

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

**DG 09-141**

**ORDER OF NOTICE**

On August 7, 2009, Northern Utilities, Inc. (Northern or Company) filed with the Commission a Petition for Approval of Proposed Financial Hedging Program Redesign. This proposal was made in conjunction with a similar proposal in Maine covering Northern's operations in that state. *See generally*, Maine Public Utilities Commission, Docket No. 2008-93. On October 1, 2009, the Office of Consumer Advocate (OCA), notified the Commission of its participation in this docket, pursuant to RSA 363:28.

Under the Company's current hedging program, it purchases futures contracts according to various time-based and price-based criteria and the purchased contracts are held until settlement without regard to change in value. In scheduling its purchases, Northern generally begins hedging 12 months prior to filing for its semi-annual cost of gas (COG) rate adjustment. As part of its program redesign, Northern proposes three primary changes: (1) introduction of a price ceiling above which purchases of futures contracts would be suspended; (2) eliminating the price-based component of the existing hedging program; and (3) introduction of a process for selling futures contracts that have appreciated in value. Northern also proposes changes to its budgets for its hedging program aimed at reducing its exposure to risk from hedging. Finally, Northern proposes to begin hedging more than 12 months prior to filing for its COG adjustment.

The underlying basis for changes to the hedging program, according to Northern, is the desire to reduce the exposure to market volatility, both for it and its customers. Similarly,

Northern contends that the changes to the program will provide better price predictability for the Company and customers.

The filing raises, inter alia, issues related to: whether, and to what extent, hedging mitigates natural gas price volatility; the costs and risks associated with hedging; risk management oversight and control; the rate impact on firm sales customers due to hedging for commercial and industrial customers that migrate to transportation service; Northern's use of physical and financial hedges for gas supplies; program design, such as the amount and timing of hedging transactions, financial instruments to be used, whether to perform over the counter trades or trade on the New York Mercantile Exchange; and, whether Northern's hedging program should be continued, and whether its proposed amendments to the hedging program are appropriate. 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 Hampshire on December 7, 2009 at 1:30 p.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

**FURTHER ORDERED**, that, immediately following the Prehearing Conference, Northern, the Staff of the Commission and any Intervenors hold a Technical Session to review the petition and allow Northern to provide any amendments or updates to its filing; and it is

**FURTHER ORDERED**, that pursuant to N.H. Admin. Rules Puc 203.12, Northern shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than November 16, 2009, 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 December 7, 2009; 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 Northern and the Office of the Consumer Advocate on or before December 2, 2009, 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 December 7, 2009.

By order of the Public Utilities Commission of New Hampshire this tenth day of November, 2009.

  
Debra A. Howland  
Executive Director

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.