

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Re: Northern Utilities, Inc.

DOCKET NO. DG 07-033

**KEYSPAN ENERGY DELIVERY NEW ENGLAND'S RESPONSE TO
NORTHERN UTILITIES, INC.'S
MOTION FOR RECONSIDERATION, REHEARING AND CLARIFICATION**

EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy New England ("KeySpan") hereby responds to Northern Utilities, Inc.'s ("Northern") October 15, 2007 Motion for Reconsideration, Rehearing and Clarification as follows:

1. By letter dated June 1, 2007, the Commission granted KeySpan intervenor status in this proceeding.
2. Northern has provided KeySpan with an advance copy of its October 15, 2007 Motion for Reconsideration, Rehearing and Clarification ("Northern's Motion") regarding Commission Order No. 24,786 ("Initial Order") in this proceeding.
3. The Initial Order concerns an issue that is currently pending before the Commission in Docket DG 07-050 ("Indirect Gas Cost Proceeding") concerning KeySpan. In the Indirect Gas Cost Proceeding, KeySpan has indicated to Staff that it expects to adjust the balance in its deferred gas cost reconciliation account in a manner that is consistent with the Commission's determination in this proceeding once the Commission has finally determined whether Northern should use accrued or billed revenues for that purpose. However, KeySpan has further indicated in its testimony in the Indirect Gas Cost Proceeding that, depending on how any transition from billed to accrued revenues is ordered to be implemented with regard to Northern, KeySpan may

find it necessary to continue to address that aspect of the issue in the Indirect Gas Cost Proceeding.

4. Because KeySpan has previously indicated its willingness to settle with the Commission staff on the same basis as is determined for Northern regarding the use of billed versus accrued revenues, KeySpan takes no position on Northern's Motion on that issue. However, the Initial Order is ambiguous as it relates to how Northern is to transition from the use of billed revenues to accrued revenues, and therefore, for the reasons set forth below, KeySpan supports Northern's Motion regarding this second issue.

5. After the Initial Order was issued, KeySpan had discussions with the Commission staff ("Staff") regarding how Staff expected Northern and KeySpan to transition from the use of billed to accrued revenues. If Staff's understanding of the Initial Order is correct, the transition would result in a permanent undercollection of interest on the deferred gas cost reconciliation balance, which would result in cost of gas rates that are confiscatory. KeySpan does not believe that the Commission intended such a result, and believes that a fuller understanding of the transition issue will enable the Commission to clarify its order on this issue, and correct any error that may have been made.

6. KeySpan believes that the Staff will view any determination of the transition issue in this proceeding as having precedential effect on KeySpan in the Indirect Gas Cost Proceeding. Therefore, KeySpan is submitting written testimony of Ms. Ann Leary with this Response to explain its concerns to the Commission in more detail and to protect KeySpan's interests in this proceeding to the extent necessary. KeySpan reserves the right to supplement Ms. Leary's testimony if a rehearing is granted or if the

transition issue is further considered in the Indirect Gas Cost Proceeding. The testimony is being proffered at this time, however, because it is KeySpan's understanding that the significance of the specific methodology used to accomplish the transition from billed to accrued revenues was not fully considered on the record in this proceeding, and therefore the Commission had an insufficient basis on which to decide this issue. KeySpan believes that this lack of a factual record on the transition issue has led to confusion and apparent error, which should be corrected. As is explained in Ms. Leary's testimony, failure to clarify or correct the Commission's order will result in confiscatory rates, which would be unjust, unreasonable and unlawful.

WHEREFORE, KeySpan respectfully requests that the Commission grant Northern's Motion.

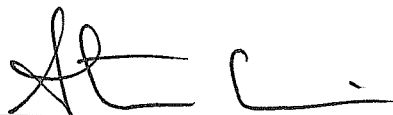
Respectfully submitted,

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

By its Attorneys

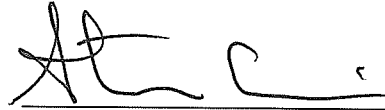
McLANE, GRAF, RAULERSON & MIDDLETON
PROFESSIONAL ASSOCIATION

Date: October 15, 2007

By: 
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Response has been forwarded this 15th day of October, 2007 to the service list in the above-captioned proceeding.

A handwritten signature in black ink, appearing to read 'Steven V. Camerino', is written over a horizontal line.

Steven V. Camerino