

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

EnergyNorth's)
Indirect Gas Costs)
)
)

DOCKET NO. DG 07-050

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this ^{31st} day of July, 2009, by and among EnergyNorth Natural Gas, Inc. d/b/a National Grid NH ("EnergyNorth"), and the Staff of the New Hampshire Public Utilities Commission with the intent of resolving all issues in the above-captioned proceeding with respect to EnergyNorth.

ARTICLE I.
Introduction

1.1 Every six months, EnergyNorth files with the Commission a proposed Cost of Gas ("COG") rate that collects the direct gas costs that are projected to be incurred over the upcoming six month period. In addition to these direct gas costs, the COG rate collects several other costs that relate to gas supply service. One such cost is the under or over-collected direct gas cost, plus carrying charges, incurred during the prior winter or summer period. Others include the projected bad debt and working capital costs (referred to as indirect gas costs) for the period plus associated under or over-collected indirect gas cost for the prior winter or summer period.

1.2 This proceeding was opened by the Public Utilities Commission ("Commission") on April 10, 2007, to consider, among other issues, the method for reconciling prior period over- or

under-recovery; appropriate interest charges related to timing differences between costs and revenues and rate impacts.

1.3 On September 13, 2007, in a related docket concerning Northern Utilities, Inc. the Commission issued Order No. 24,786 finding that the amount of the under/over-collection should be calculated using accrued revenues rather than billed revenues in Northern's reconciliation calculation. In addition, the Commission determined that the change should take effect November 1, 2005. Order No. 24,786 did not, however, address how the transition from billed revenue accounting to accrued revenue accounting would be accomplished.

1.4 Northern filed a motion to rehear Order No. 24,786 and on September 25, 2008, the Commission issued Order No. 24,901 which applied to both the Northern docket, DG 07-033 and the EnergyNorth docket No. DG 07-050. In Order No. 24,901 the Commission reiterated its determination that the new accounting method using accrued revenue accounting is just and reasonable. The Commission went on to grant rehearing as to the method of transitioning to the new accounting method and invited the parties to attempt to reach settlement on the transition issue and to report back to the Commission. *Id.* at 8.

1.5 Based upon information gathered through settlement discussions and the informal exchange of information, EnergyNorth and Staff have reached agreement on the issues in this proceeding as follows:

ARTICLE II.

Transition Mechanism

2.1 The parties to this settlement agreement have agreed that the transition from billed revenue accounting in the calculation of the Peak and Off-Peak gas cost reconciliation accounts

shall take place November 1, 2008, and that the beginning balance in the Peak (Off-Peak) account shall be set at the October 31, 2008 ending balance in the Peak (Off-Peak) account under billed revenue accounting (i.e., \$3,602,538 for the Peak account and \$2,954,698 for the Off-Peak account). EnergyNorth has also agreed to include in the Off-Peak account in November 2008 revenue totaling \$4,924,183 related to October 2008 consumption billed in November 2008, a one time adjustment to reflect the revenues received by the Company but not reflected in the November starting balance or November accrued revenue. To illustrate these agreements, the parties have attached as Exhibit A a spreadsheet which presents the Peak and Off-Peak reconciliation calculations for direct gas costs under accrued accounting principles.

2.2 The parties also agree that accrued revenue in any month should be calculated as the sum of revenue billed in the month and the revenue associated with gas consumed in the month but billed in the subsequent month less the revenue associated with gas consumed in the prior month but billed in the current month (i.e.- prior month's unbilled revenue). Revenue associated with gas consumed in the month but billed in the subsequent month is known as unbilled revenue and should be calculated using the following formula, subject to future modifications as agreed by the parties:

$$\text{Unbilled Revenue} = (\text{Gas Purchased} - \text{Billed Sales} - \text{Company Use} - \text{Unaccounted for Gas}) \\ * \text{COG Factor}$$

Where: Gas Purchased is the volume of gas purchased in the month expressed in therms.

Billed Sales is the volume of gas consumed and billed in the month expressed in therms.

Company Use is the volume of gas used by the Company in the month expressed in therms.

Unaccounted for Gas is the volume of gas lost due to theft, leaks and meter errors in the month expressed in therms.

COG Factor is the cost per therm of gas supplied to the Company in the month excluding bad debt and working capital costs.

2.3 In addition, EnergyNorth has agreed to use accrued accounting as the basis of its reconciliation calculations for indirect gas costs and to make the transition in a manner that is consistent with the treatment of direct gas costs as also shown on Exhibit A.

ARTICLE III. General Provisions

3.1 EnergyNorth and Staff agree and recommend that the Commission find that the terms of this Settlement Agreement are just and reasonable and consistent with the public interest and should be adopted in full.

3.2 This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or further condition. If the Commission does not accept the Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and EnergyNorth or Staff is unable to agree with said changes, conditions or findings, the Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

3.3 Under this Agreement, EnergyNorth and Staff agree to this joint submission to the Commission as a resolution of the issues specified herein only.

3.4 EnergyNorth and Staff agree that the Commission's acceptance of the Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding, except that the matters set forth in this agreement shall be binding to the extent expressly set forth

herein. Acceptance of this Settlement Agreement by the Commission shall not be deemed to restrain this Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion, nor shall this Settlement Agreement be deemed to restrain the authority of the Legislature to enact any law that would resolve the matters covered by this Settlement Agreement in a different fashion.

3.5 This Agreement shall not be deemed an admission by EnergyNorth or Staff that any allegation or contention in this proceeding by any other Party, other than those specifically agreed to herein, is true and valid. This Agreement shall not be deemed to foreclose Staff or EnergyNorth from taking any position in any subsequent proceedings, with the exception of those specifically agreed to herein.

3.6 The rights conferred and obligations imposed on EnergyNorth by this Settlement Agreement shall be binding on or inure to the benefit of their successors in interest or assignees as if such successor or assignee was itself a Party hereto.

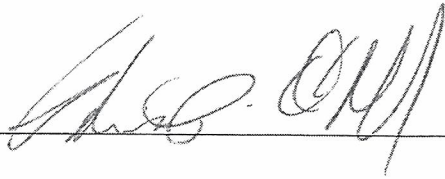
3.7 This Settlement Agreement is the product of confidential settlement negotiations. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

3.8 This Agreement may be executed in multiple counterparts, which together shall constitute one agreement.

ARTICLE IV. Conclusion

4.1 EnergyNorth and Staff affirm that the proposed Settlement Agreement is appropriate, just and reasonable and should be approved.

ENERGYNORTH NATURAL GAS INC. d/b/a
NATIONAL GRID NH

By:  _____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

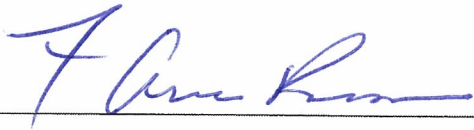
By:  _____

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
PEAK DEMAND AND COMMODITY
SCHEDULE I
ACCOUNT 175.20

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH		30					
1	BEGINNING BALANCE	\$ 3,602,538					
2							
3	Add: Actual Costs	11,760,788					
4							
5	Add: FPO Admin Costs	40,691					
6	Add: MISC OH	17,972					
7	Add: Production and Storage	350,869					
8	Add: Fuel Financing	65,703					
9	Reverse Fuel Finance Estimate						
10	Add new Fuel Finance Estimate						
11							
12	Less: CUSTOMER BILLINGS	(3,685,779)					
13	Estimated Unbilled	(10,104,937)					
14	Reverse Prior Month Unbilled	-					
15	Sub-Total Accrued Customer Billings	(13,790,715)					
16							
17	Less: REFUND	-					
18							
19	Less: Broker Revenues	(38,655)					
20							
21	NON FIRM MARGIN AND CREDITS	(547)					
22							
23	ENDING BALANCE PRE INTEREST	\$ 2,008,644					
24							
25	MONTH'S AVERAGE BALANCE	2,805,591					
26							
27	INTEREST RATE	4.00%					
28							
29	INTEREST APPLIED	9,224					
30							
31	ENDING BALANCE	\$ 2,017,868					

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
OFF PEAK DEMAND AND COMMODITY
SCHEDULE 1
ACCOUNT 175.40

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH		30					
1	BEGINNING BALANCE	\$ 2,954,698					
2							
3	Add: ACTUAL COST	-					
4							
5	Add: MISC OH & PROD and STOR	-					
6							
7	Less: CUSTOMER BILLINGS	(4,924,183)					
8	Estimated Unbilled	-					
9	Reverse Prior Month Unbilled	-					
10							
11	Add: ADJUSTMENTS	-					
12							
13	ENDING BALANCE PRE INTEREST	\$ (1,969,485)					
14							
15	MONTH'S AVERAGE BALANCE	492,606					
16							
17	INTEREST RATE	4.00%					
18							
19	INTEREST APPLIED	1,620					
20							
21	ENDING BALANCE	\$ (1,967,865)					

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
D/B/A KEYSFAN ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
PEAK BAD DEBT
SCHEDULE 1
ACCOUNT 175.52

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH		30					
1	BEGINNING BALANCE	\$ (1,423,906)					
2							
3	Add: COST ALLOW	215,541					
4							
5	Adjustment						
6							
7	Less: CUSTOMER BILLINGS	(15,431)					
8	Estimated Unbilled	(43,011)					
9	Reverse Prior Month Unbilled	-					
	Subtotal- Accrued CUSTOMER BILLINGS	(58,442)					
10							
11	ENDING BALANCE PRE INTEREST	\$ (1,266,806)					
12							
13	MONTH'S AVERAGE BALANCE	(1,345,356)					
14							
15	INTEREST RATE	4.00%					
16							
17	INTEREST APPLIED	(4,423)					
18							
19	ENDING BALANCE	\$ (1,271,229)					

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
OFF PEAK BAD DEBT
SCHEDULE 1
ACCOUNT 175.54

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH		30					
1	BEGINNING BALANCE	\$	(44,065)				
2							
3	Add: COST ALLOW		-				
4							
5	Less: CUSTOMER BILLINGS		(81,752)				
6	Estimated Unbilled		-				
7	Reverse Prior Month Unbilled		-				
8							
9	ENDING BALANCE PRE INTEREST	\$	(125,817)				
10							
11	MONTH'S AVERAGE BALANCE		(84,941)				
12							
13	INTEREST RATE		4.00%				
14							
15	INTEREST APPLIED		(279)				
16							
17	ENDING BALANCE	\$	(126,096)				

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
d/b/a KEYSpan ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
PEAK PERIOD WORKING CAPITAL
ACCOUNT 142.20
SCHEDULE 5

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH:		30					
1	BEGINNING BALANCE	\$ (305,197)					
2							
3	Add: COST ALLOW	75,854					
4							
5	Less: CUSTOMER BILLINGS	(12,345)					
6	Estimated Unbilled	(34,409)					
7	Reverse Prior Month Unbilled	-					
8	Subtotal: Accrued CUSTOMER BILLINGS	(46,753)					
9							
10	Adjustment	-					
11							
12	ENDING BALANCE PRE INTEREST	(276,397)					
13							
14	MONTH'S AVERAGE BALANCE	(290,947)					
15							
16	INTEREST RATE	4.00%					
17	INTEREST APPLIED	(957)					
18	ENDING BALANCE	\$ (277,354)					

EXHIBIT A

ENERGY NORTH NATURAL GAS, INC
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
NOVEMBER 2008 THROUGH APRIL 2009
OFF PEAK WORKING CAPITAL
ACCOUNT 142.40
SCHEDULE 5

FOR THE MONTH OF:		Nov-08					
DAYS IN MONTH		30					
1	BEGINNING BALANCE	\$ (38,418)					
2							
3	Add: ACTUAL COST	-					
4							
5	Less: CUSTOMER BILLINGS	(29,689)					
6	Estimated Unbilled	-					
7	Reverse Prior Month Unbilled	-					
8							
9	ENDING BALANCE PRE INTEREST	(68,107)					
10							
11	MONTH'S AVERAGE BALANCE	(53,263)					
12							
13	INTEREST RATE	4.00%					
14	INTEREST APPLIED	(175)					
15	ENDING BALANCE	\$ (68,282)					