

Northern Utilities, Inc.  
DG 10-050

Date Request Received: 4/13/10  
Record Request/Exhibit 7

Date of Response: 4/16/10  
Witness: Francis X. Wells

**Request:**

Re. Revised Schedule 9, page 1 of 1, line 1. Please explain the increase in therm sales from 7,462,880 therms actually recorded for Summer 2009 to 8,452,584 therms forecasted for Summer 2010.

**Response:**

The increase in therm sales is due to an increase in the projection of the percentage of sales to be served by the Company through Sales Service. The table below provides the Summer Season Bill Cycle Deliveries for the New Hampshire Division for the Summer 2009 period and the Summer 2010 forecast period for both Sales Service and Total Deliveries (Excluding Special Contracts). Special Contracts were excluded from this table because Special Contract customers are all currently served by retail marketers. Sales Service is then expressed as a percentage of Total Deliveries (Excluding Special Contracts). As the table demonstrates, the percentage of system sales forecasted to be served through Sales Service is significantly higher than what was actually experienced last summer.

Summer Season Bill Cycle Deliveries			
Season	Sales Service	Total Deliveries (Excluding Special Contracts)	Sales Service Percentage
Summer 2009 (Actual)	7,462,878	15,694,889	48%
Summer 2010 (Forecast)	8,478,606	14,265,863	59%

Northern notes that the Summer 2010 sales forecast used in preparation of the COG is significantly greater than actual Summer 2009 sales. The Company estimates that 2010 summer gas costs would be undercollected by approximately \$156,600 if 2010 sales levels are the same as for the 2009 summer period. The table below provides the detail of the Company's calculation, based on the revised Schedule 9 provided in the Company's April 9, 2010 updated COG filing. The 2010 Projected Costs and the 2010 Effect on Cost of Gas are the Demand Charges, Hedging (Gain)/Loss, and Total Anticipated Indirect Cost of Gas. These items were selected because they are not dependent upon volumes sold. The 2010 Effect on Cost of Gas was then multiplied by the Summer 2009 actual sales in order to estimate the amount of revenue the Company would receive related to fixed costs if the 2010 sales levels are the same as the 2009 summer period. Finally, the Estimated Undercollection was calculated by subtracting the Revenue Assuming 2009 Sales from the 2010 Projected Costs.

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A	B	C	D	E
Schedule 9	Schedule 9	Schedule 9	Summer 2009 Sales times C	B minus D
Cost Item	2010 Projected Costs	Effect on Cost of Gas	Revenue Assuming 2009 Sales	Estimated Undercollection
Demand Charges	\$1,058,022	\$0.1252	\$934,353	\$123,669
Hedging (Gain)/Loss	\$343,585	\$0.0406	\$302,993	\$40,592
Total Anticipated Indirect Cost of Gas	(\$67,365)	(\$0.0080)	(\$59,703)	(\$7,662)
Total Non-Volume Based Costs	\$1,334,242	\$0.1578	\$1,177,642	\$156,600

The Estimated Undercollection caused by the relatively high sales forecast is approximately 2.8% of the total \$5,532,433 of Total Adjusted Costs for the Forecasted 2010 Summer Period. Since the Company now has the ability to increase the COG up to 25% and decrease the COG as much as necessary, on a monthly basis, the Company proposes to adjust the COG rates if, in any month, lower than forecasted sales, combined with actual gas prices, result in the projected end-of-period balance to be greater than the target +/- 2%.