Fiscal Year 2010 (April 1, 2009 – March 31, 2010) Cast Iron/Bare Steel Replacement Program Results Filing

DG 10-____

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National Grid NH

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Introduction

Pursuant to the settlement agreement approved by the New Hampshire Public Utilities Commission (the "Commission") as part of the National Grid plc/KeySpan Corporation merger proceeding in Docket DG 06-107[1] ("Settlement Agreement"), EnergyNorth Natural Gas, Inc. d/b/a National Grid NH ("National Grid" or "Company") is submitting the results of the Cast Iron Bare Steel Replacement Program ("CIBS") for fiscal year 2010 (April 1, 2009-March 31, 2010). As required by the Settlement Agreement, this report contains the following information: (1) A report detailing the actual amount of capital investments made in accordance with implementing the CIBS program during fiscal year 2010 ; (2) A calculation of the incremental revenue requirement associated with placing the capital investments into rate base above a base spending level of $482,110; (3) An explanation for deviations between actual results and the original plan, and; (4) A request for a permanent increase in base distribution delivery rates in the amount of $479,462 effective for usage on and after July 1, 2010.

Section 1: Actual Capital Expenditures

Actual capital expenditures incurred during implementation of the CIBS for fiscal year 2010 are detailed in Attachment A. At a May 9, 2008 technical session, Commission Staff and the Company agreed that the capital investments amounts to be included for recovery under CIBS may include all prudently incurred direct and indirect[2] costs associated with:

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[1] See Order No. 24,777 (July 12, 2007).

[2] Indirect costs mean overheads such as pension, OPEB's and other fringe benefits, payroll taxes, material handling costs and other general & administrative expenses that are loaded on all labor and material transactions. Categories of costs that may not be included for recovery under the Plan include: (vii) costs related to CIBS planning (other than normal engineering and project planning), reporting and filing.

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(i) replacement or abandonment[3] of cast iron and bare steel mains, including replacement of existing pipe with replacement pipe up to one diameter size larger than the existing pipe, (ii) replacement or abandonment of cast iron or bare steel service lines directly connected to bare steel or cast iron main replacement projects, and (iii) tie over of connected service lines not replaced or abandoned as part of a cast iron bare steel main replacement project.

Categories of costs that may not be included for recovery under CIBS include: (i) replacement or abandonment of plastic main, (ii) replacement or abandonment of coated steel main, regardless of vintage, (iii) replacement or abandonment of plastic or coated steel services connected to cast iron or bare steel main replacement projects, (iv) the differential in cost to replace existing cast iron or bare steel mains with pipe of a diameter that is more than one size greater than the existing main and the cost to replace that main with a pipe that is one diameter size larger than the existing main, (v) relocation of customer meters from inside to out and (vi) random cast iron or bare steel service replacements not connected to a cast iron or bare steel main replacement project.

Prior to submitting this fiscal year 2010 report to the Commission, the Company met with Commission Staff, to review the CIBS results for fiscal year 2010 against the agreed upon scope of the program. No costs were removed as being beyond the scope of the agreed upon plan as a result of that meeting. It should be noted however, that while Attachment A documents the costs of each CIBS project undertaken between April 1, 2009 and March 31, 2010, in this filing the Company is seeking cost recovery of only those projects completed and placed in service between July 1, 2009 and March 31, 2010. This is because any costs that were reflected on the Company's books prior to June 30, 2009 are part of the rate base on

[3] For purposes of ii and iii, abandonments such as mains that are not servicing a customer via a service will not be allowed. Other abandonments will be considered by Staff on a case by case basis.

which the Company's revenue requirement that is pending before the Commission in Docket DG -10-17 is based. Taking into account, the adjustment to remove those costs reflected on the Company's books prior to June30, 2010, Line 46 column H of Attachment As shows actual expenditures of $4,848,550. After removing the CIBS base amount of $482,110[4] from the actual expenditures, the total incremental expenditures to be included in rate base amounts to $4,366,440.

Section 2: Calculation of Incremental revenue Requirement

In this filing, National Grid is seeking recovery of the incremental revenue requirement associated with $4,366,440 of CIBS capital investments in rates. As set forth in Attachment B, the revenue requirement associated with fiscal year 2010 capital expenditures of $4,366,440 is $479,462. Attachment B also indicates the bill impacts for a typical residential customer and commercial customers in rate classes G-41, G-42 and G-52.

Section 3: Differences between planned and actual expenditures

The Company's proposed CIBS program for fiscal year 2010, which was submitted to the Commission Staff on May 15, 2009, provided for the replacement of 4.08 miles of cast iron and bare steel pipe at an estimated cost of $4,029,305.06. As shown on Attachment A, the Company actually completed 4.0 miles of replacement at a cost of $5,028,169, which includes $119,336 of cost incurred in fiscal year 2010 for final street restoration on three projects that were part of the fiscal year 2009 program.[5] There were two significant factors that contributed to the difference between the proposed fiscal year 2010 CIBS program and actual expenditures for fiscal year 2010. First, the actual average overhead rate experienced

[4] This represents the pro-rated portion of the $500,000 base spending amount approved by the Commission in Order No. 24,777.

[5] As of April 1, 2010, there is approximately 142 miles of remaining cast iron, bare steel and wrought iron pipe in the Company's distribution system; made up of 672,539 feet of cast iron, 69,294 feet of bare steel, and 7,880 feet of wrought iron.

by the Company was 61% as compared to its initial estimate of 41%. Second, the estimate prepared by the Company was based on the contract with its outside contractor that was in place at the time the estimate was prepared. The Company subsequently awarded a new contract with revised pricing that reflected more current market prices and caused a general increase in the direct costs of the program. Additional detail of the differences between estimated and actual costs by project are shown in Attachment A.