KEEGAN, WERLIN & PABIAN, LLP

ATTORNEYS AT LAW
265 FRANKLIN STREET
BOSTON, MASSACHUSETTS 02110-3525

(617) 951-1400

TELECOPIERS:
(617) 951-1354
(617) 951-0586

November 21, 2003

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

Re: Boston Gas Company d/b/a KeySpan Energy Delivery New England, D.T.E. 03-40

Dear Secretary Cottrell:

Pursuant to 220 C.M.R. 1.04(2), Boston Gas Company d/b/a KeySpan Energy Delivery New England (the "Company") respectfully requests leave to submit this response to the Attorney General's Opposition to the Company's Motion for Recalculation Or In The Alternative For Reconsideration, which was filed by the Company on November 7, 2003. The Company's response is necessary to bring to light evidence on the record relating to the recalculation of incentive compensation expense included in the cost of service.

Specifically, the Attorney General claims that "it is clear from the record that the Company did not capitalize any of its proposed incentive payments" (AG Opposition at 2). This is not accurate.

The Attorney General is referring to the test-year adjustment set forth in Exhibit KEDNE/PJM-2, at 8 (provided herewith as Attachment 1). On line 4 of this Exhibit, the Company made an adjustment to reverse (or remove) the amount of incentive compensation actually accrued in 2002, which totaled $1,125,741.[1] On line 5, the Company made an adjustment to replace the accrued amount of incentive compensation

[1] The journal entries showing that the Company accrued total incentive compensation payments of $1,125,741 in 2002 were provided in Exhibit KEDNE/PJM-2 [supp.], at pages 00041-45 (provided herewith as Attachment 2). This is the total amount on the Company's books in the test year for incentive compensation payments. The combination of lines 4 and 5 on Exhibit KEDNE/PJM-2, at page 8, reduce this amount to $1,111,875. However, only $718,356 is included as an expense in the TY2002 cost of service, as discussed below.

with the "target" amount of compensation in 2002 of $1,111,875.[2] These are offsetting adjustments that result in a net reduction to the cost of service of $13,866. As the Company indicated in the Motion for Recalculation, it is true that this increment of $13,866 is not capitalized. However, if this amount were capitalized, the cost of service would increase by $4,673.[3] However, the Company did not seek to this adjustment. See, Motion for Recalculation at 9, fn.5.

The Attorney General appears to be further claiming that the total amount of incentive compensation payments accrued in the test year of $1,125,741 (as adjusted to $1,111,875) was not capitalized for inclusion in the test-year cost of service. It is correct that the total amount of accrued incentive compensation payments ($1,125,741) includes both the capitalized and expense portions. However, as stated above, the adjustments listed on lines 4 and 5 are offsetting accounting adjustments that do not result in either $1,125,741 or $1,111,875 being added to the test year cost of service (only the net of $13,866 affects the cost of service). In the test year, the Company correctly and appropriately capitalized its incentive compensation accrual of $1,125,741, with only $718,356 charged to O&M expense. Therefore, the Attorney General is not accurate that the Department must now capitalize the target level amount of $1,111,875.

Specifically, in Exhibit KEDNE/PJM-2 [supp.] at page 00016 (provided herewith as Attachment 3), the Company provided a schedule detailing the total employee compensation expense included in the test-year cost of service. As highlighted on Attachment 3, the total amount of direct incentive compensation expense incurred by Boston Gas and included in the cost of service is composed of the following amounts:

Actual Expense Included in TY2002 Cost of Service
(Exhibit KEDNE/PJM-2 [supp.], at 00016)

Direct Spending, Mgmt Incentives	$33,449
Direct Spending, Union Gainsharing	$175,746
Direct Clearing Spending, Mgmt	$402,322
Direct Clearing Spending, Union	$106,839
Total Incentive Comp Expense TY2002	**$718,356**

As shown here and on the attached schedules, the test year cost of service includes incentive-compensation expense amounts totaling $718,356 for labor costs incurred directly by Boston Gas, as compared to the total payments accrued in 2002 of $1,125,741. The amount charged to labor in Exhibit KEDNE/PJM-2 [supp.] of $718,356

---

2 As discussed in the testimonies of Mr. McClellan and Mr. Orlando, the Company proposed to substitute the 2002 actual payments with the target level payments for the purpose of setting rates because the target level is more representative of the amount that the Company will actually pay out over time. See, Exh. KEDNE/PJM-1, at 11; Exh. KEDNE/JCO-1, at 10-11.

3 This is because the cost of service would be reduced not by the total of $13,866. Instead, the cost of service would be reduced only by the expense portion of the incremental $13,866, or by $9,193.

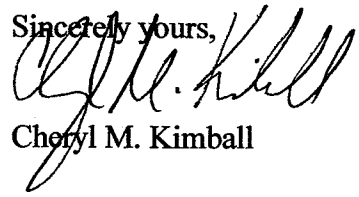
is approximately 64 percent of the total accrued incentive comp payments for 2002 of $1,125,741.[4]

On Exhibit KEDNE/PJM-2, at page 6-7 (provided herewith as Attachment 4), the Company stated the total Direct Union Wages Charged to the Cost of Service in the test year, which totaled $36,077,241, and the Direct Non-Union Wages Charged to the Cost of Service, which totaled $4,965,989. These amounts tie to the totals listed on Attachment 3 (Exhibit KEDNE/PJM-2 [supp.] at 00016). Therefore the combination of the information provided in Attachment 2 and 3 demonstrate that the Company has included in the test year cost of service only the expense portion of the 2002 incentive compensation accrual. As noted above, the only amount not capitalized was the increment ($13,866) that resulted when the Company made the offsetting adjustments to substitute the target-payment level ($1,111,875) for the actual or accrued target payment level ($1,125,741).

The same analysis presented herein applies to the adjustments made by the Company for allocations of incentive compensation from the Service Company. For example, Exhibit KEDNE/PJM-2 [supp.], at page 00017 (provided in Attachment 3), shows that the incentive-compensation expense amounts included in the cost of service total $2,910,114, which is approximately 16.82 percent of the total amount accrued in 2002 of $17,305,603 (presented on Attachment 1).

The Company appreciates this opportunity to clarify the record as it relates to the calculation of incentive compensation expense amounts in the cost of service. Please contact me or Robert Keegan should you have any questions concerning this filing. Thank you for your attention to this matter.

Sincerely yours,



Cheryl M. Kimball

Enclosures
cc: Jeanne Voveris, Hearing Officer
Service List, D.T.E. 03-40

---

4 At the bottom of Exhibit KEDNE/PJM-2 [supp.], at page 00016 (Attachment 3, herewith), the overall percentage of labor cost charged to operations and maintenance expense is calculated as 0.662767015 percent. This figure approximates the 64 percent of incentive compensation calculated above. The overall percentage listed on page 00016 varies slightly from the expense amounts actually included in the cost of service because it is calculated on the aggregate cost of labor, where in practice, employee-compensation costs are capitalized on a disaggregated basis and in slightly different proportions depending upon the project to which they are charged.

Boston Gas Company
Adjustments to Operating Expenses
Test Year Ended December 31, 2002

Operating Expenses: Incentive Compensation

1	Accrual of 2001 Incentive Compensation	
2	Reversed in 2002	2,097,330
3	Test Year 2002 Incentive Compensation	
4	Accrual Recorded	(1,125,741)
5	2002 Incentive Compensation at Target Level	1,111,875
6	**Test Year Adjustment**	**2,083,464**

7	**Service Company Incentive Compensation**	
8	Test Year 2002 Servco Incentive Comp. Accrual	17,305,603
9	2002 Incentive Compensation at Target Level	18,300,930
10		995,327
11	% to Boston	15.90%
12	**Test Year Adjustment**	**158,257**

13	**Total Incentive Compensation Adjustment**	**2,241,721**

Attachment 2

Boston Gas Company

Management Incentive & Gainsharing

December, 2002 YTD

C:\Data\Rate Case 2002\[Mgmt Incentive & Gainsharing-LDC.xls]Types 720&733

Source	Dr	Cr	Bal	Batch	R Co	R CC	Activity	Type	GL	Project	P CC	P Co	Description
Management Incentives:													
Projects		2,183.14	(2,183.14)	Project Accounting 2563214: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		17,152.05	(17,152.05)	Project Accounting 2563214: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		3,170.53	(3,170.53)	Project Accounting 2568132: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		92,847.51	(92,847.51)	Project Accounting 2568132: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		5,942.43	(5,942.43)	Project Accounting 2568132: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		2,320.04	(2,320.04)	Project Accounting 2572115: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		(0.35)	0.35	Project Accounting 2574008: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		31,444.98	(31,444.98)	Project Accounting 2603369: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		49.98	(49.98)	Project Accounting 2607410: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		7,260.93	(7,260.93)	Projects 2662774: A 381585	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		208,346.11	(208,346.11)	Projects 2668285: A	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		95,325.78	(95,325.78)	Projects 2670956: A 383509	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		1,691.11	(1,691.11)	Projects 2695048: A 387364	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		735.78	(735.78)	Projects 2722639: A 392010	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		29,834.78	(29,834.78)	Projects 2726191: A 392871	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		568.41	(568.41)	Projects 2735973: A 394682	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		29,412.48	(29,412.48)	Projects 2749481: A 396227	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		29,968.01	(29,968.01)	Projects 2811744: A 405480	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		536.58	(536.58)	Projects 2827325: A 407831	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		(716.61)	716.61	Projects 2836013: A 408657	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		30,300.00	(30,300.00)	Projects 2839572: A 410168	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		5,903.82	(5,903.82)	Projects 2842554: A 410663	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		3,270.28	(3,270.28)	Projects 2845852: A 410999	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		22,377.29	(22,377.29)	Projects 2888682: A 416702	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		294.58	(294.58)	Projects 2905509: A 419435	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		242.82	(242.82)	Projects 2921181: A 421513	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		27,559.63	(27,559.63)	Projects 2927996: A 422503	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		6,687.35	(6,687.35)	Projects 2929514: A 422989	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		8,847.28	(8,847.28)	Projects 2939681: A 423774	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		12,135.24	(12,135.24)	Projects 2972505: A 430017	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		823.51	(823.51)	Projects 3012953: A 433255	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		12,800.18	(12,800.18)	Projects 3012953: A 436843	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		27,344.32	(27,344.32)	Projects 3015582: A 437010	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		15,603.88	(15,603.88)	Projects 3016270: A 437261	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		356.61	(356.61)	Projects 3025748: A 438025	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		10,794.90	(10,794.90)	Projects 3084949: A 445194	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		22,322.54	(22,322.54)	Projects 3121661: A 450027	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		25,100.05	(25,100.05)	Projects 3121699: A 449725	01	000	000000	720	242AA	000000	000	01	Journal Imp

Projects		507.00	(507.00)	Projects 3137844: A 451902	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		(823.28)	823.28	Projects 3137844: A 452782	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		3,880.99	(3,880.99)	Projects 3208238: A 459270	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		180.82	(180.82)	Projects 3224325: A 461836	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		27,960.05	(27,960.05)	Projects 3227681: A 463011	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		24,333.05	(24,333.05)	Projects 3258460: A 467406	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		26,066.30	(26,066.30)	Projects 3313425: A 473821	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		1,408.07	(1,408.07)	Projects 3358486: A 478846	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		2,799.24	(2,799.24)	Projects 3358486: A 479307	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		29,040.26	(29,040.26)	Projects 3368730: A 480900	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		(1,407.68)	1,407.68	Projects 3369349: A 481018	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		26,789.60	(26,789.60)	Projects 3449845: A 489972	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		55.00	(55.00)	Projects 3449845: A 490340	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		28,652.02	(28,652.02)	Projects 3481045: A 494032	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		11,232.02	(11,232.02)	Projects 3491253: A 494760	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		1,581.35	(1,581.35)	Projects 3553201: A 502026	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		17,497.24	(17,497.24)	Projects 3556394: A 503563	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		1,580.53	(1,580.53)	Projects 3576263: A 506218	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		(3,160.99)	3,160.99	Projects 3598150: A 507832	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		27,258.26	(27,258.26)	Projects 3603094: A 508435	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		13,885.81	(13,885.81)	Projects 3607690: A 509064	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		9,169.57	(9,169.57)	Projects 3679755: A 518286	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		26,325.24	(26,325.24)	Projects 3718528: A 521024	01	000	000000	720	242AA	000000	000	01	Journal Imp
Projects		19,284.01	(19,284.01)	Projects 3730300: A 523105	01	000	000000	720	242AA	000000	000	01	Journal Imp
Spreadshee		(360,854.83)	360,854.83	Spreadsheet 2749539: A 22787	01	000	000000	720	242AA	000000	000	01	Journal Imp
Spreadshee		82,671.30	(82,671.30)	Spreadsheet 2749582: A 22787	01	000	000000	720	242AA	000000	000	01	Journal Imp
Spreadshee	111,350.00		111,350.00	CA YR-END I/C ADJ 1-9-03 GP S	01	000	000000	720	242AA	000000	000	01	Journal Imp
	111,350.00	806,748.90	**(695,398.90)**										

Gainsharing:

Projects		181.09	(181.09)	Project Accounting 2563214: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		1,243.07	(1,243.07)	Project Accounting 2563214: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		303.60	(303.60)	Project Accounting 2568132: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		5,925.46	(5,925.46)	Project Accounting 2568132: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		569.28	(569.28)	Project Accounting 2568132: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		211.30	(211.30)	Project Accounting 2572115: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		(0.03)	0.03	Project Accounting 2574008: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		2,794.68	(2,794.68)	Project Accounting 2603369: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		6.34	(6.34)	Project Accounting 2607410: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		661.27	(661.27)	Projects 2662774: A 381585	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		16,387.27	(16,387.27)	Projects 2668285: A	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		6,404.15	(6,404.15)	Projects 2670956: A 383509	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		71.10	(71.10)	Projects 2695048: A 387364	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		2,787.48	(2,787.48)	Projects 2722639: A 392010	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		5.39	(5.39)	Projects 2723047: A 392104	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects		8,542.89	(8,542.89)	Projects 2724911: A 392218	01	000	000000	733	242AA	000000	000	01	Journal Imp

Projects	8,265.89	(8,265.89)	Projects 2726191: A 392871	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,702.44	(8,702.44)	Projects 2734722: A 394169	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	35.75	(35.75)	Projects 2735973: A 394682	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,260.72	(8,260.72)	Projects 2749481: A 396227	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	490.88	(490.88)	Projects 2754668: A 397160	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,219.91	(9,219.91)	Projects 2810683: A 405367	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,607.83	(8,607.83)	Projects 2811744: A 405480	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,407.23	(8,407.23)	Projects 2820703: A 407071	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	64.17	(64.17)	Projects 2827325: A 407831	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(65.26)	65.26	Projects 2836013: A 408657	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	3,014.15	(3,014.15)	Projects 2836332: A 409679	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,964.40	(8,964.40)	Projects 2839572: A 410168	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	21.35	(21.35)	Projects 2842803: A 410724	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	52.78	(52.78)	Projects 2843810: A 410958	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	425.08	(425.08)	Projects 2845852: A 410999	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	6,178.49	(6,178.49)	Projects 2877694: A 415258	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,440.76	(9,440.76)	Projects 2888682: A 416702	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	4.25	(4.25)	Projects 2888682: A 417087	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,981.97	(8,981.97)	Projects 2905509: A 419447	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	2.25	(2.25)	Projects 2921181: A 421513	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,801.91	(8,801.91)	Projects 2927996: A 422503	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,638.29	(9,638.29)	Projects 2929514: A 422989	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(477.32)	477.32	Projects 2939681: A 423774	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	389.25	(389.25)	Projects 2970168: A 429862	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,835.10	(8,835.10)	Projects 2972505: A 430017	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,533.32	(8,533.32)	Projects 2991305: A 432610	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	2,654.29	(2,654.29)	Projects 3012953: A 436843	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,761.27	(8,761.27)	Projects 3015582: A 437010	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	286.15	(286.15)	Projects 3016270: A 437261	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(0.17)	0.17	Projects 3016760: A 437386	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	81.78	(81.78)	Projects 3025748: A 438025	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9.01	(9.01)	Projects 3033028: A 438980	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(9.01)	9.01	Projects 3035642: A 439521	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,544.83	(8,544.83)	Projects 3041486: A 439836	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	6,923.88	(6,923.88)	Projects 3084949: A 445194	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,004.67	(8,004.67)	Projects 3096845: A 446451	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	0.56	(0.56)	Projects 3096845: A 446800	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	4,529.09	(4,529.09)	Projects 3121661: A 450027	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,329.77	(8,329.77)	Projects 3121699: A 449725	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	5,287.34	(5,287.34)	Projects 3136707: A 452436	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	35.48	(35.48)	Projects 3137844: A 451902	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	4,107.93	(4,107.93)	Projects 3208238: A 459270	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,523.35	(8,523.35)	Projects 3224325: A 461836	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,255.71	(8,255.71)	Projects 3227681: A 463011	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(5,287.34)	5,287.34	Projects 3237146: A 465138	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,708.00	(8,708.00)	Projects 3239589: A 465282	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,571.18	(8,571.18)	Projects 3241709: A 465840	01	000	000000	733	242AA	000000	000	01	Journal Imp

Projects	(16.52)	16.52	Projects 3251318: A 465999	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,898.53	(8,898.53)	Projects 3258460: A 467406	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,347.37	(8,347.37)	Projects 3309466: A 473121	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,288.05	(9,288.05)	Projects 3313425: A 473821	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,359.63	(9,359.63)	Projects 3344374: A 477784	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	1,498.01	(1,498.01)	Projects 3358486: A 478977	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,154.29	(9,154.29)	Projects 3368730: A 480900	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	12,255.47	(12,255.47)	Projects 3449845: A 489972	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	5,089.73	(5,089.73)	Projects 3449845: A 490340	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,246.63	(9,246.63)	Projects 3453338: A 490616	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	30.27	(30.27)	Projects 3454182: A 490866	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,485.52	(9,485.52)	Projects 3481045: A 494032	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	6,001.72	(6,001.72)	Projects 3481045: A 494092	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	6,001.72	(6,001.72)	Projects 3482357: A 494371	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	4,124.11	(4,124.11)	Projects 3553050: A 502854	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,706.58	(9,706.58)	Projects 3556394: A 503563	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,636.34	(9,636.34)	Projects 3576263: A 505266	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	0.28	(0.28)	Projects 3576263: A 506218	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,960.00	(9,960.00)	Projects 3603094: A 508435	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	6,994.05	(6,994.05)	Projects 3613214: A 509904	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,866.73	(9,866.73)	Projects 3679755: A 518286	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	(102.75)	102.75	Projects 3712459: A 521028	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,959.69	(9,959.69)	Projects 3718528: A 519140	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	0.45	(0.45)	Projects 3718528: A 520964	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	9,240.53	(9,240.53)	Projects 3718528: A 521024	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	8,950.77	(8,950.77)	Projects 3730300: A 523105	01	000	000000	733	242AA	000000	000	01	Journal Imp
Projects	157.43	(157.43)	Projects 3735659: A 523605	01	000	000000	733	242AA	000000	000	01	Journal Imp
-	430,342.33	**(430,342.33)**										
TOTAL		**(1,125,741.23)**										

4

Attachment 3

KeySpan Energy Delivery
Boston Gas Company

Updated: 3/10/03 11 AM

Operations & Maintenance Expenses

Dec, 2002 YTD

I:\2003 - RATE CASE (BOSTON GAS)\RMarcoux\[_O&M Summary.xls]O&M Summary

	Comments		Dec, YTD	Source TAB	
Direct Spending					
Management Labor - ST	Cost Type 100, 123		438,598	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Management Labor - OT	Cost Type 110		(9,404)	LDC Types	
Management Labor - PT	Cost Type 112		(313)	LDC Types	
* Mgmt Incentives			33,449	LDC Types	
Total			460,330		$460,330
Union Labor - ST	Cost Type 105		16,284,917	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Union Labor - OT	Cost Type 115		5,188,849	LDC Types	
Union Labor - PT	Cost Type 107, 108		588,096	LDC Types	
* Gain-Sharing	Cost Type 733		175,748	LDC Types	
Total			22,237,608		22,237,608
Total O&M Labor			22,697,938	Ties to Source	22,697,938
Total Direct Labor	Capital & Deferred Labor	17,184,646	39,882,584		
	17,184,655	Gross			
926 - Pensions	DTE 9265K, net 716	6,854,474	5,890,521	926's TAB	Split w/ 401K
926 - 401K	DTE 9265K, net 716	745,523	640,354	926's TAB	Split w/ Pensions
926 - OPEBS	DTE 9267K, net 717	7,932,912	6,198,509	926's TAB	
926 - OPEBS True-Up	Manual Entries	(3,712,916)	(3,080,606)	926's TAB	
926 - Dental Insurance	DTE 9269K	823,005	697,825	9269K Categories.xls	
926 - Health Insurance	DTE 9269K	6,885,231	5,837,978	9269K Categories.xls	
926 - Life Insurance	DTE 9269K	(265,787)	(225,360)	9269K Categories.xls	
926 - LTD	DTE 9269K	20,468	17,355	9269K Categories.xls	
926-Worker's Comp	DTE 9269K	1,130,597	958,632	9269K Categories.xls	
926 - All Other	DTE 9269K	(165,406)	(140,247)	9269K Categories.xls	
Uncollectibles	DTE 904	n/a	6,290,270	LDC GL's	
Gas Production Credit	DTE 922	n/a	(15,324,998)	LDC GL's	
Non-Labor Spending (Excludes highlighted items)			13,458,622	Plug	
TOTAL DIRECT SPENDING			38,026,272	Entered from source	38,026,272
Direct Clearing Spending					
Management Labor - ST	Cost Type 100, 123		3,794,269	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Management Labor - OT	Cost Type 110		294,819	LDC Types	
Management Labor - PT	Cost Type 112		14,249	LDC Types	
* Mgmt Incentives	Cost Type 720		402,322	LDC Types	
Total			4,505,659		$4,505,659
Union Labor - ST	Cost Type 105		11,138,255	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Union Labor - OT	Cost Type 115		2,138,469	LDC Types	
Union Labor - PT	Cost Type 107, 108		456,070	LDC Types	
* Gain-Sharing	Cost Type 733		106,839	LDC Types	
Total			13,839,633		13,839,632
Total O&M Labor			18,345,292	Ties to Source	18,345,292
Total Direct Labor	Capital & Deferred Labor	3,699,210	22,044,502		
		Gross			
926 - Pensions	DTE 9265K, net 716	-	-	Included in Direct Spending	
926 - 401K	DTE 9265K, net 716	-	-	Included in Direct Spending	
926 - OPEBS	DTE 9267K, net 717	-	-	Included in Direct Spending	
926 - OPEBS True-Up	Manual Entries	-	-	Included in Direct Spending	
926 - Capitalized Burdens	Cost Type 718	-	-	Included in Direct Spending	
926 - Dental Insurance	DTE 9269K	-	-	Included in Direct Spending	
926 - Health Insurance	DTE 9269K	-	-	Included in Direct Spending	
926 - Life Insurance	DTE 9269K	-	-	Included in Direct Spending	
926 - Flexible Benefits	DTE 9269K	-	-	Included in Direct Spending	
926-Worker's Comp	DTE 9269K	-	-	Included in Direct Spending	
926 - All Other	DTE 9269K	-	-	Included in Direct Spending	
Uncollectibles	DTE 904	n/a	-	Included in Direct Spending	
Gas Production Credit	DTE 922	n/a	-	Included in Direct Spending	
Non-Labor Spending			11,988,738	Plug	
TOTAL DIRECT CLEARING SPENDING			30,334,030	Ties to Source	30,334,030

36,077,241

A = $4,965,989

41,043,230
61,927,086
0.662767015 overall Labor to O+M for Boston direct expense

Allocated Clearing Spending

Management Labor - ST	Cost Type 100, 123		2,132,527	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Management Labor - OT	Cost Type 110		92,674	LDC Types	
Management Labor - PT	Cost Type 112		5,054	LDC Types	
Mgmt Incentives	Cost Type 720		350,818	LDC Types	
Total			2,581,074		
Union Labor - ST	Cost Type 105	(Adjusted for 1630K)	1,290,939	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Union Labor - OT	Cost Type 115	(Adjusted for 1630K)	330,907	LDC Types	
Union Labor - PT	Cost Type 107, 108	(Adjusted for 1630K)	53,662	LDC Types	
Gain-Sharing	Cost Type 733	(Adjusted for 1630K)	38,375	LDC Types	
Total			1,711,883		
Total O&M Labor			4,292,956	Ties to Source	4,292,956
Total Direct Labor	Capital & Deferred Labor	1,228,114	5,521,070		
		Gross			
926 - Pensions	Cost Type 716		79,156	LDC Types	Split w/ 401K
926 - 401K	Cost Type 716		113,010	LDC Types	Split w/ Pensions
926 - OPEBS	Cost Type 717		308,130	LDC Types	
926 - Capitalized Burdens			-	LDC Types	
926 - Dental Insurance	Cost Type 718		39,423	LDC Types	Split
926 - Health Insurance	Cost Type 718		418,222	LDC Types	Split
926 - Life Insurance	Cost Type 718		49,292	LDC Types	Split
926 - LTD	Cost Type 718		3,440	LDC Types	Split
926-Worker's Comp	Cost Type 718		58,906	LDC Types	Split
926 - All Other	Cost Type 718		(1,297)	LDC Types	Split
Payroll Tax - Medicare	Cost Type 719		62,131	LDC Types	Split
Payroll Tax - SS Taxes	Cost Type 719		256,077	LDC Types	Split
Payroll Tax - FUT	Cost Type 719		15,104	LDC Types	Split
Payroll Tax - Mass SUT	Cost Type 719		3,776	LDC Types	Split
Payroll Tax - NY SUT	Cost Type 719		8,179	LDC Types	Split
Non-Labor Spending			1,498,707	Plug	
TOTAL ALLOCATED CLEARING SPENDING			7,199,212	Ties to Source	7,199,212
Total O&M Spending					

Allocated Corporate Services

Management Labor - ST	Cost Type 100, 123		18,306,611	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Management Labor - OT	Cost Type 110		125,581	ServCo Types	
Management Labor - PT	Cost Type 112		10,653	ServCo Types	
~~Mgmt Incentives~~	~~Cost Type 720~~		~~2,714,619~~	~~ServCo Types~~	
Total			21,157,464		
Union Labor - ST	Cost Type 105		7,650,742	LDC Types	(Adj for types 721, 722 - Allocated over types 100 and 105)
Union Labor - OT	Cost Type 115		1,042,192	ServCo Types	
Union Labor - PT	Cost Type 107, 108		88,021	ServCo Types	
Gain-Sharing	Cost Type 733		159,120	ServCo Types	
Total			8,940,075		
Total O&M Labor			30,097,539	Ties to Source	30,097,539
Total Direct Labor	Capital & Deferred Labor	8,169,290	38,266,829		
		Gross			
926 - Pensions	Cost Type 716		260,339	ServCo Types	Split w/ 401K
926 - 401K	Cost Type 716		371,680	ServCo Types	Split w/ Pensions
926 - OPEBS	Cost Type 717		2,595,726	ServCo Types	
926 - Capitalized Burdens			-	ServCo Types	
926 - Dental Insurance	Cost Type 718		240,266	ServCo Types	Split
926 - Health Insurance	Cost Type 718		2,538,712	ServCo Types	Split
926 - Life Insurance	Cost Type 718		300,418	ServCo Types	Split
926 - LTD	Cost Type 718		20,967	ServCo Types	Split
926-Worker's Comp	Cost Type 718		346,821	ServCo Types	Split
926 - All Other	Cost Type 718		(7,906)	ServCo Types	Split
Payroll Tax - Medicare	Cost Type 719		400,055	ServCo Types	Split
Payroll Tax - SS Taxes	Cost Type 719		1,648,846	ServCo Types	Split
Payroll Tax - FUT	Cost Type 719		97,251	ServCo Types	Split
Payroll Tax - Mass SUT	Cost Type 719		24,313	ServCo Types	Split
Payroll Tax - NY SUT	Cost Type 719		39,784	ServCo Types	Split
Postage			2,423,588	Pat McClellan worksheet	
Insurance			1,559,957	Pat McClellan worksheet	
Non-Labor Spending			35,597,605	Plug	
TOTAL ALLOCATED CORPORATE SERVICES			78,553,963	Ties to Source	78,553,963

			Adjustment for CRIS		
Total O&M Labor	71.36%	75,433,725		75,433,725	73.98%
Total Capital & Deferred Labor	28.64%	30,281,260	(3,753,282)	26,527,978	26.02%
Total Labor		105,714,985		101,961,703	

Boston Gas Company
Adjustments to Operating Expenses
Test Year Ended December 31, 2002

Operating Expenses: Wages- Union

1	Direct Union Wages Charged to Cost of Service	36,077,241
2	**Total Direct Union Wages**	36,077,241
3	Allocated Union Wages Charged to Cost of Service	10,651,958
4	**Total Allocated Union Wages**	**10,651,958**
5	**Boston Gas Union Adjustment**	
6	Direct Union 2002 Increase @ .73%	263,364
7	Direct Union 2003 Increase @ 3.0%	1,090,218
8	Direct Union 2004 Increase @ 2.47%	924,541
9	**Total Direct Union Adjustment**	**2,278,123**
10	**Service Company Union Adjustment**	
11	Allocated Union 2002 Increase @.95%	101,194
12	Allocated Union 2003 Increase @ 3.54%	380,662
13	Allocated Union 2004 Increase @ .63%	70,143
14	**Total Allocated Union Adjustment**	**551,998**
15	**Total Union Wage Adjustment**	**2,830,121**

Boston Gas Company
Adjustments to Operating Expenses
Test Year Ended December 31, 2002

Operating Expenses: Wages- Non-Union

1	Direct Non-Union Wages Charged to Cost of Service	4,965,989
2	**Total Direct Non-Union Wages** (A)	4,965,989
3	Allocated Non-Union Wages Charged to Cost of Service	23,738,538
4	Less : Officers Salaries	(2,598,644)
5	**Total Allocated Non-Union Wages**	**21,139,894**
6	**Boston Gas Non-Union Adjustment**	
7	Direct Non-Union 2002 Increase @.67%	33,272
8	Direct Non-Union 2003 Increase @ 3.50%	174,974
9	**Total Direct Non-Union Adjustment**	**208,246**
10	**Service Company Non-Union Adjustment**	
11	Allocated Non-Union 2002 Increase @.88%	186,031
12	Allocated Non-Union 2003 Increase @ 4.33%	923,413
13	Allocated Officers 2004 Increase @ 3.5%	90,953
14	**Total Allocated Non-Union Adjustment**	**1,200,396**
15	**Total Non-Union Wage Adjustment**	**1,408,642**