NSTAR ELECTRIC GAS

Legal Department, 17th Floor
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**Cambridge Electric Light Company**
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March 8, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications & Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Cambridge Electric Light Company
D.T.E. 01-94

Dear Madam Secretary:

Cambridge Electric Light Company (the "Company") is pleased to supply its responses to the record requests listed on the attached sheet.

Sincerely,

John Cope-Flanagan

John Cope-Flanagan

Enclosures

cc: Jesse S. Reyes, Hearing Officer (2 copies)
Esat Serhat Guney, Analyst, Rates and Revenue Requirements Division
Joseph Tiernan, Analyst, Rates and Revenue Requirements Division
Miguel Maravi, Analyst, Rates and Revenue Requirements Division
Alexander Cochis, Esq., Assistant Attorney General
Carrol R. Wasserman, Esq.
David Rosenzweig, Esq.
Stephen Klionsky, Esq.

Responses to Record Requests

RR-AG-3
RR-AG-5
RR-AG-6
RR-AG-9 (Confidential)

March 8, 2002

**COMMONWEALTH OF MASSACHUSETTS**
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

| | | |
|---|---|---|
| Cambridge Electric Light Company | ) | D.T.E. 01-94 |

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing responses to information requests in accordance with Department rules.

John Cope-Flanagan

John Cope-Flanagan
Attorney for
NSTAR Electric & Gas Corporation
800 Boylston St., Floor 17
Boston, MA 02199

DATED: March 8, 2002

Record Request AG-3

Reference Exhibit CEL-BKR-2, page 1 of 2: Provide all calculations, workpapers, and assumption to determine the depreciation line and the relationship to the net proceeds from the sale of the Unit. Discuss why the proceeds from the sale are allocated in this manner.

Response

The $180 million cash payment, less $10.4 million in closing costs, was entered as a negative capital addition in 2002, resulting in an over-recovery of net utility plant following the application of the net sale proceeds.

| Description | $ (Millions) |
|---|---|
| Gross Plant before Sale | 459 |
| Less Accumulated Depreciation | (317) |
| Net Plant before Sale | 142 |
| Less Net Sale Proceeds | (170) |
| Net Plant after Sale | (28) |
| | |
| Remaining Contract Term (Years) | 10.25 |
| | |
| Annual Depreciation | 2.7 |

The over-recovery is flowed back to the Company and its customers ratably over the plant's remaining licensed life as shown in the detail of Attachment RR-AG-3.

## VERMONT YANKEE Operating Expense Projection Update Model

### Detailed Income Statement
(in thousands)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Depreciation Expense** | | | | | | | | | | | | |
| Normal Components | 13,068 | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (227) |
| Recirc Pipe | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LP Rotor | 370 | 370 | 370 | 192 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Racks | 364 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intangibles | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 27 |
| EBASCO | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Five & Eight Year Items | 1,000 | 1,000 | 500 | 500 | 500 | 500 | 500 | 370 | 250 | 250 | 250 | 0 |
| New 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Depreciation | 14,883 | (1,867) | (2,367) | (2,545) | (2,737) | (2,737) | (2,737) | (2,867) | (2,987) | (2,987) | (2,987) | (200) |

Record Request AG-5

Reference Attachment DTE-CEL-1-4 (Revised), page 1 of 3: Provide the basis, including calculations and assumptions, for the interest entries.

Response

See Attachment RR-AG-5.

## VERMONT YANKEE Operating Expense Projection Update Model

### Detailed Income Statement
(in thousands)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other Base Operating** | | | | | | | | | | | | |
| Base Salaries | 30,264 | 29,467 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overtime & Premiums | 4,242 | 4,369 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee Benefits | 8,766 | 9,029 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Business & Training | 1,967 | 1,660 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional Services | 2,624 | 2,382 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contractors | 7,086 | 5,979 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplies & Equipment | 2,732 | 2,305 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leasing Expense | 107 | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Assoc. Member Expense | 217 | 183 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Regulatory Fees | 25 | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Base and Other | 3,755 | 3,707 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Base Operating Expense | 61,986 | 59,194 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating Projects** | 29,493 | 4,664 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Shutdown Projects** | 21,714 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Direct Expense | 113,193 | 63,858 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Interest Expense** | | | | | | | | | | | | |
| Series I Interest | 4,154 | 3,216 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bond Amortization | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Eurodollar Facility | 2,536 | 1,412 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-Term Lines | 0 | (206) | (397) | (361) | (313) | (255) | (20) | 203 | 244 | 287 | 331 | 344 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Spent Fuel Disposal Fee | 5,788 | 7,268 | 7,704 | 8,166 | 8,656 | 9,175 | 0 | 0 | 0 | 0 | 0 | 0 |
| Spent Fuel Trust Income | (5,991) | (7,469) | (7,955) | (8,472) | (9,022) | (9,609) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Net Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Interest Expense | 6,706 | 4,462 | (408) | (427) | (439) | (448) | 220 | 443 | 484 | 527 | 571 | 584 |
| **Lease Expense** | | | | | | | | | | | | |
| ERFIS Lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| BLC Master Lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LP Turbine Lease | 4,618 | 770 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Main Trans Lease | 576 | 98 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Lease Expense | 5,194 | 868 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Property Tax** | 7,718 | 7,733 | 28 | 28 | 29 | 31 | 32 | 33 | 34 | 35 | 36 | 9 |
| **Insurance** | 670 | 690 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **VT Use Tax** | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **AFUDC** | (321) | (323) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciation Expense** | | | | | | | | | | | | |
| Normal Components | 13,068 | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (3,317) | (227) |
| Recirc Pipe | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LP Rotor | 370 | 370 | 370 | 192 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Racks | 364 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intangibles | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 27 |

**VERMONT YANKEE Operating Expense Projection Update Model**

**Income Taxes and Net Income Detail**

3/4/02 3:43 PM

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State Tax Rate | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% | 9.75% |
| Federal Tax Rate | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% | 31.59% |
| Total Tax Rate | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% |
| **Net Unit Investment** | | | | | | | | | | | | |
| Net Utility Plant | 141,939 | (25,150) | (22,783) | (20,238) | (17,501) | (14,764) | (12,027) | (9,161) | (6,174) | (3,187) | (200) | 0 |
| Working Cap & Short Term Invest | 11,435 | 65,234 | 5,176 | 4,634 | 3,918 | 3,136 | (1,870) | 0 | 0 | 0 | 0 | 0 |
| Prepay | 4,992 | 5,388 | 5,280 | 5,356 | 5,845 | 5,736 | 5,771 | 6,244 | 5,942 | 5,927 | 5,938 | 2,762 |
| Materials Inventory | 14,063 | 12,691 | 11,319 | 9,947 | 8,575 | 7,203 | 5,831 | 4,459 | 3,087 | 1,715 | 343 | 0 |
| Special Funds | 114,911 | 122,380 | 130,335 | 138,806 | 147,829 | 157,438 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred LLW Siting | 26,539 | 27,943 | 29,348 | 30,752 | 32,157 | 33,561 | 34,966 | 36,370 | 37,775 | 39,179 | 40,584 | 40,935 |
| Fuel Invest | 23,871 | 21,257 | 18,959 | 16,661 | 14,363 | 12,065 | 9,767 | 7,469 | 5,171 | 2,873 | 575 | 0 |
| Def Tax | (8,490) | 22,715 | 22,804 | 22,820 | 22,757 | 22,693 | 22,630 | 22,513 | 22,346 | 22,179 | 22,012 | 22,196 |
| Unfunded Liabilities | (22,000) | (21,000) | (20,000) | (16,000) | (12,000) | (10,000) | (8,000) | (7,000) | (6,000) | (5,000) | (4,000) | 0 |
| Net Unit Investment | 307,260 | 231,459 | 180,438 | 192,739 | 205,942 | 217,067 | 57,065 | 60,894 | 62,146 | 63,686 | 65,251 | 65,893 |
| **Total Capital** | | | | | | | | | | | | |
| Common Equity | 54,797 | 54,797 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 | 3,105 |
| DOE | 114,911 | 122,380 | 130,335 | 138,806 | 147,829 | 157,438 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Borrowings | 31,347 | (88,840) | 0 | 0 | 0 | 0 | 5,006 | 2,538 | 3,034 | 3,530 | 4,025 | 3,828 |
| Def LLW Obligation | 23,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 | 40,935 |
| Bonds | 59,591 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-Term Debt | 114,873 | (47,905) | 40,935 | 40,935 | 40,935 | 40,935 | 45,941 | 43,473 | 43,969 | 44,465 | 44,960 | 44,763 |
| Total Capital | 284,581 | 177,177 | 174,374 | 182,846 | 191,868 | 201,477 | 49,046 | 46,578 | 47,074 | 47,569 | 48,065 | 47,868 |
| Long-Term Debt Composite Rate | 6.32% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 7.03% | 8.46% | 8.47% | 8.51% | 8.54% | 8.75% |
| Weighted Cost of Capital | 6.16% | 7.55% | 4.68% | 4.74% | 4.80% | 4.86% | 1.41% | 1.19% | 1.27% | 1.35% | 1.43% | 1.41% |
| Return on Net Unit Investment | 18,920 | 17,467 | 8,445 | 9,139 | 9,887 | 10,545 | 807 | 727 | 790 | 859 | 930 | 233 |
| Interest Expense | (12,691) | (10,988) | (7,944) | (8,406) | (8,896) | (9,415) | (428) | (441) | (481) | (524) | (567) | (584) |
| | 6,229 | 6,479 | 502 | 733 | 991 | 1,130 | 378 | 286 | 309 | 335 | 363 | (351) |
| Average Net Unit Investment | 6,415 | 6,354 | 3,490 | 617 | 862 | 1,061 | 754 | 332 | 298 | 322 | 349 | 6 |
| Lobbying | (200) | (200) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Unit Investment Net Income | 6,215 | 6,154 | 3,490 | 617 | 862 | 1,061 | 754 | 332 | 298 | 322 | 349 | 6 |
| **Permanent Differences** | | | | | | | | | | | | |
| Prestart Inc in Book Depreciation | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 234 | 58 |
| ITC Basis Reduction in Book Dep | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 77 | 19 |
| Meal Exclusion | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Lobbying | 200 | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Permanent Differences | 536 | 536 | 336 | 336 | 336 | 336 | 336 | 336 | 336 | 336 | 336 | 102 |
| NUI Net Inc and Total Perm Diff | 6,751 | 6,690 | 3,826 | 953 | 1,198 | 1,397 | 1,090 | 668 | 634 | 658 | 685 | 108 |
| **Income Tax Provision** | | | | | | | | | | | | |
| NUI Net Inc and Total Perm Diff | 6,751 | 6,690 | 3,826 | 953 | 1,198 | 1,397 | 1,090 | 668 | 634 | 658 | 685 | 108 |

VY model revised 8-29-01 rev 1.xls

## VERMONT YANKEE Operating Expense Projection Update Model

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| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Composite Tax Rate | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% | 41.34% |
| ST Perm Diff Tax Effect | 2,791 | 2,766 | 1,582 | 394 | 495 | 577 | 451 | 276 | 262 | 272 | 283 | 45 |
| Amortization of Deferred ITC | (77) | (77) | (77) | (77) | (77) | (77) | (77) | (77) | (77) | (77) | (77) | (19) |
| Flowback of Excess Def Tax | (230) | (241) | (241) | (234) | (227) | (225) | (210) | (176) | (173) | (173) | (173) | (381) |
| Total Tax Exp to Gross Up | 2,484 | 2,448 | 1,264 | 83 | 191 | 275 | 164 | 23 | 12 | 22 | 33 | (355) |
| Gross Up Factor | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 | 1.70 |
| Total Income Tax Provision | 4,235 | 4,172 | 2,154 | 142 | 326 | 469 | 279 | 40 | 20 | 38 | 56 | (606) |
| Total Timing Difference | 3,556 | 75,482 | 216 | 38 | (154) | (154) | (154) | (284) | (404) | (404) | (404) | 445 |
| Taxable Income | 14,541 | 88,345 | 6,197 | 1,134 | 1,371 | 1,712 | 1,215 | 424 | 251 | 292 | 338 | (52) |

Record Request AG-9

Provide the tax-benefits analysis from Vermont Yankee conducted in relation to [redacted].

Response

[redacted]

[redacted]

[redacted]

(See Attachment RR-AG-2, page 3 * **CONFIDENTIAL** *).

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