

**THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

DG 07-072

CARRYING CHARGE RATE ON CASH WORKING CAPITAL

Staff's Motion Regarding Procedural Schedule

The Staff of the Public Utilities Commission requests that the Commission adopt the requests set forth below regarding the procedural schedule.

Phasing Proposal

1. Under EnergyNorth Natural Gas, Inc.'s (EnergyNorth) two-phase procedural proposal described at the prehearing conference and technical session, the first phase of this docket would be limited to the issue of whether the supply-related cash working capital for each utility would earn its authorized overall cost of capital or a short term debt rate, without specifying the type of short term debt rate. If the Commission ruled in the first phase that a short term debt rate should be used, the second phase would then determine what short term debt rate each utility should use. On the other hand, if the Commission ruled in the first phase that the overall cost of capital should be used, the proceeding would be terminated.

2. Staff understands that each phase would have its own procedural schedule, including testimony, discovery, technical sessions and settlement conferences, culminating in an order by the Commission.
3. There is one substantive issue at stake in this proceeding, namely, the justness and reasonableness of the carrying charge rate that utilities use to calculate the cost to finance their supply-related cash working capital. In other words, is the existing carrying charge rate cost-justified?
4. A two-phase procedural schedule would artificially separate the issues to be decided in each phase and is not an administratively efficient way of resolving them.
5. A two-phase procedural schedule would unnecessarily encourage procedural disputes about the relevance of discovery and evidence to each of the phases.
6. The issue of whether supply-related cash working capital represents a short-term borrowing requirement that is financed at least cost with short term funds implicates several factors, including the actual source of funds used by each utility to meet its cash working capital needs. Because Staff would apparently be prohibited during the first phase from asking questions on source-of-funds issues, a two-phase procedural schedule would unreasonably restrict Staff's ability to present its case in the best possible light.

7. For these reasons, this proceeding should be limited to a single phase, with the determination of the actual short term debt rate for each utility being left to a future cost of gas or default service proceeding.

Which Parties Should File Testimony First

8. Utilities traditionally bear the burden of persuading the Commission that their proposed rates are just and reasonable. *See e.g., Appeal of Sinclair Machine Products, Inc.*, 126 N.H. 822, 834-835 (1985); *LUCC v. Public Service Co. of N.H.*, 119 N.H. 332, 345 (1979); *Appeal of Cheshire Bridge Corporation*, 126 N.H. 425, 430 (1985); *Connecticut Valley Electric Company*, 83 NHPUC 35, 37, Order No. 22,838 (1998); RSA 378:7, 8.
9. That burden includes the burden of persuading the Commission that each utility's existing carrying charge rate on cash working capital is just and reasonable.
10. Staff has reconsidered its initial position regarding which parties should file testimony first and agrees that it would be appropriate in this proceeding for Staff and non-utility parties to file their testimony before the utilities file their testimony, provided that this arrangement does not affect the utilities' ultimate burden of persuasion and provided that Staff and non-utility parties have the final

opportunity to file rebuttal testimony following the filing of testimony by the utilities.

11. On August 14, 2007, Staff circulated a draft of this motion to the parties in this proceeding to ascertain their position with respect to this motion. The parties responding have the following positions: EnergyNorth, Northern Utilities, Inc., Unitil Energy Systems, Inc., and Public Service Company of New Hampshire, Inc., all oppose Staff's request that this docket be conducted in a single phase and support Staff's agreement to file testimony first. The Office of Consumer Advocate supports Staff's motion.

WHEREFORE, Staff requests that this Commission:

- A. Direct the parties and Staff to file a procedural schedule providing for a single phase and for Staff and other non-utility parties to file their testimony first, with the opportunity to file rebuttal testimony following filing of testimony by the utilities, as described above; and
- B. Grant such other relief as may be just.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that on the date written below I caused the attached motion to be sent by Electronic Mail, to the persons on the attached Service List.

8/15/07
Date

F Anne Ross
F. Anne Ross, Esq.