following questions:

- a. Please provide an explanation of the projected unit method. Is this method used for National Grid NH? If not, what method is used for National Grid NH?
- b. Please provide the assumptions used in the most recent actuarial report and valuations study for National Grid NH. Please reconcile these assumptions with the assumptions used in the prior study and provide the reasons for the changes, if any, in the assumptions.
- c. Please reconcile the actuarially determined periodic expenses for the Pension and OPEB plans for National Grid NH vs. the periodic expenses that are included in revenue requirements in this filing. Please provide this reconciliation by periodic expense component (i.e. Current Service Costs, Interest Costs, Actuarial Gains and Losses, Past Service Costs, etc.) and include an explanation for the variances by component. Please include in your response a definition of each periodic expense component.
- d. When will the next actuarial report for National Grid NH Pension and OPEB plans be available? Please provide a copy of these reports, if available during the conduct of this proceeding.

RESPONSE: a. National Grid NH uses the projected unit credit method which is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In such calculations pensionable pay is projected from the relevant date up to the assumed date of retirement, date of leaving service or date of death as appropriate.

- b. Attachments Staff 1-3(a) and (b) provide summaries of the assumptions used in the most recent actuarial report and the assumptions used in the prior actuarial report. The two assumptions that have the most significant effect on pension and PBOP expense are the discount rate assumption and the expected

return on plan assets (EROA) assumption. The EROA assumption did not change. The discount rate changed to reflect the current level of interest rates at March 31, 2010 versus March 31, 2009 in accordance with US Generally Accepted Accounting Principles (US GAAP). US GAAP provides that, at each measurement date (the date of the financial statements), companies use discount rates to measure obligations for pension benefits and postretirement benefits other than pensions that reflect the current level of interest rates. In making the discount rate assumption each year, the Company looks to rates of return on high-quality fixed-income investments currently available whose cash flows match the timing and the amount of expected benefit payments.

- c. The Company will provide the requested data as soon as it is available. The following is a definition of each periodic expense component:

Service cost – the actuarial present value of benefits attributed by the pension benefit formula to service rendered by employees during that period. The service cost component is a portion of the projected benefit obligation and is unaffected by the funded status of the plan.

Interest cost – the increase in the projected benefit obligation due to passage of time.

Expected return on assets – an amount calculated as a basis for determining the extent of delayed recognition of the effects of changes in the fair value of assets. The expected return on plan assets is determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets.

Gain or loss – a change in the value of either the projected benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption.

Prior (Past) service cost – the cost of retroactive benefits granted in a plan amendment.

- d. National Grid receives two estimates of actuarial expense during the course of its fiscal year. The first estimate is received in the first month of the fiscal year, April, and an updated estimate is usually received approximately 6 months later. Attached as Attachment 1-3(c) is the most recent actuarial update.