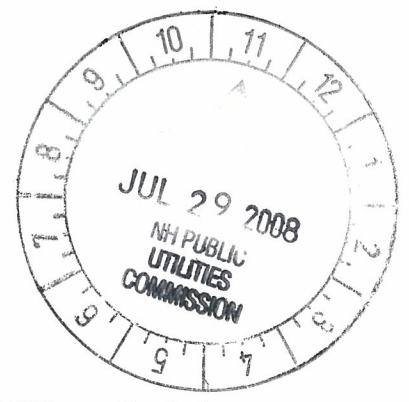


DG 07-102



July 28, 2008

Ms. Debra Howland
Executive Director and Secretary
State of New Hampshire
Public Utilities Commission
21 S. Fruit St.
Concord, NH 03301



**Re: Northern Utilities, Inc. – New Hampshire Division, 2007-2008 Winter Period
Cost of Gas (COG) Adjustment Reconciliation**

Dear Ms. Howland:

Attached are an original and eight copies of Northern Utilities' 2007-2008 Winter Period COG reconciliation analysis. The objective of this analysis is to identify the causes of the Winter Period 2007-2008 over-collection.

Form III, Schedules 1 through 5 of the filing, attached, contain the accounting of six months of costs assigned to the winter period, along with the monthly gas cost collections. The schedules illustrate the Company's over-collection of \$688,600. Schedule 1, page 1, provides the summary of the winter period ending balance. Schedule 2 shows the deferred gas cost activity, allowable costs and revenues for the period May 2007 through May 2008, including \$80,100 in net interest. Schedule 3, page 1, shows the summary of winter period gas cost collections, while Schedule 3, pages 2 through 8 illustrates the gas cost collections for each individual month. Schedule 4, pages 1 and 2, shows the monthly detail of purchase gas costs allocated to the winter period. Schedule 4 Re-Allocation reflects the re-allocation of commodity costs from the New Hampshire Division to the Maine Division primarily due to the inadvertent omission of Company Managed volumes from the calculation. Schedule 5 presents the purchased and made volumes in Dekatherms ("Dths"), as well as sales volumes by Residential and Commercial/Industrial customer classification for the annual period of May 2007 through April 2008. The resulting difference between sendout and sales volumes is shown for this twelve-month period

Attachment A presents the reconciliation of the working capital costs allowable based on direct gas costs. The under-collection of \$10,235 will be reflected on Revised Page 39 of Northern's Tariff No. 10 as an addition to the costs used to calculate the COG rate.

Attachment B shows the reconciliation of the bad debt expenses, which are allowed based on gas costs and the working capital allowance. The under-collection of \$22,359 will also be reflected on Revised Page 39 of Northern's Tariff No. 10 as an addition to the costs used in calculating the COG rate.

Attachment C presents the interruptible profits by month. A total of \$30,338 of interruptible profits has been recognized for May 2007-April 2008. The \$30,338 has been deducted from the 2007-2008 Winter Period Costs.

Attachment D reconciles the Environmental Response Costs as well as a true-up of the estimates used for July-October 2007 and an estimate for July-October 2008.


Attachment E reconciles the RLIAP program costs and recoveries. The projected under recovery of \$5,626 will be reflected in a revision to the RLIAP recovery rate of \$0.0020 per therm.

Attachment F details the sales variance analysis. Of the 303,608 MMBtu less than forecasted sales variance, warmer than normal weather resulted in a 66,140 MMBtu decrease in sales, leaving weather normalized sales variance of 237,668 MMBtu. The remaining sales variance is the result of less than forecasted customer counts and a decrease in the average usage per customer.

Attachment G reconciles the refund passback of a refund received on January 31, 2007.

Please do not hesitate to contact me if you have any questions regarding these reconciliation schedules.

Sincerely,



Ronald D. Gibbons
Manager of Regulatory Accounting

Attachments

cc: Ann Ross, Esq., Office of the Consumer Advocate
Joseph A. Ferro, Northern Utilities, Inc.
Patricia M. French, Esq., NCS