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May 16, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-47, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, NSTAR Gas Company, Pension/PBOP Adjustment Mechanism Tariff Filing

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter are the responses of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and NSTAR Gas Company to the Information Requests set forth on the accompanying list.

Thank you for your attention to this matter.

Sincerely,

Robert J. Keegan /tpl

Robert J. Keegan

Enclosures

cc: Service List

Responses to Information Requests

Information Request DTE-1-1
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May 16, 2003

Information Request DTE-1-1

Refer to Filing at NSTAR-JJJ-1(A), p. 2 of the pre-filed testimony of James J. Judge. Please provide any letters, memoranda, reports or other written documents in which NSTAR's auditors communicated to the Company that this filing was required "in order to avoid a charge against equity and negative earnings impacts."

Response

No written documents were provided to the Company from NSTAR's auditors, PricewaterhouseCoopers ("PwC") regarding this topic. The conclusion was made during discussions between the Company's management and PwC based on the interpretation of paragraph 9 of SFAS 71, "Accounting for the Effects of Certain Types of Regulation". Furthermore, SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", amended paragraph 9 of SFAS 71 to indicate that amounts that cannot be classified as a regulatory asset pursuant to GAAP, must be taken as a charge against earnings.

In particular Paragraph 9 of SFAS 71 states:

9. Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

    a. It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.

    b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather that to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

With the issuance of SFAS 130, "Reporting Comprehensive Income", in 1997, paragraph 9 is now being interpreted within the accounting profession

to include charges to other comprehensive income (such as additional minimum pension liabilities).

Information Request DTE-1-2

Refer to Filing at NSTAR-JJJ-1(A), p. 2-3. Please provide for each of the years 1998 through 2002 the FAS 87/FAS 106 accounting expense; the tax deductible contributions to the pension/post-retirement benefits other than pensions ("PBOP") plans; and the amount collected in rates for pension/PBOP expenses.

Response

Please see Attachment DTE-1-2.

NSTAR Regulated Total

FAS 87/106 Data ($'s in Millions)

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E
1	SFAS 87 Accounting Cost	$17.752	$26.536	$40.803	$48.304	$22.798	$15.186	$10.371	$(12.822)	$ (7.746)	$11.086	$ 172.268	$46.761
2	Intercompany Transfers	0.388	0.955	0.744	0.738	0.786	0.808	0.661	-	-	-	5.080	-
3	Deferrals and Deferral Amortization	(4.849)	6.202	7.139	(11.043)	(1.713)	(0.838)	9.219	-	-	-	4.117	-
4	Net SFAS 87 Cost	13.291	33.693	48.686	37.999	21.871	15.156	20.251	(12.822)	(7.746)	11.086	181.465	46.761
5	Less: Amounts Capitalized	(1.995)	(4.333)	(7.524)	(5.984)	(2.729)	(2.057)	(1.351)	2.320	1.600	(2.664)	(24.717)	(11.690)
6	SFAS 87 Accounting Expense	$11.296	$29.360	$41.162	$32.015	$19.142	$13.099	$18.900	$(10.502)	$ (6.146)	$ 8.422	$ 156.748	$35.071
7	Pension Tax Deductible Contributions	$ 8.011	$38.113	$35.510	$72.447	$42.782	$91.047	$61.964	$ 41.950	$60.390	$49.005	$ 501.219	$79.200
8	Pension Costs in Base Rates	9.625	39.633	36.025	36.025	36.025	22.277	19.367	18.584	18.869	19.548	255.979	20.818
9	Pension Expense Gross-up Factor	82.98%	79.42%	79.54%	79.54%	79.54%	79.79%	79.87%	79.90%	79.89%	79.86%		79.82%
10	Pension Expense in Base Rates	7.987	31.477	28.653	28.653	28.653	17.776	15.469	14.849	15.074	15.612	204.202	16.618
11	SFAS 106 Accounting Cost	$41.481	$37.551	$36.122	$38.070	$33.774	$30.625	$31.740	$ 17.518	$20.357	$26.247	$ 313.485	$42.332
12	Intercompany Transfers	0.639	0.676	0.589	0.575	0.430	0.593	0.574	-	-	-	4.076	-
13	Deferrals and Deferral Amortization	(21.220)	(14.060)	(2.059)	(1.255)	1.353	3.144	1.896	1.896	1.896	1.896	(26.513)	1.896
14	Net SFAS 106 Cost	20.900	24.167	34.652	37.390	35.557	34.362	34.210	19.414	22.253	28.143	291.048	44.228
15	Less: Amounts Capitalized	(4.656)	(4.651)	(5.722)	(6.174)	(3.919)	(3.765)	(3.439)	(3.170)	(4.214)	(6.340)	(46.050)	(10.583)
16	SFAS 106 Accounting Expense	$16.244	$19.516	$28.930	$31.216	$31.638	$30.597	$30.771	$ 16.244	$18.039	$21.803	$ 244.997	$33.645
17	PBOP Tax Deductible Contributions	$44.251	$39.563	$35.969	$39.895	$37.515	$20.173	$21.587	$ 63.466	$39.722	$38.115	$ 380.256	$38.115
18	PBOP Costs in Base Rates	7.441	13.316	19.192	21.236	21.236	26.481	28.280	27.956	28.166	28.224	221.527	28.797
19	PBOP Expense Gross-up Factor	80.88%	79.88%	79.48%	79.46%	79.46%	76.31%	76.52%	76.52%	76.52%	76.50%		76.51%
20	PBOP Expense Collected in Base Rates	6.018	10.636	15.255	16.873	16.873	20.208	21.641	21.392	21.552	21.592	172.041	22.031

Boston Edison

FAS 87/106 Data ($'s in Millions)

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E
1	SFAS 87 Accounting Cost	$ 8.973	$17.063	$32.152	$39.433	$15.836	$ 8.165	$ 4.907	$ (8.909)	$ (4.773)	$ 6.831	$ 119.678	$28.812
2	Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-
3	Deferrals and Deferral Amortization	(3.939)	7.911	7.687	(10.153)	-	-	-	-	-	-	1.506	-
4	Net SFAS 87 Cost	5.034	24.974	39.839	29.280	15.836	8.165	4.907	(8.909)	(4.773)	6.831	121.184	28.812
5	Less: Amounts Capitalized	(0.966)	(3.402)	(6.426)	(4.914)	(1.631)	(0.955)	(0.525)	1.612	0.988	(1.646)	(17.865)	(7.203)
6	SFAS 87 Accounting Expense	$ 4.068	$21.572	$33.413	$24.366	$14.205	$ 7.210	$ 4.382	$ (7.297)	$ (3.785)	$ 5.185	$ 103.319	$21.609
7	Pension Tax Deductible Contributions	$ -	$30.008	$26.400	$63.657	$35.000	$85.000	$57.000	$ 16.000	$37.210	$30.195	$ 380.470	$48.800
8	Pension Costs in Base Rates	-	30.008	26.400	26.400	26.400	13.303	10.727	10.245	10.377	10.822	164.682	11.602
9	Pension Expense Gross-up Factor	100.00%	78.28%	78.28%	78.28%	78.28%	79.70%	79.70%	79.70%	79.70%	79.70%		79.70%
10	Pension Expense Collected in Base Rates	-	23.490	20.666	20.666	20.666	10.603	8.550	8.165	8.270	8.625	129.701	9.247
11	SFAS 106 Accounting Cost	$27.788	$24.993	$23.966	$26.207	$23.265	$20.418	$22.746	$ 12.732	$14.096	$16.172	$ 212.383	$26.084
12	Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-
13	Deferrals and Deferral Amortization	(12.409)	(7.882)	1.276	-	-	-	-	-	-	-	(19.015)	-
14	Net SFAS 106 Cost	15.379	17.111	25.242	26.207	23.265	20.418	22.746	12.732	14.096	16.172	193.368	26.084
15	Less: Amounts Capitalized	(2.951)	(2.914)	(4.027)	(4.586)	(2.396)	(2.389)	(2.434)	(2.304)	(2.918)	(3.898)	(30.817)	(6.521)
16	SFAS 106 Accounting Expense	$12.428	$14.197	$21.215	$21.621	$20.869	$18.029	$20.312	$ 10.428	$11.178	$12.274	$ 162.551	$19.563
17	PBOP Tax Deductible Contributions	$28.429	$25.034	$21.946	$26.134	$25.285	$ 8.387	$ 9.880	$ 53.406	$26.129	$23.485	$ 248.115	$23.485
18	PBOP Costs in Base Rates	3.832	7.665	11.497	11.497	11.497	17.308	19.196	18.990	19.111	19.085	139.679	19.437
19	PBOP Expense Gross-up Factor	78.28%	78.28%	78.28%	78.28%	78.28%	79.70%	79.70%	79.70%	79.70%	79.70%		79.70%
20	PBOP Expense Collected in Base Rates	3.000	6.000	9.000	9.000	9.000	13.795	15.299	15.135	15.231	15.211	110.671	15.491

Cambridge Electric Light Company

FAS 87/106 Data ($'s in Millions)

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E
1	SFAS 87 Accounting Cost	$ 0.711	$ 0.783	$ 0.692	$ 0.640	$ 0.447	$ 0.554	$ 0.201	$ (0.660)	$ (0.235)	$ 0.336	$ 3.469	$ 1.417
2	Intercompany Transfers	0.400	0.404	0.439	0.441	0.503	0.390	0.312	-	-	-	2.889	-
3	Deferrals and Deferral Amortization	(0.170)	(0.322)	(0.170)	(0.225)	(0.676)	0.017	1.493	-	-	-	(0.053)	-
4	Net SFAS 87 Cost	0.941	0.865	0.961	0.856	0.274	0.961	2.006	(0.660)	(0.235)	0.336	6.305	1.417
5	Less: Amounts Capitalized	(0.062)	(0.063)	(0.072)	(0.074)	(0.047)	(0.053)	(0.045)	0.119	0.048	(0.080)	(0.328)	(0.354)
6	SFAS 87 Accounting Expense	$ 0.879	$ 0.802	$ 0.889	$ 0.782	$ 0.227	$ 0.908	$ 1.961	$ (0.541)	$ (0.187)	$ 0.256	$ 5.976	$ 1.063
7	Pension Tax Deductible Contributions	$ 0.569	$ 0.602	$ 0.654	$ 0.543	$ -	$ 0.366	$ 0.137	$ 1.723	$ 1.830	$ 1.485	$ 7.908	$ 2.400
8	Pension Costs in Base Rates	0.782	0.782	0.782	0.782	0.782	0.493	0.383	0.233	0.310	0.427	5.756	0.672
9	Pension Expense Gross-up Factor	81.75%	81.75%	81.75%	81.75%	81.75%	84.99%	84.99%	84.99%	84.99%	84.99%		84.99%
10	Pension Expense Collected in Base Rates	0.639	0.639	0.639	0.639	0.639	0.419	0.326	0.198	0.263	0.363	4.766	0.571
11	SFAS 106 Accounting Cost	$ 1.457	$ 1.371	$ 1.295	$ 1.233	$ 1.087	$ 1.121	$ 0.931	$ 0.530	$ 0.802	$ 0.795	$ 10.622	$ 1.283
12	Intercompany Transfers	0.587	0.602	0.579	0.556	0.591	0.401	0.358	-	-	-	3.674	-
13	Deferrals and Deferral Amortization	(1.122)	(0.652)	(0.269)	0.116	0.131	1.248	-	-	-	-	(0.548)	-
14	Net SFAS 106 Cost	0.922	1.321	1.605	1.905	1.809	2.770	1.289	0.530	0.802	0.795	13.748	1.283
15	Less: Amounts Capitalized	(0.146)	(0.209)	(0.188)	(0.184)	(0.133)	(0.151)	(0.143)	(0.096)	(0.166)	(0.189)	(1.605)	(0.321)
16	SFAS 106 Accounting Expense	$ 0.776	$ 1.112	$ 1.417	$ 1.721	$ 1.676	$ 2.619	$ 1.146	$ 0.434	$ 0.636	$ 0.606	$ 12.143	$ 0.962
17	PBOP Tax Deductible Contributions	$ 1.684	$ 1.586	$ 1.494	$ 1.430	$ 1.265	$ 1.294	$ 1.195	$ 1.136	$ 1.413	$ 1.155	$ 13.652	$ 1.155
18	PBOP Costs in Base Rates	0.558	1.116	1.674	2.232	2.232	1.057	0.965	0.906	0.951	0.992	12.684	1.103
19	PBOP Expense Gross-up Factor	81.75%	81.75%	81.75%	81.75%	81.75%	80.04%	80.04%	80.04%	80.04%	80.04%		80.04%
20	PBOP Expense Collected in Base Rates	0.456	0.912	1.369	1.825	1.825	0.846	0.772	0.725	0.761	0.794	10.286	0.883

Commonwealth Electric Company

FAS 87/106 Data ($'s in Millions)

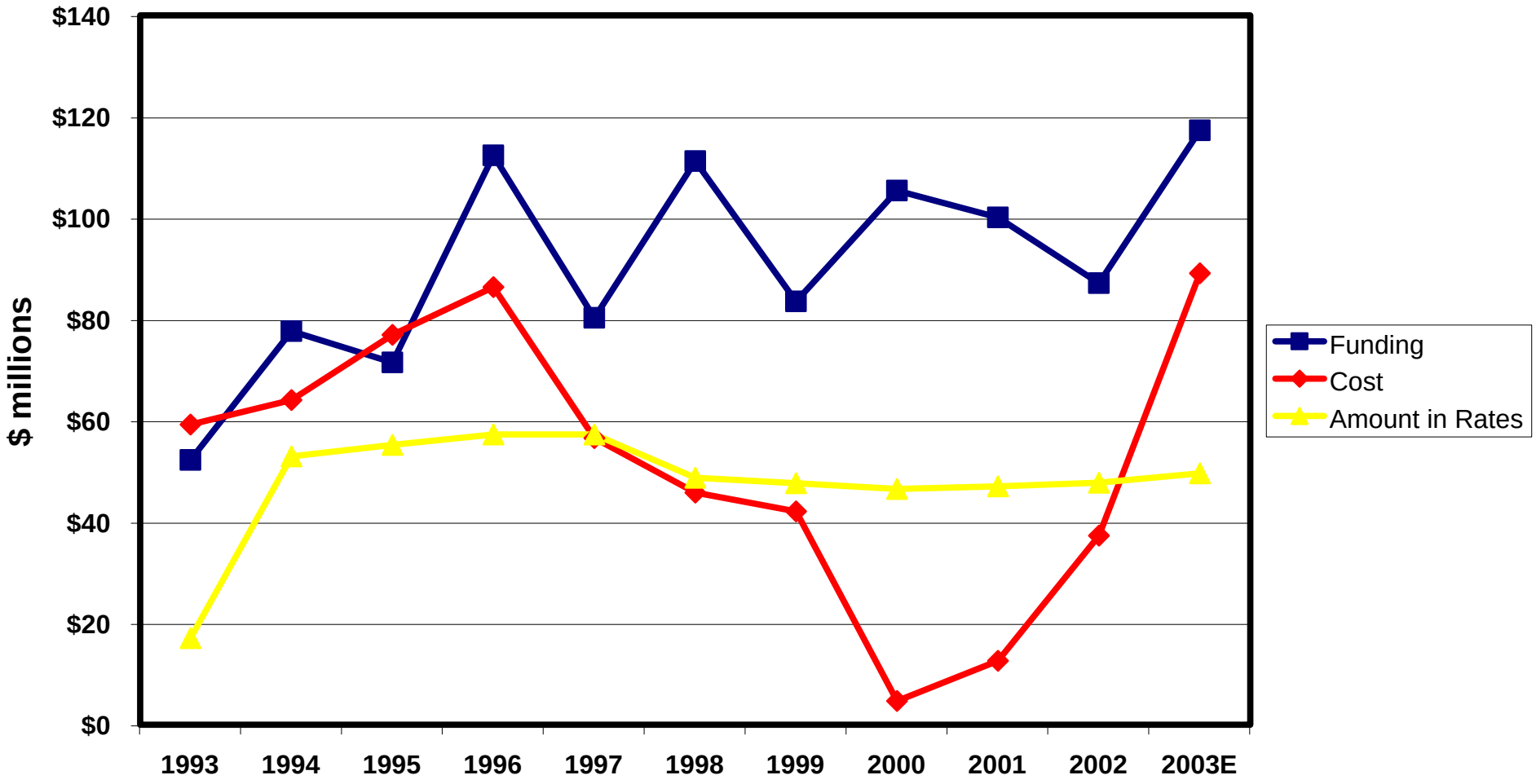
Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E
1	SFAS 87 Accounting Cost	$ 4.631	$ 4.986	$ 4.642	$ 4.846	$ 3.702	$ 3.324	$ 2.639	$ (1.954)	$ (1.330)	$ 1.904	$ 27.390	$ 8.030
2	Intercompany Transfers	(0.465)	0.073	(0.157)	(0.191)	(0.231)	0.075	0.062	-	-	-	(0.834)	-
3	Deferrals and Deferral Amortization	(0.740)	(1.387)	(0.378)	(0.665)	(1.037)	(0.855)	7.726	-	-	-	2.664	-
4	Net SFAS 87 Cost	3.426	3.672	4.107	3.990	2.434	2.544	10.427	(1.954)	(1.330)	1.904	29.220	8.030
5	Less: Amounts Capitalized	(0.639)	(0.532)	(0.684)	(0.704)	(0.677)	(0.598)	(0.422)	0.354	0.275	(0.459)	(4.086)	(2.007)
6	SFAS 87 Accounting Expense	$ 2.787	$ 3.140	$ 3.423	$ 3.286	$ 1.757	$ 1.946	$10.005	$ (1.600)	$ (1.055)	$ 1.445	$ 25.134	$ 6.022
7	Pension Tax Deductible Contributions	$ 4.468	$ 4.512	$ 5.199	$ 5.160	$ 4.911	$ 3.009	$ 2.578	$ 13.265	$10.370	$ 8.415	$ 61.889	$13.600
8	Pension Costs in Base Rates	5.024	5.024	5.024	5.024	5.024	4.661	4.437	4.286	4.363	4.480	47.344	4.725
9	Pension Expense Gross-up Factor	78.23%	78.23%	78.23%	78.23%	78.23%	71.58%	71.58%	71.58%	71.58%	71.58%		71.58%
10	Pension Expense Collected in Base Rates	3.930	3.930	3.930	3.930	3.930	3.336	3.175	3.068	3.123	3.206	35.557	3.382
11	SFAS 106 Accounting Cost	$ 7.324	$ 6.701	$ 6.458	$ 6.367	$ 5.658	$ 5.418	$ 4.933	$ 2.532	$ 3.151	$ 4.507	$ 53.049	$ 7.269
12	Intercompany Transfers	(0.316)	(0.465)	(0.515)	(0.500)	(0.645)	(0.211)	(0.166)	-	-	-	(2.818)	-
13	Deferrals and Deferral Amortization	(4.087)	(3.220)	(0.689)	0.857	0.857	0.857	0.857	0.857	0.857	0.857	(1.997)	0.857
14	Net SFAS 106 Cost	2.921	3.016	5.254	6.724	5.870	6.064	5.624	3.389	4.008	5.364	48.234	8.126
15	Less: Amounts Capitalized	(1.057)	(1.048)	(1.049)	(1.021)	(0.939)	(0.806)	(0.390)	(0.458)	(0.652)	(1.086)	(8.507)	(1.817)
16	SFAS 106 Accounting Expense	$ 1.864	$ 1.968	$ 4.205	$ 5.703	$ 4.931	$ 5.258	$ 5.234	$ 2.931	$ 3.356	$ 4.278	$ 39.727	$ 6.309
17	PBOP Tax Deductible Contributions	$ 8.463	$ 7.753	$ 7.450	$ 7.386	$ 6.585	$ 6.256	$ 6.377	$ 5.251	$ 7.161	$ 6.545	$ 69.226	$ 6.545
18	PBOP Costs in Base Rates	1.485	2.971	4.456	5.942	5.942	6.552	6.554	6.495	6.540	6.582	53.518	6.692
19	PBOP Expense Gross-up Factor	78.23%	78.23%	78.23%	78.23%	78.23%	63.62%	63.62%	63.62%	63.62%	63.62%		63.62%
20	PBOP Expense Collected in Base Rates	1.162	2.324	3.486	4.648	4.648	4.168	4.169	4.132	4.160	4.187	37.084	4.257

NSTAR Gas

FAS 87/106 Data ($'s in Millions)

Line	Description	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	1993-2002	2003E
1	SFAS 87 Accounting Cost	$ 3.437	$ 3.704	$ 3.317	$ 3.385	$ 2.813	$ 3.143	$ 2.624	$ (1.299)	$ (1.408)	$ 2.016	$ 21.731	$ 8.502
2	Intercompany Transfers	0.453	0.478	0.462	0.488	0.514	0.343	0.287	-	-	-	3.025	-
3	Deferrals and Deferral Amortization	-	-	-	-	-	-	-	-	-	-	-	-
4	Net SFAS 87 Cost	3.890	4.182	3.779	3.873	3.327	3.486	2.911	(1.299)	(1.408)	2.016	24.756	8.502
5	Less: Amounts Capitalized	(0.328)	(0.336)	(0.342)	(0.292)	(0.374)	(0.451)	(0.359)	0.235	0.289	(0.479)	(2.437)	(2.125)
6	SFAS 87 Accounting Expense	$ 3.562	$ 3.846	$ 3.437	$ 3.581	$ 2.953	$ 3.035	$ 2.552	$ (1.064)	$ (1.120)	$ 1.537	$ 22.319	$ 6.376
7	Pension Tax Deductible Contributions	$ 2.974	$ 2.991	$ 3.257	$ 3.087	$ 2.871	$ 2.672	$ 2.248	$ 10.962	$10.980	$ 8.910	$ 50.952	$14.400
8	Pension Costs in Base Rates	3.820	3.820	3.820	3.820	3.820	3.820	3.820	3.820	3.820	3.820	38.196	3.820
9	Pension Expense Gross-up Factor	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%		89.48%
10	Pension Expense Collected in Base Rates	3.418	3.418	3.418	3.418	3.418	3.418	3.418	3.418	3.418	3.418	34.178	3.418
11	SFAS 106 Accounting Cost	$ 4.912	$ 4.486	$ 4.403	$ 4.263	$ 3.764	$ 3.668	$ 3.130	$ 1.724	$ 2.308	$ 4.772	$ 37.430	$ 7.697
12	Intercompany Transfers	0.368	0.539	0.525	0.519	0.484	0.403	0.382	-	-	-	3.220	-
13	Deferrals and Deferral Amortization	(3.602)	(2.306)	(2.377)	(2.228)	0.365	1.039	1.039	1.039	1.039	1.039	(4.953)	1.039
14	Net SFAS 106 Cost	1.678	2.719	2.551	2.554	4.613	5.110	4.551	2.763	3.347	5.811	35.697	8.736
15	Less: Amounts Capitalized	(0.502)	(0.480)	(0.458)	(0.383)	(0.451)	(0.419)	(0.472)	(0.312)	(0.478)	(1.167)	(5.122)	(1.924)
16	SFAS 106 Accounting Expense	$ 1.176	$ 2.239	$ 2.093	$ 2.171	$ 4.162	$ 4.691	$ 4.079	$ 2.451	$ 2.869	$ 4.644	$ 30.575	$ 6.812
17	PBOP Tax Deductible Contributions	$ 5.676	$ 5.190	$ 5.079	$ 4.945	$ 4.380	$ 4.235	$ 4.135	$ 3.673	$ 5.019	$ 6.930	$ 49.263	$ 6.930
18	PBOP Costs in Base Rates	1.565	1.565	1.565	1.565	1.565	1.565	1.565	1.565	1.565	1.565	15.646	1.565
19	PBOP Expense Gross-up Factor	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%	89.48%		89.48%
20	PBOP Expense Collected in Base Rates	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	14.000	1.400

Pension & PBOP



Information Request DTE-1-3

Refer to Filing at NSTAR-JJJ-1(A), p. 28. Please provide the expected level of SFAS 87 and SFAS 106 expense which will be booked in 2003, 2004 and 2005.

Response

Please refer to the table below for a forecast of NSTAR's SFAS 87 and SFAS 106 expense for its regulated companies. Note that these estimates are based on normalized assumptions, including, among other things, the future performance of financial markets. The actual expenses may vary considerably, depending on future market performance.

	2003	**2004**	**2005**
Estimated SFAS 87 Expense	$35,100,000	$32,300,000	$29,600,000
Estimated SFAS 106 Expense	$31,700,000	$28,900,000	$26,700,000

Information Request DTE-1-4

Refer to Filing at NSTAR-JJJ-1(A), p. 29. Please provide an illustration, using assumed numbers, of the calculation of the proposed pension/PBOP adjustment mechanism.

Response

See Attachment DTE-1-4 for an example of the pension adjustment factor calculation for the years 2004 and 2005.

2004 Example Pension Adjustment Factor Calculation ($'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Description
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
1	2001 Non-Capitalized Pension & PBOP Contributions	$ 50.228	$ 2.571	$ 13.902	$ 12.687	
2	2002 Non-Capitalized Pension & PBOP Contributions	40.743	2.004	11.355	12.023	
3	2003 Non-Capitalized Pension & PBOP Contributions	54.214	2.666	15.109	15.998	
4	2001 - 2003 Average Pension & PBOP Contributions	48.395	2.414	13.455	13.569	(Line 1 + Line 2 + Line 3) / 3
5	less: Pension & PBOP Expense Currently in Rates	23.871	1.123	7.366	4.818	Exhibit NSTAR-JJJ-4, Col. D
6	Average Differential Amount	24.524	1.291	6.089	8.751	Line 4 - Line 5
7	Unamortized Reconciliation Deferral at 12/31/2002 (See Notes 1,2)	4.198	3.712	-	-	Line 10 from prior year filing
8	2003 Reconciliation Deferral (Accrual)	17.301	0.902	4.108	7.331	SFAS 87/106 est. expense - Line 5
9	2003 Reconciliation Adjustment	-	-	-	-	Line 11 from prior year
10	Unamortized Reconciliation Deferral at 12/31/2003	21.499	4.614	4.108	7.331	Line 7 + Line 8 - Line 9
11	Reconciliation Adjustment For 2004	7.166	1.538	1.369	2.444	(Line 10) / 3
12	Pension and PBOP Prepaid at 12/31/2002	124.553	6.126	34.712	36.753	
13	Pension & PBOP Prepaid at 12/31/2003	141.943	6.981	39.558	41.885	
14	2003 Average Pension & PBOP Prepaid	133.248	6.554	37.135	39.319	(Line 12 + Line 13) / 2
15	Unamortized Reconciliation Deferral at 12/31/2003	21.499	4.614	4.108	7.331	Line 10
16	Deferred Tax Amount	(55.292)	(4.283)	(14.414)	(17.311)	
17	Balance Subject to Carrying Charge	99.455	6.885	26.829	29.339	Line 14 + Line 15 + Line 16
18	Cost of Capital Factor	10.88%	12.70%	13.49%	15.53%	
19	Carrying Charge Amount	10.821	0.874	3.619	4.556	Line 17 * Line 18
20	2003 Actual Pension/PBOP Adjustment Amount	-	-	-	-	Line 23 prior year true-up
21	less: 2003 Actual Pension/PBOP Adjustment Revenue	-	-	-	-	
22	Past Period Reconciliation Amount	-	-	-	-	Line 20 - Line 21
23	**Forecasted 2004 Pension/PBOP Adjustment Amount**	**42.511**	**3.703**	**11.077**	**15.751**	Line 6 + Line 11 + Line 19 + Line 22
24	Forecasted 2004 gWh (Mil. Therms for NSTAR Gas)	14,962	1,609	4,073	460	
25	2004 Pension/PBOP Adjustment Factor	0.00284	0.00230	0.00272	0.0342	(Line 23) / (Line 24)

Note 1: Includes Boston Edison pension deferral of $4.198 million from D.P.U. 92-92

Note 2: Includes Cambridge Electric deferral and carrying charges of $3.712 million from phase-in of SFAS 106 (D.P.U 92-250)

2005 Example Pension Adjustment Factor Calculation ($'s in millions)

Line	Description	Boston Edison	Cambridge Electric	Commonwealth Electric	NSTAR Gas	Description
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
1	2001 Non-Capitalized Pension & PBOP Contributions	$ 50.228	$ 2.571	$ 13.902	$ 12.687	
2	2002 Non-Capitalized Pension & PBOP Contributions	40.743	2.004	11.355	12.023	
3	2003 Non-Capitalized Pension & PBOP Contributions	54.214	2.666	15.109	15.998	
4	2001 - 2003 Average Pension & PBOP Contributions	48.395	2.414	13.455	13.569	(Line 1 + Line 2 + Line 3) / 3
5	less: Pension & PBOP Expense Currently in Rates	23.871	1.123	7.366	4.818	Exhibit NSTAR-JJJ-4, Col. D
6	Average Differential Amount	24.524	1.291	6.089	8.751	Line 4 - Line 5
7	Unamortized Reconciliation Deferral at 12/31/2003 (See Notes 1,2)	21.499	4.614	4.108	7.331	Line 10 from prior year filing
8	2004 Reconciliation Deferral (Accrual)	(10.681)	(0.559)	(2.945)	(2.440)	SFAS 87/106 est. expense - Line 4
9	2004 Reconciliation Adjustment	7.166	1.538	1.369	2.444	Line 11 from prior year
10	Unamortized Reconciliation Deferral at 12/31/2004	3.652	2.517	(0.206)	2.447	Line 7 + Line 8 - Line 9
11	Reconciliation Adjustment For 2005	1.217	0.839	(0.069)	0.816	(Line 10) / 3
12	Pension and PBOP Prepaid at 12/31/2003	141.943	6.981	39.558	41.885	
13	Pension & PBOP Prepaid at 12/31/2004	125.817	6.188	35.064	37.126	
14	2004 Average Pension & PBOP Prepaid	133.880	6.585	37.311	39.506	(Line 12 + Line 13) / 2
15	Unamortized Reconciliation Deferral at 12/31/2004	3.652	2.517	(0.206)	2.447	Line 10
16	Deferred Tax Amount	(47.713)	(3.394)	(12.634)	(14.743)	
17	Balance Subject to Carrying Charge	89.819	5.708	24.471	27.210	Line 14 + Line 15 + Line 16
18	Cost of Capital Factor	10.88%	12.70%	13.49%	15.53%	
19	Carrying Charge Amount	9.772	0.725	3.301	4.226	Line 17 * Line 18
20	2004 Actual Pension/PBOP Adjustment Amount	42.511	3.703	11.077	15.751	Line 23 prior year true-up
21	less: 2004 Actual Pension/PBOP Adjustment Revenue	42.000	4.000	9.000	17.000	Example Data
22	Past Period Reconciliation Amount	0.511	(0.297)	2.077	(1.249)	Line 20 - Line 21
23	**Forecasted 2005 Pension/PBOP Adjustment Amount**	**36.024**	**2.558**	**11.398**	**12.544**	Line 6 + Line 11 + Line 19 + Line 22
24	Forecasted 2005 gWh (Mil. Therms for NSTAR Gas)	15,261	1,641	4,154	469	
25	2005 Pension/PBOP Adjustment Factor	0.00236	0.00156	0.00274	0.0267	(Line 23) / (Line 24)

Information Request DTE-1-5

Refer to Filing at NSTAR-JJJ-1(A), p. 29. Please describe the anticipated accounting for revenues collected under the proposed pension/PBOP adjustment mechanism.

Response

The revenue related to the pension/PBOP mechanism will be credited to accounts 440 (Residential Sales), 442 (Commercial and Industrial Sales), 444 (Public Street and Highway Lighting) as amounts are billed to customers. The difference between the amounts billed to customers and the actual expenses recognized under SFAS 87 and SFAS 106 will be booked as a decrease/credit (or increase/debit) to account 926 (Employee Pensions and Benefits) depending on whether the SFAS 87 and SFAS 106 expense is less than or greater than the recovery level of the particular year. The balance of the under-over-recovery of pension/PBOP costs will be maintained in account 182.3 (Other Regulatory Assets) or 254 (Other Regulatory Liabilities) depending on whether the Company is in a net over- or under-recovery position at the end of the year.

Information Request DTE-1-6

Refer to Filing at NSTAR-JJJ-1(A), pp. 31-32. In computing the first year's Reconciliation Deferral, what amount will be used for the amount of SFAS 87 and SFAS 106 expense included in rates, the amount collected at the time the calculation is made (i.e. $37 million) or the amount which will be collected through the proposed surcharge ($77 million)?

Response

As shown in Attachment DTE-1-4, the first year's reconciliation deferral will be based on the amount currently collected in rates ($37 million). The second year's reconciliation will use the amount collected in rates in that year, which will include the proposed surcharge.

Information Request DTE-1-7

Refer to Filing at NSTAR-JJJ-1(A), p. 33. Please explain the money costs incurred in those instances where FAS 87 and FAS 106 expenses recognized for accounting purposes exceed the rate recovery of those expenses.

Response

The application of carrying charges applies equally in cases where the accounting expenses exceed the levels in rates and in cases where the accounting expenses are less than the levels in rates. The application of a carrying charge is intended to compensate both the Company and its customers for the time-value of money during the period where a difference, either positive or negative, occurs between the recognition of an expense and its recovery from customers. The Company has proposed to use the most recent rate of return approved for use by the Department for each company. As noted in Exhibit NSTAR-JJJ, at 33, the return for the electric companies is the return on the fixed component of their transition charge as established in each company's restructuring filing. Boston Edison Company, D.P.U./D.T.E. 96-23; Cambridge/Commonwealth, D.P.U./D.T.E. 97-111. The rate of return for NSTAR Gas is the cost of capital used for cash working capital calculations in its cost of gas adjustment clause, as approved by the Department in NSTAR Gas' most recent rate case (D.P.U. 91-60).

As explained in the response to Information Request DTE-1-8 the difference between the SFAS 87 expense and the SFAS 106 expense and the respective funding levels are recognized in the prepaid pension balance and the PBOP liability accounts. These deferred accounts have the same carrying charge and thus the difference between the amount in rates and the funding level is the money cost for which the customer is either credited or debited depending on the balance.

Information Request DTE-1-8

Refer to Filing at NSTAR-JJJ-1(A), p. 34. Are the Prepaid Amounts upon which the Company is seeking carrying charges equal to the $257 million prepaid pension balance less the $53 million PBOP liability referred to earlier on page 17.

Response

The beginning balance of the prepaid amounts for NSTAR in total is the net of the $257 prepaid pension balance, less the $53 million PBOP liability. Of these amounts, 1 percent relates to non-regulated activities, leaving $202 million net balance. See Attachment DTE-1-4, page 1, line 12. In subsequent years, carrying charges would be applied to any remaining prepaid amounts. As explained on page 35 of Exhibit NSTAR-JJJ, the application of a carrying charge would be symmetrical and thus the Company would also credit the customer for carrying charges should the balances reverse.

Information Request DTE-1-9

Refer to Filing at NSTAR-JJJ-1(A), p. 35. Since the adoption of FAS 87 and FAS 106, have there been years in which the rate recovery of these costs exceeded the amount of expense for accounting purposes on a cumulative basis? If the response is affirmative, did the Company "credit" its ratepayers for the overpayment?

Response

Since the adoption of SFAS 87 and SFAS 106, the cumulative amount of rate recovery as compared to the amount of accounting expense has been both positive and negative. See Attachment DTE-1-2. However the company did not "credit" its customers for the overpayments, nor did it collect any shortfall, in any year because there was no mechanism for it to do so. Indeed, the question goes to the exact nature of the Company's current filing – on a cumulative basis the customer will be responsible only for the actual level of costs incurred, no more, no less.

Information Request DTE-1-10

Refer to Filing at NSTAR-JJJ-1(A), p. 31-32. Does the Reconciliation Adjustment effectively adjust the level of rates to agree with the amount of FAS 87 and FAS 106 expense recorded for accounting purposes?

Response

Yes, the Reconciliation Adjustment effectively adjusts the level of rates so that, over time, the amounts collected from customers reconciles with the amounts of SFAS 87 and SFAS 106 expense and also reconciles with the cash amounts contributed to the pension and PBOP plans, eventually eliminating any prepaid or liability amounts.