

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

DG 07-072

ORDER OF NOTICE

On, May 23, 2007, the Commission advised the parties in DG 07-033 and DG 07-050 by secretarial letter that it would transfer an issue contained in both those dockets, relating to the indirect gas costs of EnergyNorth Natural Gas, Inc d/b/a KeySpan Energy Delivery (KeySpan or ENGI) and Northern Utilities, Inc. (Northern), into a new docket. The Commission described the issue to be transferred to this new docket as “the appropriate carrying charge rate to calculate the cost of supply-related working capital.” Indirect gas costs are costs such as bad debt or working capital that support the companies’ gas supply function and are recovered through the cost of gas (COG) rate rather than through delivery or base rates.

For KeySpan, this issue was first raised in DG 06-121, KeySpan’s winter 2006-2007 COG filing, through Staff’s report filed on March 29, 2007. Staff’s report recommended that “the Commission conduct an investigation of the methodology used by ENGI to calculate its supply-related working capital costs including, but not limited to, the appropriateness of using the overall cost of capital as a proxy for the carry charge rate.”

For Northern, this issue was first raised in DG 07-033, Northern’s 2007 summer COG proceeding, through Staff’s testimony filed on April 16, 2007. Staff’s testimony recommended that “[s]ince the recovery of direct gas costs is essentially risk-free and supply-related working capital is a short-term borrowing requirement, an appropriate carrying charge would be Northern’s weighted cost of short-term debt.”

Both KeySpan and Northern objected to Staff's recommendations and each company argued that it should earn its overall cost of capital, grossed up for taxes, on its cash working capital. KeySpan also questioned whether the issue of the carrying charge rate is properly before the Commission and objected to Staff's recommendation regarding the effective date of any change in the carrying charge rate.

The Commission recently determined a carrying charge for supply related working capital for two electric utilities, Unitil Energy Systems (Unitil), DE 06-123, Order No. 24,682 at 11, and Granite State Electric Company (Granite State), DE 07-012, Order No. 24,736.¹ In both these electric company dockets, the Commission approved the use of the prime interest rate for cash working capital needed for the purchase of energy supply.

This proceeding is opened to consider, inter alia, issues related to the appropriate carry charge rates for cash working capital related to gas supply costs and the effective date for such interest rate to the extent it is different from the currently effective rate. KeySpan and Northern shall each be made a party to this proceeding. In view of the possibility that this docket could result in basing the interest rates applicable to cash working capital on short term borrowing costs of KeySpan and Northern, the Commission may consider whether to apply that method to the electric utilities. Accordingly, Unitil, Granite State and Public Service Company of New Hampshire (Public Service) are each made a party to this docket. Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New

¹ Although Order 24,736 does not specifically mention the interest rate on Granite State's cash working capital the rate approved was the prime rate as shown at Exhibit 2, Schedule SMM at 5.

Hampshire on July 25, 2007 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the issues identified in this order of notice. We will also consider any administrative matters set forth in N.H. Admin. Rule Puc 203.15; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, the parties, Staff of the Commission and any Intervenors hold a Technical Session to establish a procedural schedule and allow the parties to provide any responses they deem appropriate on the issues identified for investigation in this docket; and it is

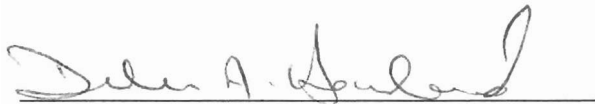
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, KeySpan and Northern shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than June 29, 2007, in a newspaper with general circulation in those portions of the state in which operations are conducted, publication to be documented by affidavit filed with the Commission on or before July 25, 2007; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to KeySpan, Northern, Unitil, Granite State, Public Service and the Office of the Consumer Advocate on or before July 19, 2007, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before July 25, 2007.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth

day of June, 2007



Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.



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Docket #: 07-072 Printed: June 26, 2007

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429

PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

LIBRARIAN
NHPUC
21 SOUTH FRUIT ST, SUITE 10
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BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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