

THE STATE OF NEW HAMPSHIRE

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**PUBLIC UTILITIES COMMISSION**

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

Tel. (603) 271-2431

FAX No. 271-3878

TDD Access: Relay NH  
1-800-735-2964

Website:  
[www.puc.nh.gov](http://www.puc.nh.gov)

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

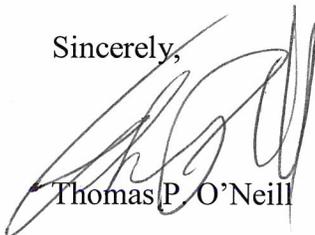
**Re: DG 06-107 National Grid/ KeySpan Corporation Merger**

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>			
41		<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	
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</u>
47	Long Term Debt (c)	50.00%	7.02%	3.51%
48	Short Term Debt	0.00%	0.00%	0.00%
49	Common Equity (d)	50.00%	10.39%	5.20%
50				8.74%
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%

