

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

**Re: EnergyNorth Natural Gas, Inc.
d/b/a KeySpan Energy Delivery New England**

Indirect Gas Costs

DG 07-050

PREFILED TESTIMONY OF ANNE E. LEARY

August 31, 2007

ENERGY NORTH NATURAL GAS INC.
d/b/a KeySpan Energy Delivery N.E.
Indirect Gas Costs
DG-07-050

Prefiled Direct Testimony of Ann E. Leary

List of Schedules

<u>Tab</u>	<u>Schedule</u>	<u>Table of Contents</u>
1	AEL-1	Impact on Interest for Reconciliation
2.	AEL-2	Company's Proposed Reconciliation Calculation if Accrued Revenues are adopted
3.	AEL-3	Data Response KeySpan 1-50 (only Response 5 in DG 07-072
4.	AEL-4	Collection Lag using COG Revenues
5.	AEL-5	Data Response to KeySpan 1-52
6.	AEL-6	Corrected Exhibit GRM-2 using COG Revenues
7.	AEL-7	KeySpan vs. Turnover Methodology Comparison
8.	AEL-8	Data Response KeySpan 2-22
9.	AEL-9	Testimony in DG 06-121

KeySpan Energy- Energy North

Acct. 175.20+175.40 Deferred Gas Cost for Nov 05-Oct 06

	Billed Revenue	Staff's Proposal Accrued Rev	Company's Proposal Accrued Rev	Staff vs. Billed	KeySpan vs Billed
Acct. 175.20					
Beginning Balance	\$4,152,233	\$4,152,233	\$4,152,233	\$0	\$0
Gas Costs	\$96,926,685	\$96,926,685	\$96,926,685	\$0	\$0
Billed Revenues	(\$102,115,491)	(\$102,115,491)	(\$97,650,910)	\$0	\$4,464,581
Ending Balance w/o Interest	(\$1,036,573)	(\$1,036,573)	\$3,428,008	(\$0)	\$4,464,581
Interest Applied	\$348,216	(\$16,577)	\$319,210	(\$364,793)	(\$29,006)
Ending Balance with Interest	(\$688,357)	(\$1,053,150)	\$3,747,218	(\$364,793)	\$4,435,575
Acct. 175.40					
Beginning Balance	\$5,724,337	\$1,262,972	\$5,724,337	(\$4,461,365)	\$0
Gas Costs	\$20,648,879	\$20,648,879	\$20,648,879	\$0	\$0
Billed Revenues	(\$22,720,852)	(\$22,299,428)	(\$26,760,793)	\$421,424	(\$4,039,941)
Ending Balance w/o Interest	\$3,652,365	(\$387,576)	(\$387,576)	(\$4,039,941)	(\$4,039,941)
Interest Applied	\$135,465	\$32,392	\$45,170	(\$103,073)	(\$90,295)
Ending Balance with Interest	\$3,787,830	(\$355,184)	(\$342,406)	(\$4,143,014)	(\$4,130,236)
Acct. 175.20+175.40					
Beginning Balance	\$9,876,571	\$5,372,167	\$9,876,571	(\$4,504,404)	\$0
Gas Costs	\$117,575,564	\$117,575,564	\$117,575,564	\$0	\$0
Billed Revenues	(\$124,836,343)	(\$124,414,919)	(\$124,411,703)	\$421,424	\$424,640
Ending Balance w/o Interest	\$2,615,792	(\$1,467,188)	\$3,040,432	(\$4,082,980)	\$424,640
Interest Applied	\$483,683	\$12,453	\$364,381	(\$471,230)	(\$119,302)
Ending Balance with Interest	\$3,099,475	(\$1,454,735)	\$3,404,813	(\$4,554,210)	\$305,338

Billed Revenue Period Mid Oct 05- Mid Oct 06 Mid Oct 05- End Oct 05 Nov 05 - Oct 05
Length of period- Months 12 12.5 12.5

ENERGYNORTH NATURAL GAS, INC.
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
MAY THROUGH OCTOBER 2005
PEAK DEMAND AND COMMODITY
SCHEDULE I
KeySpan's Proposal

FOR THE MONTH OF: DAYS IN MONTH	Nov-05 30	Dec-05 31	Jan-06 31	Feb-06 28	Mar-06 31	Apr-06 30	May-06 31	Jun-06 30	Jul-06 31	Aug-06 31	Sep-06 30	Oct-06 31	Total May-Oct	Total Nov-Apr	Total May-Oct
3 BEGINNING BALANCE	\$ 4,152,233	\$ 9,169,557	\$ 6,745,312	\$ 4,590,161	\$ 7,185,378	\$ 4,497,557	\$ 2,126,709	\$ 2,423,563	\$ 2,658,206	\$ 2,905,201	\$ 3,153,582	\$ 3,423,841	\$ 5,877,928	\$ 4,152,233	\$ 2,126,709
4 Add: ACTUAL COSTS	13,097,244	20,823,227	20,770,445	18,425,287	13,228,153	6,378,982	257,415	206,255	298,868	253,490	253,316	244,090	2,954,325	92,723,339	1,513,435
6 Add: FUEL FINANCING COSTS	72,941	96,429	69,284	76,037	67,041	67,985	61,613	89,425	67,401	76,428	76,037	82,651	250,378	449,718	453,555
8 Add: MISC OH and P&S	492,771	492,771	492,771	492,771	492,771	492,771	-	-	-	-	-	-	-	2,956,627	-
10 Less: COLLECTED COST	(4,380,801)	(18,353,237)	(23,854,071)	(18,921,391)	(19,743,660)	(12,451,381)	(4,410,950)	-	-	-	-	-	(4,489,119)	(97,704,540)	(4,410,950)
Less: Unbilled	(8,632,661)	(14,094,855)	(13,754,911)	(11,208,983)	(7,942,515)	(4,410,950)	-	-	-	-	-	-	-	(60,044,875)	-
Reverse Prior Month Unbilled	4,464,581	8,632,661	14,094,855	13,754,911	11,208,983	7,942,515	4,410,950	-	-	-	-	-	-	60,098,506	4,410,950
Total Accrued Rev	(8,548,881)	(23,815,431)	(23,514,127)	(16,375,463)	(16,477,192)	(8,919,816)	(0)	-	-	-	-	-	(4,489,119)	(97,650,909)	(0)
11															
12 Less: BROKERS REVENUES	(62,628)	(38,708)	(28,332)	(33,376)	(11,988)	(6,382)	(13,058)	(31,738)	(59,227)	(25,696)	(14,834)	(5,263)	(226,090)	(181,614)	(149,817)
13															
14 Less: REFUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Prior Period Adjustment - Reverse Non-Firm	-	-	-	-	-	-	-	-	-	-	-	-	11,735	-	-
16 Prior Period Adjustment - Interest	-	-	-	-	-	-	-	-	-	-	-	-	(22,082)	-	-
16 ADJUSTMENT	-	-	37,736	-	-	-	-	-	-	-	-	-	230,847	37,736	-
17															
18 NON FIRM MARGIN AND CREDITS	(69,615)	(26,341)	(16,325)	(21,572)	(21,233)	(404,744)	(24,388)	(45,992)	(79,470)	(76,992)	(66,486)	(23,137)	(526,737)	(559,830)	(316,465)
19															
20 ENDING BALANCE PRE INTEREST	9,134,066	6,701,504	4,556,565	7,153,846	4,462,931	2,106,354	2,408,291	2,641,512	2,885,778	3,132,430	3,401,616	3,722,182	4,061,184	1,927,301	3,627,416
21															
22 MONTHS AVERAGE BALANCE	6,643,150	7,935,531	5,650,938	5,872,003	5,824,154	3,301,955	2,267,500	2,532,537	2,771,992	3,018,816	3,277,599	3,573,011			
23															
24 INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.02%	8.25%	8.25%	8.25%	8.25%			
25															
26 INTEREST APPLIED	35,491	43,808	33,396	31,532	34,626	20,355	15,272	16,694	19,423	21,152	22,225	25,036	91,049	199,408	119,802
27															
28 ENDING BALANCE	\$ 9,169,557	\$ 6,745,312	\$ 4,590,161	\$ 7,185,378	\$ 4,497,557	\$ 2,126,709	\$ 2,423,563	\$ 2,658,206	\$ 2,905,201	\$ 3,153,582	\$ 3,423,841	\$ 3,747,218	\$ 4,152,233	\$ 2,126,709	\$ 3,747,218

ENERGYNORTH NATURAL GAS, INC.
D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
MAY THROUGH OCTOBER 2005
OFF PEAK DEMAND AND COMMODITY
SCHEDULE I
ACCOUNT 175.40

FOR THE MONTH OF: DAYS IN MONTH	Nov-05 30	Dec-05 31	Jan-06 31	Feb-06 28	Mar-06 31	Apr-06 30	May-06 31	Jun-06 30	Jul-06 31	Aug-06 31	Sep-06 30	Oct-06 31	Total May-Oct	Total Nov-Apr	Total May-Oct
3 BEGINNING BALANCE	\$ 5,724,337	\$ 1,281,638	\$ 1,288,713	\$ 1,296,375	\$ 1,303,336	\$ 1,311,085	\$ 1,319,167	\$ 484,133	\$ (382,394)	\$ (758,234)	\$ (656,050)	\$ (739,106)	\$ (87,960)	\$ 5,724,337	\$ 1,319,167
4 Add: ACTUAL COSTS	-	-	-	-	-	-	4,357,050	2,531,489	2,176,722	2,718,282	2,638,693	6,100,800	22,712,586	-	20,523,036
6 Add: MISCELLANEOUS OVERHEADS	-	-	-	-	-	-	20,974	20,974	20,974	20,974	20,974	20,974	126,796	-	125,843
8 Add: HEDGING PREMIUM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Less: COLLECTED COSTS	(4,461,365)	-	-	-	-	-	(2,358,079)	(4,337,112)	(2,715,569)	(2,319,299)	(2,617,603)	(3,011,825)	(17,081,531)	\$ (4,461,365)	\$ (18,259,487)
Less: Unbilled	-	-	-	-	-	-	(2,861,031)	(1,943,242)	(1,797,227)	(2,110,062)	(2,330,467)	(4,039,941)	-	-	(14,981,970)
Reverse Prior Month Unbilled	(4,461,365)	-	-	-	-	-	-	2,861,031	1,943,242	1,797,227	2,110,062	2,330,467	-	-	10,942,029
Total Accrued Revenue	(4,461,365)	-	-	-	-	-	(5,219,110)	(3,419,323)	(2,569,554)	(2,632,134)	(2,738,008)	(5,721,299)	(17,081,531)	(4,461,365)	(22,299,428)
12															
13 Add: ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14															
15 ENDING BALANCE PRE INTEREST	1,262,973	1,281,638	1,288,713	1,296,375	1,303,336	1,311,085	478,081	(382,728)	(754,252)	(651,112)	(734,392)	(338,630)	5,669,890	1,262,973	(331,382)
16															
17 MONTHS AVERAGE BALANCE	3,493,655	1,281,638	1,288,713	1,296,375	1,303,336	1,311,085	898,624	50,702	(568,323)	(704,673)	(695,221)	(538,868)			
18															
19 INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.02%	8.25%	8.25%	8.25%	8.25%			
20															
21 INTEREST APPLIED	18,665	7,075	7,662	6,961	7,749	8,082	6,052	334	(1,982)	(4,938)	(4,714)	(3,776)	54,447	56,194	(11,024)
22															
23 ENDING BALANCE	\$ 1,281,638	\$ 1,288,713	\$ 1,296,375	\$ 1,303,336	\$ 1,311,085	\$ 1,319,167	\$ 484,133	\$ (382,394)	\$ (758,234)	\$ (656,050)	\$ (739,106)	\$ (342,406)	\$ 5,724,337	\$ 1,319,167	\$ (342,406)

ENERGYNORTH NATURAL GAS, INC.
 D/B/A KEYSpan ENERGY DELIVERY NEW ENGLAND
 MAY THROUGH OCTOBER 2005
 OFF PEAK DEMAND AND COMMODITY
 SCHEDULE 1
 ACCOUNT 175.20, 175.21 & 175.40

1	FOR THE MONTH OF:	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Total	Total	Total
2	DAYS IN MONTH	30	31	31	28	31	30	31	30	31	31	30	31	May-Oct	Nov-Apr	May-Oct
3	BEGINNING BALANCE	\$ 9,876,571	\$ 10,451,195	\$ 8,034,026	\$ 5,886,537	\$ 8,488,715	\$ 5,808,642	\$ 3,445,876	\$ 2,907,695	\$ 2,275,812	\$ 2,146,967	\$ 2,497,533	\$ 2,684,736	\$ 5,789,968	\$ 9,876,571	\$ 3,445,876
4																
5	Add: ACTUAL COSTS	13,097,244	20,823,227	20,770,445	18,425,287	13,228,153	6,378,982	4,614,465	2,737,744	2,475,590	2,971,773	2,892,009	6,344,891	25,666,911	92,723,339	22,036,471
6																
7	Add: MISCELLANEOUS OVERHEADS	565,712	589,200	562,055	568,808	559,812	560,757	82,587	110,399	88,375	97,402	97,011	103,624	377,174	3,406,345	579,298
8																
9	Add: HEDGING PREMIUM															
10																
11	Less: COLLECTED COSTS	(8,842,165)	(18,353,237)	(23,854,071)	(18,921,391)	(19,743,660)	(12,451,381)	(6,769,029)	(4,337,112)	(2,715,569)	(2,319,299)	(2,617,603)	(3,911,825)	(21,570,650)	\$ (102,165,905)	\$ (22,670,438)
	Less: Unbilled	(8,632,661)	(14,094,855)	(13,754,911)	(11,208,983)	(7,942,515)	(4,410,950)	(2,861,031)	(1,943,242)	(1,797,227)	(2,110,062)	(2,230,467)	(4,039,941)	-	\$ (60,044,875)	\$ (14,981,970)
	Reverse Prior Month Unbilled	4,464,581	8,632,661	14,094,855	13,754,911	11,208,983	7,942,515	4,410,950	2,861,031	1,943,242	1,797,227	2,110,062	2,230,467	-	\$ 60,044,875	\$ 15,352,979
	Total Accrued Revenue	(13,010,245)	(23,815,431)	(23,514,127)	(16,375,463)	(16,477,192)	(8,919,816)	(5,219,110)	(3,419,323)	(2,369,554)	(2,632,134)	(2,738,008)	(5,721,299)	(21,570,650)	(102,112,274)	(22,299,429)
12																
13	Add: ADJUSTMENTS	(132,243)	(65,049)	(7,121)	(54,948)	(33,221)	(411,126)	(37,446)	(77,730)	(138,697)	(102,689)	(81,320)	(28,400)	(532,327)	(703,707)	(466,282)
14																
15	ENDING BALANCE PRE INTEREST	10,297,039	7,983,142	5,845,279	8,450,222	5,766,268	3,417,439	2,886,371	2,258,784	2,131,526	2,481,318	2,667,225	3,383,553	9,731,075	3,190,274	3,296,034
16			#REF!	#REF!												
17	MONTHS AVERAGE BALANCE	10,136,805	9,217,169	6,939,653	7,168,380	7,127,492	4,613,040	3,166,124	2,583,240	2,203,669	2,314,143	2,582,379	3,034,145			
18																
19	INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.02%	8.25%	8.25%	8.25%	8.25%			
20																
21	INTEREST APPLIED	54,156	50,884	41,258	38,493	42,374	28,437	21,324	17,028	15,441	16,215	17,511	21,260	145,496	\$ 255,602	\$ 108,779
22																
23	ENDING BALANCE	\$ 10,451,195	\$ 8,034,026	\$ 5,886,537	\$ 8,488,715	\$ 5,808,642	\$ 3,445,876	\$ 2,907,695	\$ 2,275,812	\$ 2,146,967	\$ 2,497,533	\$ 2,684,736	\$ 3,404,813	\$ 9,876,571	\$ 3,445,876	\$ 3,404,813

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England]

Indirect Gas Costs

DG 07-050

**Responses of the New Hampshire Public Utilities Commission
To EnergyNorth Natural Gas, Inc. (ENGI) First Set of Data Requests**

Date Received: July 2, 2007
Data Request No.: 1-50

Data of Response: July 16, 2007
Respondent: George McCluskey

RESPONSE:

Did Mr. McCluskey contact any utilities other than KeySpan to obtain data or other information for possible use in this proceeding? If so, please indicate the name of such utility and the individual or individuals contacted and provide a copy of any information provided, whether or not the information was relied upon by Mr. McCluskey in his testimony.

RESPONSE:

Yes, Mr. McCluskey contacted Northern, National Grid, Unitil and PSNH. The Northern contacts were Joe Ferro and John Skirtich. The National Grid contacts were Scott McCabe and Mike La Flamme. The Unitil contacts were Robin Tafoya and Mark Lambert. The PSNH contact was Steve Hall. Copies of the written responses are attached.

Northern Utilities, Inc.
New Hampshire Division
DG 07-072
Staff Request – Northern Set No. 1
Response: 5
Responsible: Joseph A. Ferro
Manager, Regulatory Policy

Request: Follow-up to Staff 1 - 18 in DG 07-033. The response states that the information requested for 2006 is not readily available. Staff needs this data in order to estimate Northern's gas supply expense lead for 2006. Please explain what steps Northern must take to provide this information.

Response: Attachment Staff-Northern 1-5-A contains the requested data for the calendar year 2006. The Gas Cost lead days for 2006 totals 37.90 days compared to 38.48 days from Northern's 2001 rate case; a modest change of 0.58 days.

The gas cost working capital formula is the net of Northern's revenue lag and gas purchase lead. Both components need to be considered. Therefore, Northern is providing in Attachment Staff-Northern 1-5-B its revenue lag calculation for 2006. The revenue lag for 2006 totals 48.16 days compared to 44.81 days from Northern's 2001 rate case, an increase of 3.35 days. Northern included in its 2006 revenue lag a 1 day billing lag which was not included in the 2001 case. The billing lag was included in the 2006 calculation since Northern would include such a lag if a lead-lag study was filed before the commission in support of its working capital requirement. The remaining revenue lag change may be attributable to a number of items that could affect customer behavior such as higher gas costs, increase usage of extended payment plans, budget payment plans, etc.

Northern's net gas cost working capital lag for 2006 increased to 10.26 days (48.16 less 37.90) from 6.33 days (44.81 less 38.48) as determined in its 2001 general rate case.

I attest this response was prepared by me or under my direct supervision and control and is true and accurate as to the best of my information and belief at the date of filing.

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England]

Indirect Gas Costs

DG 07-050

**Responses of the New Hampshire Public Utilities Commission
To EnergyNorth Natural Gas, Inc. (ENGI) First Set of Data Requests**

Date Received: July 2, 2007
Data Request No.: 1-52

Date of Response: July 16, 2007
Respondent: George McCluskey

REQUEST:

Reference Page 10, Line 9. Please provide a revised version of Exhibit GRM-3 computing the average collection lag on the basis of gas accounts receivable using the net write-offs method.

RESPONSE:

See attached electronic spreadsheet.

**KeySpan
Collections Lag
Accounts Receivable Turnover Method
(Based on Net Write-Offs)**

	Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (Gross Write-offs)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	Gross less Net Write-offs	Collections Lag (Days)
2005 January	\$21,793,379	\$21,781,964	\$14,394,065	\$14,334,683	\$16,902,486	\$922,383	\$17,824,869	\$59,382	
February	\$26,462,190	\$26,461,590	\$18,078,078	\$18,057,242	\$17,655,061	\$971,150	\$18,626,211	\$20,836	
March	\$25,272,690	\$25,272,490	\$17,555,756	\$17,506,480	\$15,392,850	\$842,747	\$16,235,597	\$49,276	
April	\$23,593,178	\$23,579,719	\$16,163,303	\$16,122,087	\$11,078,288	\$575,395	\$11,653,683	\$41,216	
May	\$20,290,960	\$20,290,960	\$13,866,037	\$13,834,329	\$6,693,766	\$207,141	\$6,900,907	\$31,708	
June	\$16,360,626	\$16,324,453	\$11,033,577	\$10,987,215	\$4,265,445		\$4,265,445	\$46,362	
July	\$13,958,597	\$13,944,984	\$9,441,402	\$9,411,547	\$2,410,054		\$2,410,054	\$29,855	
August	\$10,754,556	\$10,533,578	\$7,138,727	\$7,110,711	\$2,072,653		\$2,072,653	\$28,016	
September	\$9,466,652	\$9,438,172	\$6,449,839	\$6,422,664	\$2,552,052		\$2,552,052	\$27,175	
October	\$8,228,023	\$8,228,023	\$5,719,754	\$5,692,540	\$3,576,679		\$3,576,679	\$27,214	
November	\$9,960,750	\$9,755,043	\$6,957,564	\$6,914,838	\$8,842,166		\$8,842,166	\$42,726	
December	\$19,672,827	\$19,641,902	\$13,977,611	\$13,969,456	\$18,353,237		\$18,353,237	\$8,155	
Average Accounts Receivable Balance			\$11,731,309						
Average Daily Revenue							\$310,448		
Average Collections Lag									37.79
Difference									5.77

**KeySpan
 Collections Lag
 Accounts Receivable Turnover Method
 (Based on Net Write-Offs)**

		Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (Gross Write-offs)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	Gross less Net Write-offs	Collections Lag (Days)	2005 COG Annual Revenue	Gas Accts Receivable/ TME COG Rev	Days Lag Receivable % *365 Days
2005	January			\$14,394,065	\$14,334,683	\$16,902,486	\$922,383	\$17,824,869	\$58,382		\$113,313,553	12.7%	46.17
	February			\$18,078,078	\$18,057,242	\$17,655,061	\$971,150	\$18,626,211	\$20,838		\$113,313,553	15.9%	58.17
	March			\$17,555,756	\$17,506,480	\$15,392,850	\$842,747	\$16,235,597	\$49,276		\$113,313,553	15.4%	56.39
	April			\$16,163,303	\$16,122,087	\$11,078,288	\$575,395	\$11,653,683	\$41,210		\$113,313,553	14.2%	51.93
	May			\$13,866,037	\$13,834,329	\$6,693,766	\$207,141	\$6,900,907	\$31,708		\$113,313,553	12.2%	44.56
	June			\$11,033,577	\$10,987,215	\$4,265,445		\$4,265,445	\$46,382		\$113,313,553	9.7%	35.39
	July			\$9,441,402	\$9,411,547	\$2,410,054		\$2,410,054	\$29,855		\$113,313,553	8.3%	30.32
	August			\$7,138,727	\$7,110,711	\$2,072,653		\$2,072,653	\$28,016		\$113,313,553	6.3%	22.90
	September			\$6,449,839	\$6,422,664	\$2,552,052		\$2,552,052	\$27,175		\$113,313,553	5.7%	20.69
	October			\$5,719,754	\$5,692,540	\$3,576,679		\$3,576,679	\$27,214		\$113,313,553	5.0%	18.34
	November			\$6,957,564	\$6,914,838	\$8,842,166		\$8,842,166	\$42,728		\$113,313,553	6.1%	22.27
	December			\$14,000,403	\$13,992,248	\$18,353,237		\$18,353,237	\$8,155		\$113,313,553	12.3%	45.07
Average Accounts Receivable Balance				\$11,733,209	\$11,698,882			\$310,448					37.68
Average Daily Revenue								\$310,448					
Average Collections Lag										37.68			
KeySpan Method										43.26			
Variance										-5.57			
Scenario 1- Eliminate Net Writeoffs													
		Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (Gross Write-offs)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	Gross less Net Write-offs	Collections Lag (Days)	2005 COG Annual Revenue	Gas Accts Receivable/ TME COG Rev	Days Lag Receivable % *365 Days
2005	January			\$14,394,065	\$14,394,065	\$16,902,486	\$922,383	\$17,824,869			\$113,313,553	12.7%	46.37
	February			\$18,078,078	\$18,078,078	\$17,655,061	\$971,150	\$18,626,211			\$113,313,553	16.0%	58.23
	March			\$17,555,756	\$17,555,756	\$15,392,850	\$842,747	\$16,235,597			\$113,313,553	15.5%	56.55
	April			\$16,163,303	\$16,163,303	\$11,078,288	\$575,395	\$11,653,683			\$113,313,553	14.3%	52.06
	May			\$13,866,037	\$13,866,037	\$6,693,766	\$207,141	\$6,900,907			\$113,313,553	12.2%	44.66
	June			\$11,033,577	\$11,033,577	\$4,265,445		\$4,265,445			\$113,313,553	9.7%	35.54
	July			\$9,441,402	\$9,441,402	\$2,410,054		\$2,410,054			\$113,313,553	8.3%	30.41
	August			\$7,138,727	\$7,138,727	\$2,072,653		\$2,072,653			\$113,313,553	6.3%	22.99
	September			\$6,449,839	\$6,449,839	\$2,552,052		\$2,552,052			\$113,313,553	5.7%	20.78
	October			\$5,719,754	\$5,719,754	\$3,576,679		\$3,576,679			\$113,313,553	5.0%	18.42
	November			\$6,957,564	\$6,957,564	\$8,842,166		\$8,842,166			\$113,313,553	6.1%	22.41
	December			\$14,000,403	\$14,000,403	\$18,353,237		\$18,353,237			\$113,313,553	12.4%	45.10
Average Accounts Receivable Balance				\$11,733,209	\$11,733,209			\$310,448					37.79
Average Daily Revenue								\$310,448					
Average Collections Lag										37.79			
Difference										0.11			

Scenario 2- Use Rev instead of gas costs to allocate A/R balance

	COG	Firm	TME COG	TME Firm	TME COG/ TME Firm Rev	Total A/R	Gas Accounts Receivable 'Net Write-offs	Gas Accounts Receivable (Gross Write-off)	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	2005 COG Annual Revenue	Gas Accts Receivable/ TME COG Rev	Days Lag Receivable % *365 Days	
2004	January	\$16,587,325	\$22,938,134						\$15,598,123	\$989,202	\$16,587,325				
	February	\$19,802,852	\$26,690,242						\$18,661,235	\$1,141,617	\$19,802,852				
	March	\$14,424,355	\$19,822,764						\$13,608,880	\$815,475	\$14,424,355				
	April	\$10,134,773	\$14,470,253						\$9,540,558	\$594,215	\$10,134,773				
	May	\$4,519,112	\$7,220,450						\$4,330,157	\$188,956	\$4,519,112				
	June	\$2,533,638	\$4,592,128						\$2,533,638		\$2,533,638				
	July	\$2,032,335	\$3,893,461						\$2,032,335		\$2,032,335				
	August	\$2,007,510	\$3,793,816						\$2,007,510		\$2,007,510				
	September	\$2,079,780	\$3,862,448						\$2,079,780		\$2,079,780				
	October	\$2,809,760	\$4,852,875						\$2,809,760		\$2,809,760				
	November	\$6,241,621	\$9,275,968						\$6,086,687	\$154,934	\$6,241,621				
	December	\$11,530,752	\$16,004,448						\$10,942,088	\$588,664	\$11,530,752				
2005	January	\$17,824,869	\$24,081,828	\$95,941,358	\$138,560,681	69.24%	\$21,781,964	\$15,082,137	\$15,022,755	\$16,902,486	\$922,383	\$17,824,869	\$113,313,553	13.3%	48.39
	February	\$18,626,211	\$24,923,952	\$94,764,717	\$136,794,391	69.28%	\$26,461,590	\$18,331,344	\$18,310,508	\$17,655,061	\$971,150	\$18,626,211	\$113,313,553	16.2%	58.98
	March	\$16,235,597	\$21,989,112	\$96,575,959	\$138,960,739	69.50%	\$25,272,490	\$17,564,061	\$17,514,785	\$15,392,850	\$842,747	\$16,235,597	\$113,313,553	15.5%	56.42
	April	\$11,653,683	\$16,099,652	\$98,094,868	\$140,590,138	69.77%	\$23,579,719	\$16,452,430	\$16,411,214	\$11,078,288	\$575,395	\$11,653,683	\$113,313,553	14.5%	52.86
	May	\$6,900,907	\$9,828,191	\$100,476,663	\$143,197,879	70.17%	\$20,290,960	\$14,237,417	\$14,205,709	\$6,693,766	\$207,141	\$6,900,907	\$113,313,553	12.5%	45.76
	June	\$4,265,445	\$6,509,858	\$102,208,470	\$145,115,608	70.43%	\$16,324,453	\$11,497,712	\$11,451,350	\$4,265,445		\$4,265,445	\$113,313,553	10.1%	36.89
	July	\$2,410,054	\$4,210,027	\$102,586,189	\$145,432,175	70.54%	\$13,944,984	\$9,836,632	\$9,806,777	\$2,410,054		\$2,410,054	\$113,313,553	8.7%	31.59
	August	\$2,072,653	\$3,663,472	\$102,651,333	\$145,301,831	70.65%	\$10,533,578	\$7,441,653	\$7,413,637	\$2,072,653		\$2,072,653	\$113,313,553	6.5%	23.88
	September	\$2,552,052	\$4,296,540	\$103,123,605	\$145,735,922	70.76%	\$9,438,172	\$6,678,507	\$6,651,332	\$2,552,052		\$2,552,052	\$113,313,553	5.9%	21.42
	October	\$3,576,679	\$5,349,132	\$103,890,523	\$146,232,179	71.04%	\$8,228,023	\$5,845,592	\$5,818,378	\$3,576,679		\$3,576,679	\$113,313,553	5.1%	18.74
	November	\$8,842,166	\$11,755,065	\$106,491,068	\$148,711,275	71.61%	\$9,755,043	\$6,985,515	\$6,942,789	\$8,842,166		\$8,842,166	\$113,313,553	6.1%	22.36
	December	\$18,353,237	\$23,430,957	\$113,313,553	\$156,137,784	72.57%	\$19,671,827	\$14,276,395	\$14,268,240	\$18,353,237		\$18,353,237	\$113,313,553	12.6%	45.96
Average Accounts Receivable Bal		\$156,137,784							\$12,019,116	\$11,984,790		\$113,313,553		38.60	
Average Daily Revenue												\$310,448			
Average Collections Lag												38.60			
Difference												(4.66)			

	Total Firm Rev	TME Firm Rev	Gas Revenues with interest	Gas Revenues w/o interest	Total Gas Revenues	TME Firm COG Rev	% COG Rev/ Firm Rev	Total Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gross less Net Write-offs	Gas Accounts Receivable (Gross Write-offs)	2005 COG Annual Revenue	Gas Accts Receivable/ TME COG Rev	Days Lag Receivable % *365 Days	TME Annual COG Rev	Gas Accts Receivable/ TME COG Rev	Days Lag Receivable % *365 Days
	(a)	(b)	(c)	(d)	(e=c+d)	(f)	(g=f/b)	(h)	(i=g*h)	(j)	(k=i-j)	(l)	(m=k/l)	(n=m*365)	(o=f)	(p=i/o)	(q=p*365)
2004 January	22,938,134		\$15,598,123	\$989,202	\$16,587,325												
February	26,690,242		\$18,661,235	\$1,141,617	\$19,802,852												
March	19,822,764		\$13,608,880	\$915,475	\$14,424,355												
April	14,470,253		\$9,540,558	\$594,215	\$10,134,773												
May	7,220,450		\$4,330,157	\$188,956	\$4,519,112												
June	4,592,128		\$2,533,638	\$0	\$2,533,638												
July	3,893,461		\$2,032,335	\$0	\$2,032,335												
August	3,793,816		\$2,007,510	\$0	\$2,007,510												
September	3,862,448		\$2,079,780	\$0	\$2,079,780												
October	4,852,875		\$2,809,760	\$0	\$2,809,760												
November	9,275,968		\$6,086,687	\$154,934	\$6,241,621												
December	16,004,448	137,416,987	\$10,942,088	\$588,664	\$11,530,752	94,703,814	68.92%	\$14,483,822	\$9,981,832		\$9,981,832				94,703,814	10.5%	38.47
2005 January	24,081,828	138,560,681	\$16,902,486	\$922,383	\$17,824,869	95,941,358	69.24%	\$21,781,964	\$15,082,137	\$59,382	\$15,022,755	\$113,313,553	13.3%	48.39	95,941,358	15.7%	57.38
February	24,923,952	136,794,391	\$17,655,061	\$971,150	\$18,626,211	94,764,717	69.28%	\$26,461,590	\$18,331,344	\$20,836	\$18,310,508	\$113,313,553	16.2%	58.98	94,764,717	19.3%	70.61
March	21,989,112	138,960,739	\$15,392,850	\$842,747	\$16,235,597	96,575,959	69.50%	\$25,272,490	\$17,564,061	\$49,276	\$17,514,785	\$113,313,553	15.5%	56.42	96,575,959	18.2%	66.38
April	16,099,652	140,590,138	\$11,078,288	\$575,395	\$11,653,683	98,094,868	69.77%	\$23,579,719	\$16,452,430	\$41,216	\$16,411,214	\$113,313,553	14.5%	52.86	98,094,868	16.8%	61.22
May	9,828,191	143,197,879	\$6,693,766	\$207,141	\$6,900,907	100,476,663	70.17%	\$20,290,960	\$14,237,417	\$31,708	\$14,205,709	\$113,313,553	12.5%	45.76	100,476,663	14.2%	51.72
June	6,509,858	145,115,608	\$4,265,445	\$0	\$4,265,445	102,208,470	70.43%	\$16,324,453	\$11,497,712	\$46,362	\$11,451,350	\$113,313,553	10.1%	36.89	102,208,470	11.2%	41.06
July	4,210,027	145,432,175	\$2,410,054	\$0	\$2,410,054	102,586,189	70.54%	\$13,944,984	\$9,836,632	\$29,855	\$9,806,777	\$113,313,553	8.7%	31.59	102,586,189	9.6%	35.00
August	3,663,472	145,301,831	\$2,072,653	\$0	\$2,072,653	102,651,333	70.65%	\$10,533,578	\$7,441,653	\$28,016	\$7,413,637	\$113,313,553	6.5%	23.88	102,651,333	7.2%	26.46
September	4,296,540	145,735,922	\$2,552,052	\$0	\$2,552,052	103,123,605	70.76%	\$9,438,172	\$6,678,507	\$27,175	\$6,651,332	\$113,313,553	5.9%	21.42	103,123,605	6.5%	23.64
October	5,349,132	146,232,179	\$3,576,679	\$0	\$3,576,679	103,890,523	71.04%	\$8,228,023	\$5,845,592	\$27,214	\$5,818,378	\$113,313,553	5.1%	18.74	103,890,523	5.6%	20.54
November	11,755,065	148,711,275	\$8,842,166	\$0	\$8,842,166	106,491,068	71.61%	\$9,755,043	\$6,985,515	\$42,726	\$6,942,789	\$113,313,553	6.1%	22.36	106,491,068	6.6%	23.94
December	23,430,957	156,137,784	\$18,353,237	\$0	\$18,353,237	113,313,553	72.57%	\$19,671,827	\$14,276,395	\$8,155	\$14,268,240	\$113,313,553	12.6%	45.96	113,313,553	12.6%	45.99
Average Accounts Receivable Balance											\$11,984,790			38.60			
Average Daily Revenue					\$310,448												
Average Collections Lag														38.60			
KeySpan Method																	43.26

2004 COG Rev	\$94,703,814
2005 COG Rev	\$113,313,553
Variance	\$18,609,739
Percent Increase	19.7%

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England]

Indirect Gas Costs

DG 07-050

**Responses of the New Hampshire Public Utilities Commission
To EnergyNorth Natural Gas, Inc. (ENGI) First Set of Data Requests**

Date Received: July 26, 2007
Data Request No.: 2-22

Date of Response: August 9, 2007
Respondent: Stephen Frink

REQUEST:

Based on discussions with Staff, it is KeySpan's understanding that the Staff is willing to stipulate to the following statement of facts. Please confirm that the Staff agrees that the following facts are correct:

At the time of the hearing on the merits in Docket DG 06-121, the Staff had not communicated to KeySpan, either orally or in writing, that it had any concerns regarding the company's lead/lag study or the net lag that was used in determining any costs included in the indirect gas costs at issue in that case. In discussions with KeySpan in Docket DG 06-121, the Staff did not object to the inclusion of any of the indirect gas costs submitted by the company, other than the level of the allowance for bad debt. The Staff also identified the use of billed revenues, instead of accrued revenues, for purposes of calculating the interest on deferred balances as an issue. The Staff identified KeySpan's lead/lag study as a potential issue to be addressed by the Commission only after the Commission issued its Order No. 24,688.

RESPONSE:

Staff agrees that the above facts are correct.

[Witness panel: Wyatt|Frink]

1 indirect gas costs, of specific concern are the
2 working capital allowance and the bad debt
3 percentage. The bad debt percentage has gone from
4 0.97 to a proposed 2.982 percent. We discussed it at
5 a tech session on September 28th. And, the Company
6 responded to tech session data requests, Questions
7 1-1, 1-2, and 1-3, which were received on
8 October 13th. And, those responses indicate that
9 further discovery is warranted on the bad debt topic.

10 **MS. ROSS:** If you could hesitate for a
11 moment, I'm going to pass out the responses and ask that
12 they be marked for identification as an exhibit.

13 BY MS. ROSS:

14 Q And, if you could, Mr. Frink, just summarize what
15 these responses show.

16 A (Frink) Response 1-1, which the second page of is
17 actually Exhibit 4, shows that the bad debt average
18 over the past -- bad debt percentage over the past
19 three years has averaged 2.57 percent. Response 2
20 shows that collection policies have changed since
21 1999. The response doesn't indicate what the
22 policies were in the test year, that was 2005. But,
23 regardless, Staff would like to review the recent
24 changes that have been made, or could be made, that

[Witness panel: Wyatt|Frink]

1 would reduce the bad debt from that experienced in
2 2005. Response 3 shows that the bad debt percentage
3 of other LDCs in New Hampshire and Massachusetts are
4 lower in all cases except one. That's ten utilities.
5 New Hampshire's other natural gas utility, Northern,
6 has a 2005 bad debt percentage of 0.85 percent.
7 Staff would like to broaden the sample, looking at
8 electric utilities as well, and determine what
9 factors give rise to the difference.

10 Staff recommends implementing the
11 EnergyNorth three year average bad debt percentage of
12 2.57 at this time, pending further review. Staff
13 proposes to work with the OCA and the Company to
14 determine what an appropriate bad debt percentage
15 should be going forward and will file its findings
16 and recommendation upon completion of its review.

17 If approved, Staff's recommendation
18 would decrease the indirect gas costs by \$438,108 and
19 lower the proposed cost of gas rates by approximately
20 one half of a penny, 0.0045 per therm.

21 Q And, Mr. Frink, do you know whether the Company is
22 willing to take your recommendation with regard to
23 the averaging three years for this cost of gas
24 filing?

1 A (Frink) Yes. Prior to the hearing, Staff discussed
2 this proposal with the Company. And, they are
3 willing to implement that proposed change at this
4 time, with the understanding that there could be some
5 other number coming out of the investigation.

6 Q Thank you. And, now, if you would summarize your
7 concerns with regard to the working capital expense?

8 A (Frink) Well, as a background, I'm going to explain.
9 Regulatory agencies generally recognize that the
10 level of investment required to operate a utility is
11 not limited to the net plant in service, and that
12 there are other items that require investor-supplied
13 capital. These non-plant items are generally
14 referred to as "working capital". These are
15 typically two components -- There are typically two
16 components that comprise working capital: Items
17 booked to capital accounts, such as inventories and
18 prepayments; and the cash needed to support expense
19 outlays due to timing differences between receipt of
20 revenues from customers and payment of vendor bills.
21 The latter component can be further subdivided into
22 gas supply- and non-gas supply-related timing
23 differences.

24 Each New Hampshire gas utility is