

NEW HAMPSHIRE GAS CORPORATION
Revenue Requirement

	Reference	NHGC Pro Forma	Staff/Settlement Pro Forma
Rate Base Proposed	SPF-3	2,755,117	2,236,222
Rate of Return	SPF-4	9.625%	8.875%
Income Required		265,180	198,465
Adjusted Net Operating Income	SPF-2	13,124	26,741
Deficiency		252,056	171,724
Tax Effect		1.6814	1.6814
Revenue Deficiency		423,806	288,732

Percent Increase - Base Revenues

Revenue Deficiency	423,806	288,732
Test Year Base Revenues	991,645	991,645

Percent Increase	42.74%	29.12%
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Percent Increase - Total Revenues

Revenue Deficiency	423,806	288,732
Test Year Revenues	3,381,386	3,381,386

Percent Increase	12.53%	8.54%
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1 * Deferred revenue recognized as income in year earned but recovered during test year - \$59,745.

NEW HAMPSHIRE GAS CORPORATION
Revenues & Expense

	NHGC Test Year	NHGC Adjustments *	NHGC Pro Forma Test Year	Staff Proforma Adjustments *	Staff/ Settlement
Revenues					
Residential Sales	315,206	19,524	334,730		
Residential Sales - COG	546,161		546,161		
Commercial Sales	637,492	36,453	673,945		
Commercial Sales - COG	1,783,835		1,783,835		
Other Gas Rev (accrued gas, service, forfeits)	38,947		38,947		
Total Operating Revenues	3,321,641	55,977	3,377,618	14,020	3,391,638
Expenses					
Purchased Gas Costs	2,324,216		2,324,216		
Gas Production Costs	110,521		110,521		
Distribution O&M	217,603		217,603		
Customer Accounts Expense	131,273		131,273		
Selling & Advertising	9,970		9,970		
Admin & General Expenses	339,280	(1,160)	338,120		
	3,132,863	(1,160)	3,131,703		3,131,703
Depreciation & Amortization	155,664		155,664	(8,875)	146,789
Taxes Other Than Income Taxes	66,573		66,573		66,573
Interest Expense	1,612		1,612		1,612
Total Operating Expenses	3,356,712	(1,160)	3,355,552	(8,875)	3,346,677
Profit from Non-Utility Operations	59,732	(59,732)			
Operating Income Before Federal Income Taxes	24,661	(2,595)	22,066	22,895	44,961
State Income Taxes	(11,558)	(221)	(11,779)	1,946	(9,833)
Federal Income Taxes	(64,322)	(831)	(65,153)	7,332	(57,821)
Deferred State Income Tax	13,654		13,654		13,654
Deferred Federal Income Tax	72,220		72,220		72,220
Total Income Taxes	9,994	(1,052)	8,942	9,278	18,220
Operating Income After Federal & State Income Taxes	14,667	(1,543)	13,124	13,617	26,741

* Adjustment Summary

Revenue increase for weather normalization	55,977	
Revenue increase correcting for error in year end unbilled revenues		14,020
Expense decrease to remove charitable donations	(1,160)	
Expense decrease to reflect reduction in depreciation rates		(8,875)
Changes in income taxes due to adjustments	(1,052)	9,278

NEW HAMPSHIRE GAS CORPORATION
State & Federal Income Tax Computation - Utility Operations

Calculation of State Income Tax

Operating Income before Taxes	44,961
State Income Tax (tax rate 8.5%)	<u><u>3,822</u></u>
Income Subject to Federal Income Tax (income less state tax)	41,139
Federal Income Tax (tax rate 35%)	<u><u>14,399</u></u>
Total Federal & State Taxes	<u><u>18,220</u></u>

NEW HAMPSHIRE GAS CORPORATION
Average Rate Base

	Total Gas Plant In Service	Accumulated Depreciation	Utility Materials & Supplies A/C 151-154	Prepayments	Deferred Taxes	Customer Deposits	(Total) Net Utility Plant Service
December-07	3,392,932	(1,176,281)	179,764	72,373	(117,297)	(49,959)	2,301,532
January-08	3,392,932	(1,189,531)	151,823	64,635	(138,405)	(49,659)	2,231,795
February-08	3,454,425	(1,202,820)	189,509	55,932	(138,232)	(49,814)	2,309,000
March-08	3,358,724	(1,119,799)	143,159	51,045	(120,267)	(50,209)	2,262,653
April-08	3,358,724	(1,132,419)	212,851	49,087	(73,617)	(48,322)	2,366,304
May-08	3,370,703	(1,145,119)	171,655	39,537	(61,222)	(44,492)	2,331,062
June-08	3,398,308	(1,157,956)	161,041	51,232	(50,338)	(46,192)	2,356,095
July-08	3,398,308	(1,170,852)	232,730	40,465	(56,410)	(45,867)	2,398,374
August-08	3,398,308	(1,183,422)	222,062	30,598	(52,681)	(47,367)	2,367,498
September-08	3,501,259	(1,192,766)	269,314	21,680	(106,149)	(51,667)	2,441,671
October-08	3,482,763	(1,184,455)	255,422	69,905	(124,250)	(58,142)	2,441,243
November-08	3,482,763	(1,197,262)	230,991	85,807	(124,331)	(59,467)	2,418,501
December-08	3,650,935	(1,198,348)	213,277	87,958	(203,170)	(60,942)	2,489,710
Subtotal	44,641,084	(15,251,030)	2,633,598	720,254	(1,366,369)	(662,099)	30,715,438
Less:							
1/2 December 07	1,696,466	(588,141)	89,882	36,187	(58,649)	(24,980)	1,150,766
1/2 December 08	1,825,468	(599,174)	106,639	43,979	(101,585)	(30,471)	1,244,855
	3,521,934	(1,187,315)	196,521	80,166	(160,234)	(55,451)	2,395,621
Total	41,119,151	(14,063,716)	2,437,078	640,089	(1,206,136)	(606,649)	28,319,817
Average (Total ÷ 12)	3,426,596	(1,171,976)	203,090	53,341	(100,511)	(50,554)	2,359,985
						NHGC	Staff/ Settlement
			Utility Plant in Service - 13 month average			3,426,596	3,426,596
*			Land held for future use			-	(418,384)
			Less: Accumulated Depreciaton - 13 month average			(1,171,976)	(1,171,976)
			Net Utility Plant			2,254,620	1,836,236
			Plus: Working Capital			294,621	294,621
			Materials and Supplies - 13 month average			203,090	203,090
			Prepayments - 13 month average			53,341	53,341
			Less: Customer Deposits - 13 month average			(50,554)	(50,554)
*			Deferred Taxes - 13 month average			-	(100,511)
			Average Rate Base			2,755,117	2,236,222
*			Adjustment summary				
			Not in service and no definitive plans as to when, or if, will be placed in service				(418,384)
			Tax benefit due to timing differences				(100,511)

NEW HAMPSHIRE GAS CORPORATION
Working Capital

	<u>Amount</u>
Total O&M - test year	807,487
45 day average O&M balance (1/8th annual amount)	100,936
Total Purchased Gas Costs	2,324,216
30 day average (1/12th annual amount)	193,685
Total Working Capital	<u><u>294,621</u></u>

NEW HAMPSHIRE GAS CORPORATION
Overall Rate of Return
For Ratemaking Purposes

NHGC PROPOSAL

Item	Component Ratio (%)	Component Cost Rate(%)	Weighted Average Cost Rate (%)
Common Stock ¹	50%	11.25%	5.625%
Long Term Debt ²	50%	8.00%	4.000%
Total Overall Rate of Return	100%		9.625%

1) DR 1-9 11.25% ROE based on recently utility requests (NYSEG 12.0% & RG&E 12.2%)

2) DR 1-9 Proxy - Berkshire Gas embedded cost of debt of 8.27%

SETTLEMENT AGREEMENT

Total Overall Rate of Return 8.875%

Stephen P. Frink

Educational & Professional Experience

Mr. Frink graduated from the University of New Hampshire with a Bachelor of Arts degree in Sociology in 1977 and a Masters in Business Administration in 1980. He attended and completed Depreciation Programs sponsored by Depreciation Programs, Inc. at Grand Rapids, Michigan in 1992, 1993, 1994 and is a member in good standing of the Society of Depreciation Professionals since 1994.

In 1981, Mr. Frink worked as a High School Math Teacher in Manchester, New Hampshire.

In 1982, Mr. Frink relocated to Texas and worked as an Auditor for Dallas County. He audited various county departments and performed monthly reconciliations of various fund accounts.

In 1985, Mr. Frink went to work for Schenley Industries, Inc., a wholesale liquor distributor located in Dallas, Texas, where he audited national and international manufacturing plants.

In 1986, Mr. Frink left Schenley to work for the City of Dallas as a Budget/Financial Analyst, where he prepared and monitored budgets, prepared pro forma statements, amortization schedules and performed cash flow analysis. He was promoted to Senior Analyst in 1987.

In 1988, Mr. Frink left the City of Dallas to work for the City of Austin as a Financial Analyst. There he prepared budgets and fiscal impact statements, developed a capital projects tracking and monitoring system, and provided training and technical assistance in the implementation of a new accounting system.

In 1990, Mr. Frink joined the Finance staff of the New Hampshire Public Utilities Commission. Working as a member of the PUC Audit Team, he conducted or participated in audits of the books and records of public utilities. He performed desk audits and determined rates of returns. He prepared schedules and exhibits supporting testimony in dockets involving rate increases and participated in settlement conferences. In 1995, Mr. Frink became a full time Analyst for the Finance Department and in 1996 was promoted to a Senior Analyst position, primarily responsible for analyzing and advising the Commission on issues of depreciation, cost of gas adjustment filings, special contracts, and finance and rate increase petitions. In 1998, Mr. Frink was promoted to Assistant Finance Director. As Assistant Finance Director, he assisted in the direction of all aspects of a department responsible for the audit, analysis and review of public utility financial operations, including financing, rate cases and various utility studies filings related to public utility regulation. In 2001, New Hampshire Public Utilities Commission operations were restructured and Mr. Frink became Assistant Director of the Gas & Water Division and now administers all aspects of regulation of gas utilities.