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July 24, 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, Discovery Responses

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter are the responses of PricewaterhouseCoopers LLP to the Information Requests set forth on the accompanying list.

Thank you for your attention to this matter.

Sincerely,

Robert N. Werlin

Robert N. Werlin

Enclosures
cc: Service List

Responses to Information Requests

Information Request DTE-5-1
Information Request DTE-5-2
Information Request DTE-5-3
Information Request DTE-5-4

July 24, 2003

Information Request DTE-5-1

Please refer to Exh. PwC-RJS at 1. How long have you been the engagement partner for the NSTAR audit?

Response

Fiscal 2003 will be my fourth year as engagement partner for the NSTAR audit.

Information Request DTE-5-2

Please refer to Exh. PwC-RJS at 1. Please describe your expertise in the area of regulatory rate making.

Response

As described under Exhibit PwC-RJS at 1, I am the engagement partner for the NSTAR audit. My expertise lies in the area of accounting, financial reporting and the performance of financial statement audits. As the engagement partner for NSTAR, I am responsible for understanding the regulatory rate making environment within the Company's jurisdiction and the impact of established or proposed rate making as necessary for the purpose of rendering an opinion on the financial statements of the Company.

Information Request DTE-5-3

Please refer to Exh. PwC-RJS at 2. Does FAS 71 impose a specific time limit for the dollar for dollar recovery of deferred pension costs? If the response is affirmative, please provide the relevant sections of FAS 71.

Response

SFAS No. 71 does not impose a specific time limit for the dollar for dollar recovery of deferred pension costs. However, paragraph 9 of that standard does require an assessment that recovery is probable and, therefore, the time period of recovery of the applicable deferred cost would be a factor in making that assessment.

In addition to SFAS No. 71, we also rely on the guidance contained in other relevant accounting standards in making the determination as to whether the time period of recovery of a regulatory asset is reasonable. Those standards include SFAS No. 92 *"Regulated Enterprises – Accounting for Phase-In Plans"* and EITF 92-12 *"Accounting for OPEB Costs by Rate-Regulated Enterprises"*. The relevant sections of each of those standards are as follows:

SFAS No. 92

59. Many respondents to the Exposure Draft urged the Board not to impose the 10-year criterion, which they view as an arbitrary limit. The Board recognizes that the 10-year period is arbitrary, but any other period (for example, the life of the plant) would be equally arbitrary. Cost of service regulation is based on implicit presumptions that (a) operating expenses should normally be recovered in the period in which the expenses are incurred and (2) an allowance for return on investment should normally be recovered in the period during which the investment is used to provide services to customers. Any departure from those norms requires an arbitrary decision about the appropriate time for recovery. The very existence of a phase-in plan indicates an inability to fully recover currently the allowable costs of delivering services to customers. Further, it represents a failure to realize normal expectations that return on prudent investments in operating plants would be recovered currently and that prudently incurred construction costs would begin to be recovered on a normal (usually straight-line) basis as soon as a plant was put in service. Although those departures from the norms of individual cost-of-service regulation are an adaptation to exceptional circumstances, they are such

major departures that, if not tightly bounded, they could undermine the credibility of specialized accounting for regulated enterprises.

60. Some phase-in plans provided for deferral of extremely large amounts, such that phasing in those amounts and providing recovery of deferrals within 10 years was asserted to be not practicable. Board members are concerned that those costs might not be recoverable at all, and the phase-in plan might be nothing more than a means of delaying recognition of the fact that rates based on full cost of service cannot be charged to and collected from customers.

61. Board members were also concerned about changes that have occurred in the underlying environment of the electric utility industry. Cogeneration appears to be growing, some wholesale customers have changed suppliers, and the significant amounts of unused capacity presently in existence indicate that considerable competition, at least at the wholesale level, is possible. Also, some local regulators have not been inclined to support local franchise rights when the possibility of electric utility customers relocating is present. These uncertainties in the electric utility industry reinforced the Board's view that extraordinary solutions to temporary problems should themselves be temporary and that the 10-year criterion was appropriate.

EITF 92-12

c. The combined deferral-recovery period authorized by the regulator for the regulatory asset should not exceed approximately 20 years from the date of adoption of Statement 106. To the extent that the regulator imposes a deferral-recovery period for Statement 106 costs greater than approximately 20 years, any proportionate amount of such costs not recoverable within approximately 20 years should not be recognized as a regulatory asset.

Information Request DTE-5-4

Please refer to Exh. PwC-RJS at 5. Is the Company's proposed mechanism the only acceptable means of satisfying the requirements of FAS 71? If the response is negative, please provide other methods which would satisfy the requirements of FAS 71.

Response

No. Please refer to Exhibit PwC-RJS at 5 for the elements PwC would consider in permitting regulatory asset treatment under SFAS No. 71.