ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007 | Date of Response: October 5, 2007
Request No.: Staff 3-1 | Respondent: Ann Leary

Request: Ref. Leary Testimony, page 5. Ms. Leary uses the word "possibility" when discussing the concern that switching to accrued revenues in the reconciliation calculation results in more than a month's revenue in the first month under accrued revenue accounting. Is it the Company's position that the switch to accrued revenue accounting will result in a month and a half of revenue in the first month or that it may result in a month and a half of revenue? If the latter, please explain the source of the uncertainty.

Response: As of August 31, 2007 (the date of the Company's prefiled testimony), the Staff had not yet put forth in this docket its position on this transition of utilizing accrued verses billed COG Revenues in the calculation of gas cost reconciliation. Therefore, the Company did not definitely know how the Staff was proposing to transition from using billed to accrued COG revenues in the gas cost reconciliation calculation. However, since that time, the Commission has ordered Northern Utilities in Docket DG 07-033 to adopt accrual accounting in its gas cost reconciliation calculation and has specifically detailed how to transition to this methodology. This methodology will in fact result in a month and a half of revenues in the first month under accrual accounting, which is October 2005. Although the Order in Docket DG 07-033 only affects the interest for the period beginning November 2005, the adoption of accrued revenues actually occurs in the month of October 2005. By adjusting the October 2005 COG revenues to include those revenues associated with gas consumed in October but billed in November, the October 2005 revenues will incorporate 1.5 months of revenues (billed revenues for October 2005 plus the revenues associated with gas consumed in October 2005 but actually billed in November 2005). Although this adjustment occurs outside the period impacted by the Commission's Order in DG 07-033 (November 2005-April 2007), the adjustment does impact the interest calculation for this period. The easiest way to see this is through a simple example. Assume you open a savings account on January 1 and deposit $1,000 each month and withdraw $500. Assuming you earn interest each month at 5%, at the end of the year you would have earned $152.88 in interest. However, if the bank made an error in your account at the outset and recorded an opening balance of negative $250 instead of $0, you would have earned only $140.09 interest at the end of the year. Under both scenarios you would have deposited $12,000 and withdrawn $6,000 during the 12 month period. However, under the second scenario, because the starting balance was artificially reduced, the interest earned would be $12.79 less than under the first scenario. This is the same problem that will occur if the methodology set forth in the Commission's Order in DG 07-033 is implemented to transition from billed to accrued revenues. The methodology adopted by the Commission imputes an extra half month of revenues in the November 2005 beginning balance for the Off Peak Reconciliation Account, which will result in a reduction of interest for the Company.

ENERGYNORTH NATURAL GAS, INC.

NOV 05 THROUGH OCT 06
PEAK DEMAND AND COMMODITY
SCHEDULE 1

1	FOR THE MONTH OF:	Nov-05'	Dec-05'	Jan-06'	Fel 06'	Mar-06'	Apr-0	May-06'	Jun-06'	Jul-06'	Aug-06'	Sep-06'	Oct-06'	Total
2	DAYS IN MONTH:	30	31	31	28	31	30	31	30	31	31	30	31	
3	BEGINNING BALANCE	$4,152,233	$4,693,049	$2,244,092	$62,179	$2,633,080	($81,806)	($2,480,885)	($2,215,064)	($2,010,963)	,796,778)	($1,581,342)	($1,343,191)	
4														
5	Add: ACTUAL COSTS	$13,097,244	$20,823,227	$20,770,445	$18,425,287	$13,228,153	$6,378,982	$257,415	$206,255	$298,868	$253,490	$253,316	$244,090	$94,236,772
6														
7	Add: FUEL FINANCING COSTS	$72,941	$96,429	$69,284	$76,037	$67,041	$67,985	$61,613	$89,425	$67,401	$76,428	$76,037	$82,651	$903,272
8														
9	Add: MISC	$492,771	$492,771	$492,771	$492,771	$492,771	$492,771	$0	$0	$0	$0	$0	$0	$2,956,626
10														
11	Less: COLLECTED COST	($4,380,801)	($18,353,237)	($23,854,071)	($18,921,391)	($19,743,660)	($12,451,381)	($4,410,950)	$0	$0	$0	$0	$0	($102,115,491)
12	Unbilled	($8,632,661)	($14,094,855)	($13,754,911)	($11,208,983)	($7,942,515)	($4,410,950)		$0	$0	$0	$0	$0	($60,044,875)
13	Reverse Prior Month Unbilled	$0	$8,632,661	$14,094,855	$13,754,911	$11,208,983	$7,942,515	$4,410,950	$0	$0	$0	$0	$0	$60,044,875
14	Total Accrued Rev	($13,013,462)	($23,815,431)	($23,514,127)	($16,375,463)	($16,477,192)	($8,919,816)	$0	$0	$0	$0	$0	$0	($102,115,491)
15														
16	Less: BROKERS REVENUES	($62,628)	($38,708)	($28,532)	($33,376)	($11,988)	($6,382)	($13,058)	($31,738)	($59,321)	($25,696)	($14,834)	($5,263)	($331,524)
17														
18	Less: REFUND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	Prior Period Adjustment -Reverse Non-Firm													
20	Prior Period Adjustment -Interest													
21	ADJUSTMENT	$0	$0	$37,736	$0	$0	$0	$0	$0	$0	$0	$0	$0	$37,736
22														
23	NON-FIRM MARGIN AND CREDITS	($69,615)	($26,341)	($16,325)	($21,572)	($21,233)	($404,744)	($24,388)	($45,993)	($79,470)	($76,992)	($66,486)	($23,137)	$876,296)
24														
25	ENDING BALANCE PRE INTEREST	$4,669,484	$2,224,996	$55,344	$2,625,863	($89,368)	($2,473,010)	($2,199,303)	($1,997,115)	($1,783,485)	($1,569,548)	($1,333,309)	($1,044,850)	
26														
27	MONTH'S AVERAGE BALANCE	$4,410,859	$3,459,022	$1,149,718	$1,344,021	$1,271,856	($1,277,408)	($2,340,094)	($2,106,089)	($1,897,224)	($1,683,163)	($1,457,326)	($1,194,020)	
28														
29	INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.00%	8.25%	8.25%	8.25%	8.25%	
30														
31	INTEREST APPLIED	$23,565	$19,096	$6,835	$7,217	$7,561	($7,874)	($15,761)	($13,848)	($13,294)	($11,794)	($9,882)	($8,366)	($16,544)
32														
33	ENDING BALANCE	$,693,049	$2,244,092	$62,179	$2,633,080	($81,806)	($2,480 85)	($2,215,064)	$2,010,963)	($1,796,778)	($1,581,342)	$1,343,191)	$1,053,216)	

ENERGYNORTH NATURAL GAS, INC.
NOV 05 THROUGH OCT 06
OFF-PEAK DEMAND AND COMMODITY
SCHEDULE 1

1	FOR THE MONTH OF:	Nov-05'	Dec-05'	Jan-06'	Feb-06'	Mar-06'	Apr-06'	May-06'	Jun-06'	Jul-06'	Aug-06'	Sep-06'	Oct-06'	Total
2	DAYS IN MONTH:	30	31	31	28	31	30	31	30	31	31	30	31	
3	BEGINNING BALANCE	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$1,306,899	$471,783	($394,825)	($770,752)	($668,655)	($751,796)	
4														
5	Add: ACTUAL COSTS							$4,357,050	$2,531,489	$2,176,722	$2,718,282	$2,638,693	$6,100,800	$20,523,036
6														
7	Add: FUEL FINANCING COSTS							$0	$0	$0	$0	$0	$0	$0
8														
9	Add: MISC							$20,974	$20,974	$20,974	$20,974	$20,974	$20,974	$125,844
10														
11	Less: COLLECTED COST	$0	$0	$0	$0	$0	$0	($2,358,079)	($4,337,112)	($2,715,569)	($2,319,299)	($2,617,603)	($3,911,825)	($18,259,487)
12	Unbilled							($2,861,031)	($1,943,242)	($1,797,227)	($2,110,062)	($2,230,467)	($4,039,941)	($14,981,970)
13	Reverse Prior Month Unbilled							$0	$2,861,031	$1,943,242	$1,797,227	$2,110,062	$2,230,467	$10,942,029
14	Total Accrued Rev	$0	$0	$0	$0	$0	$0	($5,219,110)	($3,419,323)	($2,569,554)	($2,632,134)	($2,738,008)	($5,721,299)	($22,299,428)
15														
16	Less: BROKERS REVENUES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
17														
18	Less: REFUND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	Prior Period Adjustment -Reverse Non-Firm													
20	Prior Period Adjustment -Interest													
21	ADJUSTMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
22														
23	NON-FIRM MARGIN AND CREDITS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
24														
25	ENDING BALANCE PRE INTEREST	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$465,813	($395,077)	($766,683)	($663,630)	($746,996)	($351,321)	
26														
27	MONTH'S AVERAGE BALANCE	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$886,356	$38,353	($580,754)	($717,191)	($707,826)	($551,558)	
28														
29	INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.00%	8.25%	8.25%	8.25%	8.25%	
30														
31	INTEREST APPLIED	$6,747	$7,010	$7,590	$6,897	$7,677	$8,007	$5,970	$252	($4,069)	($5,025)	($4,800)	($3,865)	$32,390
32														
33	ENDING BALANCE	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$1,306,899	$471,783	($394,825)	($770,752)	($668,655)	($751,796)	($355,186)	

STAFF EXHIBIT-3

KeySpan
Comparison of Gas Costs
and Gas Revenues

	Actual Gas Costs	Deferred Gas Costs	Total Firm Gas Costs	TME Actual Gas Costs	Gas Cost Revenues with interest	Gas Cost Revenues w/o interest	Total Gas Cost Revenues	TME Firm Revenues	Difference TME Revenues/TME Gas Costs
Jan-04	$19,862,340		$19,862,340		$15,598,123	$989,202	$16,587,325		
Feb-04	$12,681,513		$12,681,513		$18,661,235	$1,141,617	$19,802,852		
Mar-04	$10,025,527		$10,025,527		$13,608,880	$815,475	$14,424,355		
Apr-04	$6,083,805		$6,083,805		$9,540,558	$594,215	$10,134,773		
May-04	$3,069,817	$460,578	$3,530,395		$4,330,156	$281,078	$4,611,234		
Jun-04	$2,723,646	$438,533	$3,162,179		$2,533,638	$157,644	$2,691,282		
Jul-04	$2,336,210	$504,734	$2,840,944		$2,032,335	$111,811	$2,144,146		
Aug-04	$2,178,077	$473,774	$2,651,851		$2,007,510	$103,818	$2,111,328		
Sep-04	$2,172,127	$472,937	$2,645,064		$2,079,780	$106,921	$2,186,701		
Oct-04	$5,080,922	$472,472	$5,553,394		$2,809,760	$152,155	$2,961,915		
Nov-04	$8,674,360		$8,674,360		$6,086,688	$338,530	$6,425,218		
Dec-04	$15,777,101		$15,777,101	$93,488,473	$10,942,088	$588,644	$11,530,732	$95,611,861	$2,123,388
Jan-05	$17,938,217		$17,938,217	$91,564,350	$16,902,486	$922,383	$17,824,869	$96,849,405	$5,285,055
Feb-05	$14,572,489		$14,572,489	$93,455,326	$17,655,061	$971,150	$18,626,211	$95,672,764	$2,217,438
Mar-05	$13,100,373		$13,100,373	$96,530,172	$15,392,850	$842,747	$16,235,597	$97,484,006	$953,834
Apr-05	$5,924,511		$5,924,511	$96,370,878	$11,078,288	$575,395	$11,653,683	$99,002,916	$2,632,038
May-05	$4,501,473	$513,669	$5,015,142	$97,855,625	$6,693,766	$207,141	$6,900,907	$101,292,589	$3,436,964
Jun-05	$2,899,510	$489,485	$3,388,995	$98,082,441	$4,265,445		$4,265,445	$102,866,752	$4,784,311
Jul-05	$2,734,362	$488,358	$3,222,720	$98,464,217	$2,410,054		$2,410,054	$103,132,660	$4,668,443
Aug-05	$2,171,422	$488,812	$2,660,234	$98,472,600	$2,072,653		$2,072,653	$103,093,985	$4,621,385
Sep-05	$3,281,445	$483,624	$3,765,069	$99,592,605	$2,552,052		$2,552,052	$103,459,336	$3,866,731
Oct-05	$7,124,375	$490,377	$7,614,752	$101,653,963	$3,576,679		$3,576,679	$104,074,100	$2,420,137
Nov-05	$13,097,244		$13,097,244	$106,076,847	$8,842,166		$8,842,166	$106,491,048	$414,201
Dec-05	$20,823,227		$20,823,227	$111,122,973	$18,353,237		$18,353,237	$113,313,553	$2,190,580

12 Month Total $37,491,117

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007 Date of Response: October 5, 2007
Request No.: Staff 3-18 Respondent: Ann Leary

Request: Ref. Leary Testimony, page 10. Ms. Leary states that "the Company relied on *annual* gas costs .... as a proxy for gas supply revenues, and ... over time these two amounts will be quite close to one another and therefore do serve as reasonable proxies for one another." Is Ms. Leary aware that in Exhibit GRM-2 Mr. McCluskey compared rolling twelve month ending (TME) gas costs with rolling TME gas revenues and not individual monthly gas costs and revenues? If yes, please respond to the following questions:

1. Does Ms. Leary accept as reasonable the monthly and rolling TME gas revenue estimates shown in Exhibit GRM-2? If Ms. Leary believes those estimates are not reasonable, please explain why.
2. Assuming Ms. Leary believes Staff's rolling TME revenue estimates are reasonable, please explain why the Company concluded that over time annual gas costs are a good proxy for annual gas revenues if the cumulative difference between the two (as calculated using Exhibit GRM-2) over the 13 month period of the Company's analysis exceeds $39 million.

Response:

1. Yes, Ms. Leary accepts as reasonable the monthly and rolling TME gas revenue estimates shown in Exhibit GRM-2.

2. As explained in Ms. Leary's testimony on pages 10-11 and illustrated on Schedule AEL-4, the results of the lead/lag study do not change, if the gas revenues are substituted for gas costs. This is because the gas cost information has only been used to estimate the gas cost portion of the total accounts receivable balance, not for any other purpose. This is done by multiplying the total accounts receivable balance by the ratio of gas cots to total firm revenues. The result (i.e., the portion of the total accounts receivable that relates to gas costs) is then divided by total gas costs to

determine the revenue lag. This methodology is based on the reasonable assumption that the both the base distribution revenues and gas supply revenues have the same lag, i.e. that there is the same delay between the time that distribution service is rendered and the distribution portion of the bill is paid as there is between when the gas is consumed by the customer and the gas supply portion of the bill is paid. As demonstrated in Schedule AEL-4, using COG revenues in lieu of actual gas costs does not change the outcome of the analysis. Therefore, the analysis presented in Exhibit GRM-2 has no impact or bearing on the results of the lead lag study.

Staff Exhibit-5

KeySpan
Collections Lag
Accounts Receivable Turnover Method
(Based on Gas Costs)

		Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable Less Gross Write-offs	Total Gas Costs	Collections Lag (Days)
2005	January	$21,793,379	$21,781,964	$14,334,683	$17,938,217	
	February	$26,462,190	$26,461,590	$18,057,242	$14,572,489	
	March	$25,272,690	$25,272,490	$17,506,480	$13,100,373	
	April	$23,593,178	$23,579,719	$16,122,087	$5,924,511	
	May	$20,290,960	$20,290,960	$13,834,329	$5,015,142	
	June	$16,360,626	$16,324,453	$10,987,215	$3,388,995	
	July	$13,958,597	$13,944,984	$9,411,547	$3,222,720	
	August	$10,754,556	$10,533,578	$7,110,711	$2,660,234	
	September	$9,466,652	$9,438,172	$6,422,664	$3,765,069	
	October	$8,228,023	$8,228,023	$5,692,540	$7,614,752	
	November	$9,960,750	$9,755,043	$6,914,838	$13,097,244	
	December	$19,672,827	$19,641,902	$13,969,456	$20,823,227	
Average Accounts Receivable Balance				$11,696,983		
Average Daily Revenue					$304,447	
Average Collections Lag-Gas Costs						38.42
Average Collections Lag-Gas Revenues						37.68
Difference						0.74

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England

DG 07-050

Indirect Gas Costs

Data Request Received: April 13, 2007
Request No.: Staff 1-9

Date of Response: April 27, 2007
Respondent: Ann Leary

Request: Ref. ENGI 2006-07 Winter COG Filing, DG 06-121, Tab 24, Lead/Lag Study, Page 11. Please state whether the monthly firm accounts receivable balances shown in column (d) have been adjusted for any reason other than the write-off of overdue accounts (e.g., terminated accounts). If yes, please identify the adjustments, their magnitude, and state how often they are made.

Response: No, the monthly firm accounts receivable balances shown in column (d) have not been adjusted for any reason other than write-off of overdue accounts.

STAFF EXHIBIT-7

KeySpan
Collections Lag
Accounts Receivable Turnover Method
(Based on Net Write-Offs)

	Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (GrossWrite-offs)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	Gross less Net Write-offs	Collections Lag (Days)
2005 January	$21,793,379	$21,781,964	$14,394,065	$14,334,683	$16,902,486	$922,383	$17,824,869	$59,382	
February	$26,462,190	$26,461,590	$18,078,078	$18,057,242	$17,655,061	$971,150	$18,626,211	$20,836	
March	$25,272,690	$25,272,490	$17,555,756	$17,506,480	$15,392,850	$842,747	$16,235,597	$49,276	
April	$23,593,178	$23,579,719	$16,163,303	$16,122,087	$11,078,288	$575,395	$11,653,683	$41,216	
May	$20,290,960	$20,290,960	$13,866,037	$13,834,329	$6,693,766	$207,141	$6,900,907	$31,708	
June	$16,360,626	$16,324,453	$11,033,577	$10,987,215	$4,265,445		$4,265,445	$46,362	
July	$13,958,597	$13,944,984	$9,441,402	$9,411,547	$2,410,054		$2,410,054	$29,855	
August	$10,754,556	$10,533,578	$7,138,727	$7,110,711	$2,072,653		$2,072,653	$28,016	
September	$9,466,652	$9,438,172	$6,449,839	$6,422,664	$2,552,052		$2,552,052	$27,175	
October	$8,228,023	$8,228,023	$5,719,754	$5,692,540	$3,576,679		$3,576,679	$27,214	
November	$9,960,750	$9,755,043	$6,957,564	$6,914,838	$8,842,166		$8,842,166	$42,726	
December	$19,672,827	$19,641,902	$13,977,611	$13,969,456	$18,353,237		$18,353,237	$8,155	
Average Accounts Receivable Balance			$11,731,309						
Average Daily Revenue							$310,448		
Average Collections Lag									37.79
Difference									5.77

KeySpan
Collections Lag
Accounts Receivable Turnover Method

		Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (GrossWrite-offs)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	Gross less Net Write-offs	Collections Lag (Days)
2005	January	$21,793,379	$21,781,964	$16,122,557	$16,063,175	$16,902,486	$922,383	$17,824,869	$59,382	
	February	$26,462,190	$26,461,590	$19,775,321	$19,754,485	$17,655,061	$971,150	$18,626,211	$20,836	
	March	$25,272,690	$25,272,490	$18,659,870	$18,610,594	$15,392,850	$842,747	$16,235,597	$49,276	
	April	$23,593,178	$23,579,719	$17,068,106	$17,026,890	$11,078,288	$575,395	$11,653,683	$41,216	
	May	$20,290,960	$20,290,960	$14,247,386	$14,215,678	$6,693,766	$207,141	$6,900,907	$31,708	
	June	$16,360,626	$16,324,453	$10,696,248	$10,649,886	$4,265,445		$4,265,445	$46,362	
	July	$13,958,597	$13,944,984	$7,982,886	$7,953,031	$2,410,054		$2,410,054	$29,855	
	August	$10,754,556	$10,533,578	$5,959,497	$5,931,481	$2,072,653		$2,072,653	$28,016	
	September	$9,466,652	$9,438,172	$5,606,070	$5,578,895	$2,552,052		$2,552,052	$27,175	
	October	$8,228,023	$8,228,023	$5,501,640	$5,474,426	$3,576,679		$3,576,679	$27,214	
	November	$9,960,750	$9,755,043	$7,337,748	$7,295,022	$8,842,166		$8,842,166	$42,726	
	December	$19,672,827	$19,641,902	$15,385,308	$15,377,153	$18,353,237		$18,353,237	$8,155	
Average Accounts Receivable Balance				$12,028,553						
Average Daily Revenue								$310,448		
Average Collections Lag										38.75
Difference - Staff v Company										4.81

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-47

Date of Response: October 5, 2007
Respondent: Kim Ahern/Ann Leary

Request: Ref. Ahearn Testimony, page 7. Ms. Ahearn states that "the Company believes there are demographic or other differences in the service territories by these two companies that have caused this historical disparity" in experienced bad debt ratios. Please respond to the following questions:

1. Define the term "experienced bad debt ratios."
2. Identify all demographic factors that the Company believes contributed to the disparity and provide all support for this believe
3. Identify all other factors that the Company believes contributed to the disparity and provide all support for this belief.

Response:

1. Experienced bad debt ratios refers to the bad debt percentage approved by the NH PUC in the revenue neutral rate cases for KeySpan and Northern and the bad debt ratios for 2005.

2. As described in both Ms. Ahern's and Ms. Leary's testimony, the Company believes that the variation in service territory demographics results in the variation in bad debt percentage between KeySpan and Northern. The Company demonstrated that the demographics do vary by comparing the percentage of residential customers who are enrolled on its low income discount rate. For KeySpan, 7.5% of residential heating customers enrolled on the discount rate, while only 3.5% of Northern's customers enrolled. This provides strong support that KeySpan's service territory has a substantially higher level of families who are gas customers and whose limited incomes make it difficult to pay their gas bills. See Staff 1-47(3).

3. At this time, the Company does not know of any other factors that contribute to this disparity. The Company has not undertaken a

comprehensive demographic analysis to determine if there are other factors that contribute to the historical difference between the two companies' service territories.

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DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007	Date of Response: October 5, 2007
Request No.: Staff 3-13	Respondent: Ann Leary

Request: Ref. Leary Testimony, page 8. Assuming the percentage of residential customers receiving the low income discount can be substantiated, explain why this would negatively impact KeySpan's collections performance compared to Northern. In addition, please quantify the effect this difference has on KeySpan's collection lag. Provide all supporting data and workpapers.

Response: In Ms. Noonan's testimony, she stated that according to 2000 Census data the percentage of families for both Northern and KeySpan that are living in poverty is similar. From this data she concludes that there are no demographic differences between KeySpan's and Northern's service territory and therefore the difference in the bad debt experience must be a result of differences in its collections processes. However, the data that Ms. Noonan cites is not fuel specific and therefore is not necessarily reflective of the experience of the gas companies being compared. As described in Ms. Ahern's testimony on page 7, the percentage of residential customers receiving the low income discount in KeySpan's territory (7.5%) (the number should be 7.7% not 7.5%- see response to Staff 3-12) is twice that of Northern's (3.5%), thereby disproving Ms.Noonan's assumption that the demographics of the two service territories are the same. This difference provides strong support for the conclusion that KeySpan's service territory has a substantially higher level of families whose limited incomes make it difficult to pay their gas bills.

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DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007	Date of Response: October 5, 2007
Request No.: Staff 3-52	Respondent: Kimberly Ahern

Request: Ref. Ahern Testimony, page 10. Ms. Ahern notes that the difference between the number of disconnect notices sent out by KeySpan versus those sent out by Northern is not surprising given KeySpan's practice of focusing more attention in its collection process on larger overdue accounts.

i) Are disconnect notices only sent to those customers with balances over a certain amount? If so, what is the amount?

ii) If disconnect notices are only sent to those customers with balances over a certain amount, how likely is it that a customer who is behind on his or her bill but has not received a disconnect notice will contact KeySpan to make an arrangement for repayment of their arrears or contact the Commission regarding their bill?

iii) Does Ms. Ahern know if Northern Utilities follows a similar process, that is to focus more attention in its collection process on larger overdue account?

Response:

i) Refer to KeySpan's response to Tech 1-2 in Docket DG 06-121 for a description of KeySpan's Collection Procedures and Policies. The Company uses several different disconnect notice criteria based on the type of account and time of year. There are set minimum dollar amounts assigned to each category.

ii) It is not the company's intention, nor is it cost effective, to disconnect every customer who does not pay their bill on time. The Company believes that many customers will pay their bill, including overdue balances, without first being disconnected. As stated on Page 11 of Ms. Ahern's testimony, Keyspan's collection system is a risk-based system and risk scores are assigned to each account based on age of the unpaid bill, amount of arrears, payment history and other factors. The purpose of this approach is to apply a cost-effective procedure, rather than pursuing all accounts with the same level of effort regardless of the amount due. Collection actions are progressive beginning with dunning calls and letters, and ultimately leading to disconnection. Thresholds must be set to appropriately manage the process for both cost effectiveness and to ensure that customers are not disconnected for minor past due amounts. Disconnect notices must be sent with minimum thresholds to comply with regulations and to reflect current economic conditions. For example Keyspan has assessed that $500 is appropriate for a disconnect threshold on a typical residential heating account with current monthly gas costs and heating averages.

iii) Although it is common collection practice to focus more attention on the oldest aged, highest balance receivables, Ms. Ahern is not directly aware of Northern Utilities' collection process.

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England

DG 06-121

Commission Staff Discovery Requests – Technical Conference

Data Request Received: September 28, 2006 Date of Response: October 13, 2006
Request No.: Tech 1-2 Witness: Ann Leary

Request: What were the Company's collection policies for delinquent accounts in 1999 and what are they today?

Response: Please see attached tables that compare the Company's collections procedures in 2006 to those in 1999. Although the collection process has not significantly changed since 1999, the Company has instituted numerous measures to improve its ability to perform the activities necessary to collect past due amounts from its customers. These improvements include:

- Training Supplemental workforce to perform collections;
- Purchasing hand-held computers to be used by field collectors, so that collection information is input to the system on a real-time basis
- Implementing an automated programmable outbound calling system to contact customers in arrears. This system will track the calls that are not answered and will recall these customers at later times throughout the day.
- Installation of new software tools to increase back-office efficiency;
- Enhancements to customer information system to assign daily work to field collectors on a more cost-effective and strategic basis.

Although the Company has implemented measures to enhance its ability to collect past due amounts from its customers, there are instances where the goal of protecting financial hardship customers can negatively impact the Company's efforts to collect overdue amounts. For example, the Company is required to send letters and post advertisements in local newspapers informing customers of the Company's reconnection policies for those customers qualifying for a financial hardship or medical emergency. In addition, the winter moratorium on termination of residential heating accounts, which covered the period December 1 through March 31 in 1999 and has since been extended to cover the period November 1 through March 31, delays the Company's ability to terminate service when all other collection activities have failed. Also, in 1999, the Company was allowed to terminate residential heating accounts with a past due balance greater than $300. Today, the Company can only disconnect those residential heating customers with a past due balance greater than $450.

The Company recognizes the need for an appropriate balance between policies that protect financial hardship customers from termination of service, especially in the winter season with the Company's aggressive attempt to control in bad debt. However, restrictions on the Company's ability to pursue collection activities from its customers do impact the Company's ability to collect balances owed.

New Hampshire Collections

Summer Period

	2006 Procedures & Policies	1999 Procedures & Policies
Residential Heating		
Preferred / Regular Customers	($35.00 + Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated program dialer.	($50.00 + Arrears) Actions Performed – Separate Reminder Notices, Calls by Rep.
Collectible Customers	($500.00 Termination Balance) Actions Performed - Disconnect Notice , Outbound Calls , Field Collections.	($300.00 Termination Balance) worked highest balances 1st Actions Performed – Separate Disconnect Notice , call by Reps, Field Collections.
Residential Non – Heat		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Separate Reminder Notices, Outbound Calls by Reps.
Collectible Customers	($125.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($175.00 Termination Balance) Actions Performed – Separate Disconnect Notice , Outbound Calls by Reps, Field Collections
Commercial / Industrial (Year-Round)		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Separate Reminder Notices, Outbound Calls by Reps.
Collectible Customers	($300.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($300.00 Termination Balance) Actions Performed – Separate Disconnect Notice , Outbound Calls by Reps, Field Collections

Winter Period

	2006 Procedures & Policies	1999 Procedures & Policies
Residential Heating		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer, No Field locking	($300.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls by Rep's. No Field locking
Residential Non – Heat		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls by Rep's.
Collectible Customers	($125.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($175.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls by Rep's, Field Collections

PUC Regulations Changes:

	2006	1999
PUC 1204 – Winter Period	November 15 – March 31st 2005- Keyspan invoked winter period on Nov. 1 courtesy	December 1 – March 31st
PUC 1204.02 - Protection from Disconnection (Winter Period)	Non-Heating $125 Heating $450	Non-Heating $175 Heating $300
PUC 1204.04 a.2. – Financial Hardship Payment Arrangements (Winter Period)	Pay 10% of monthly total balance due for winter period, then arrears paid over 6 months at end of winter	No financial hardship was defined – Same regulation applied to all customers: Pay current bills + arrears paid over 6 month payment plan following the conclusion of winter period
PUC 1204.06 Review of Pre-Winter Period Disconnections – New in 2005	Letters are sent to all customers disconnected from April 15-October 15 whose service remains disconnected as of November 1st. Letters are sent 11/7 to customer stating our reconnection policy and contact information	———

Protected Accounts - Winter

	Restore Service Criteria-2006	Restore Service Criteria 1999	PUC Regulation
Financial Hardship	10%	None existed	
Medical Emergency	No $ - Renew every 60 days	No $ - Renew every 30 days	1203.11 d)4
Fuel Assistance	10%		
Municipal Welfare Office	Welfare pays current bill	Welfare pays current bill	1203.11 d)5)
Elderly Over 65	Protected	Protected	

All of the above also requires payment arrangement from customer for balance remaining

Timeline of Collection Activity

2006 Procedure	2006 Procedure	2006 Procedure	2006 Procedure	1999 Procedure	1999 Procedure
Customer in Good Standing	Customer in Good Standing	Customer not in Good standing	Customer not in good standing		
Day 1	Create Bill	Day 1	Create Bill	Day 1	Create Bill
Day 31	Reminder Notice and Outbound Call with automated dialer	Day 31	Reminder Notice and Outbound Call with automated dialer	Day 31	Late Charge applied. Call by Rep.
Day 61	Reminder Notice and Outbound Call with automated dialer	Day 60	Reminder Notice and Outbound Call with automated dialer	Day 61	Lates charges applied. Separate Past Due notice in winter/ separate shut off notice in summer, call by Rep.
Day 91	Shut off Notice and Outbound call with automated dialer	Day 67	Demand notice to customer via separate letter.	Day 66	Shut off noticed mailed and 14 days to work acct. Call by rep and field collections.
Day 98	Create termination notice and Outbound call with automated dialer	Day 81	Create Field job to disconnect	Day 80	Account disconnected.
Day 112	Create Field job to disconnect and outbound call				

STAFF EXHIBIT 13

ENERGY NORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery N.E.
Peak 2007 - 2008 Winter Cost of Gas Filing
Annual Bill Comparisons, Nov 06 - Apr 07 vs Nov 07 - Apr 08 - Residential Heating Rate R-3

November 1, 2007 - April 30, 2008 / May 1, 2007 - October 31, 2007
Residential Heating (R3)

		Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	Winter Nov-Apr	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Summer May-Oct	Total Nov-Oct
Typical Usage (Therms)		109	150	187	188	166	132	932	90	55	30	30	42	71	318	1,250
Winter:																
Cust. Chg	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28								
Headblock	$0.2945	$29.45	$29.45	$29.45	$29.45	$29.45	$29.45	$176.70								
Tailblock	$0.1711	$1.54	$8.56	$14.89	$15.06	$11.29	$5.48	$56.81								
HB Threshold	100															
Summer:																
Cust. Chg	$9.88								$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28	$118.56
Headblock	$0.2945								$5.89	$5.89	$5.89	$5.89	$5.89	$5.89	$35.34	$212.04
Tailblock	$0.1711								$11.98	$5.99	$1.71	$1.71	$3.76	$8.73	$33.88	$90.68
HB Threshold	20															
Total Base Rate Amount		$40.87	$47.89	$54.22	$54.39	$50.62	$44.81	$292.79	$27.75	$21.76	$17.48	$17.48	$19.53	$24.50	$128.50	$421.28
CGA Rate - (Seasonal)		$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.0388	$1.0775	$1.0352	$0.8972	$0.8522	$0.8522	$0.9655	$1.1286
CGA amount		$129.09	$177.65	$221.46	$222.65	$196.59	$156.33	$1,103.77	$93.49	$59.26	$31.06	$26.92	$35.79	$60.51	$307.03	$1,410.79
LDAC		$0.0192	$0.0192	$0.0192	$0.0192	$0.0192	$0.0192	0.0192	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0243
LDAC amount		$2.09	$2.87	$3.58	$3.60	$3.18	$2.53	$17.85	$3.55	$2.17	$1.18	$1.18	$1.65	$2.80	$12.53	$30.38
Total Bill		$172.05	$228.40	$279.26	$280.64	$250.40	$203.66	$1,414.40	$124.79	$83.19	$49.72	$45.58	$56.98	$87.80	$448.05	$1,862.45

NOVEMBER 1, 2006 - April 31, 2007 / May 1, 2006 - October 31, 2006
Residential Heating (R3)

		Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	Winter Nov-Apr	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Summer May-Oct	Total Nov-Oct
Typical Usage (Therms)		109	150	187	188	166	132	932	90	55	30	30	42	71	318	1,250
Winter:																
Cust. Chg	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28								
Headblock	$0.2945	29.45	29.45	29.45	29.45	29.45	29.45	$176.70								
Tailblock	$0.1711	$1.54	$8.56	$14.89	$15.06	$11.29	$5.48	$56.81								
HB Threshold	100															
Summer:																
Cust. Chg	$9.88								$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28	$118.56
Headblock	$0.2945								$5.89	$5.89	$5.89	$5.89	$5.89	$5.89	$35.34	$212.04
Tailblock	$0.1711								$11.98	$5.99	$1.71	$1.71	$3.76	$8.73	$33.88	$90.68
HB Threshold	20															
Total Base Rate Amount		$40.87	$47.89	$54.22	$54.39	$50.62	$44.81	$292.79	$27.75	$21.76	$17.48	$17.48	$19.53	$24.50	$128.50	$421.28
CGA Rate - (Seasonal)		$1.1513	$1.1642	$1.1451	$1.1124	$1.2339	$1.1976	$1.1656	$1.0022	$0.9701	$0.9637	$0.9514	$0.9833	$0.9355	$0.9708	$1.1160
CGA amount		$125.49	$174.63	$214.13	$209.13	$204.83	$158.08	$1,086.30	$90.20	$53.36	$28.91	$28.54	$41.30	$66.42	$308.73	$1,395.02
LDAC		$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	0.0394	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0365
LDAC amount		$4.29	$5.91	$7.37	$7.41	$6.54	$5.20	$36.72	$2.53	$1.55	$0.84	$0.84	$1.18	$2.00	$8.94	$45.66
Total Bill		$170.66	$228.43	$275.72	$270.93	$261.99	$208.09	$1,415.80	$120.47	$76.66	$47.24	$46.87	$62.01	$92.91	$446.16	$1,861.96

DIFFERENCE:

Total Bill	$1.39	($0.02)	$3.54	$9.71	($11.60)	($4.43)	($1.40)	$4.31	$6.53	$2.48	($1.29)	($5.03)	($5.11)	$1.89	$0.49
% Change	0.81%	-0.01%	1.29%	3.58%	-4.43%	-2.13%	-0.10%	3.58%	8.52%	5.26%	-2.75%	-8.11%	-5.50%	0.42%	0.03%
Base Rate	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
% Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CGA & LDAC	$1.39	($0.02)	$3.54	$9.71	($11.60)	($4.43)	($1.40)	$4.31	$6.53	$2.48	($1.29)	($5.03)	($5.11)	$1.89	$0.49
% Change	1.11%	-0.01%	1.65%	4.64%	-5.66%	-2.80%	-0.13%	4.78%	12.24%	8.59%	-4.51%	-12.18%	-7.70%	0.61%	0.04%

ENERGYNORTH NATURAL GAS, INC.
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DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007 | Date of Response: October 5, 2007
Request No.: Staff 3-42 | Respondent: Kimberly Ahern/Ann Leary

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Request: Ref. Ahern Testimony, page 5. In her testimony, Ms. Ahern cites an August 2007 report from the US Department of Energy, Energy Information Association as support for her assertion that many utilities have experienced rising arrears and write offs over the past five years. The cite provided by Ms. Ahern states that the average percentage of accounts in arrears and the number of terminations as a percentage of total residential accounts increased by 4.5 percent and 2.0 percentage points between 2001 and 2006. Please provide KeySpan's percentage increase of accounts in arrears and percentage increase in the number of terminations for the same period. Also please provide all cites from the report which support Ms. Ahern's assertion that write offs, as opposed to arrears and terminations, have increased during the 2001 -2006 timeframe.

Response: The Company's records do not allow it to distinguish between Residential and Non-Residential accounts for the information requested.

Reference to DG 07-050 Staff 2-10

NH 2001 Terminations 1,096 1.7% of total customers
NH 2006 Terminations 1,818 2.5 % of total customers
Net Change 0.8 %

The Company does not have the historical data for the number of accounts in arrears and therefore can not do the remainder of the comparison requested.

The following excerpt from the report referred to in the question further supports the Company's assertion that write-offs have increased during the 2001-2006 timeframe. According to Page 9 of the report, "When LDCs cannot recover their costs, they have to write off these accounts. According to anecdotal evidence, net write-offs for LDCs have increased as natural gas prices rose. Furthermore, industry sources report that the percentage of utility industry write-offs to overall revenue has exhibited concurrent increases with rising prices."

STAFF EXHIBIT 15

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-51

Date of Response: October 12, 2007
Respondent: Kim Ahern

Request: Ref. Ahern Testimony, page 10. Ms. Ahern notes that KeySpan "went so far as to install a curb valve, which is a significant expense that is hard to justify in all but the most extreme cases" when describing KeySpan's collection efforts on one of the customer accounts cited in Ms. Noonan's testimony. Please provide the average cost of performing a service disconnection when there is no access to the meter and 1) a curb valve exists and 2) when a curb valve does not exist. Please also provide the percentage of customers with services that have an existing curb valve.

Response: The Company does not track the cost of performing a service disconnection based upon whether or not a curb valve is present. However, the Company was able to determine that the average cost of installing a curb valve was $960. If a curb valve is present, the Company estimates that the service disconnection would cost only $100 based upon a 2 man crew working for one hour.

The Company only maintains manual records of the location and quantity of existing curb valves and therefore can not determine the percentage of customers with existing curb valves.