5

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

DG 07-050

In the Matter of:
KeySpan Energy Delivery New England
Indirect Gas Costs

Joint Surrebuttal Testimony

of

Amanda O. Noonan and
George R. McCluskey

October 19, 2007

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DE 07-050

KeySpan Energy Delivery New England
Indirect Gas Costs

Joint Surrebuttal Testimony

of

Amanda O. Noonan and George R. McCluskey

I. INTRODUCTION

Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESSES.

A. Our names are Amanda Noonan and George McCluskey, and our business address is 21 South Fruit Street, Suite 10, Concord, NH 03301.

Q. ARE YOU THE SAME AMANDA NOONAN AND GEORGE MCCLUSKEY THAT FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, we individually filed direct testimony on June 22, 2007. A summary of our educational and professional experiences can be found in that testimony.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. Our testimony responds to the rebuttal testimony filed on behalf of KeySpan Energy Delivery New England ("KeySpan" or "Company") by Anne Leary and Kimberly Ahern on August 31, 2007. Specifically, we respond to the following statements by Ms. Leary:

(a) That the implementation of accrued accounting in KeySpan's Cost of Gas ("COG") reconciliation calculation may result in an unfair reduction in the amount of interest due to the Company on under/over collected gas costs;

(b) The methodology used by the Company to estimate collections lag is not flawed as argued by Mr. McCluskey. Rather, each of the three methodological flaws described by Mr. McCluskey is misplaced; and

(c) That Mr. McCluskey inappropriately mixed gas costs and gas revenues in the calculation of collections lag using the accounts receivable turnover method.

In addition, we respond to the following statements by Ms. Ahern:

(a) That KeySpan's management of its accounts receivables had no impact on the increase in the Company's uncollectible accounts and bad debt percentage. Rather, the increase in those items was caused by the increase in gas prices; and

(b) There are demographic differences between the KeySpan and Northern Utilities service areas which make a comparison of the two companies' bad debt percentages inappropriate.

1 Q. HOW IS YOUR SURREBUTTAL TESTIMONY ORGANIZED?

2 A. Our testimony is in four parts. Following this introduction, we respond to the portion of Ms. Leary's testimony that addresses the implementation of accrual accounting in the reconciliation of gas costs. Next, we respond to Ms. Leary's criticisms of the accounts receivable turnover method used by Mr. McCluskey to estimate collections lag. We follow this by responding to the arguments of Ms. Leary and Ms. Ahern regarding the Company's bad debt percentage.

8

9 **II. IMPLEMENTATION OF ACCRUAL ACCOUNTING**

10 Q. WHAT IS THE COMPANY'S POSITION ON THE ISSUE OF ACCRUED

11 VERSUS BILLED REVENUE ACCOUNTING IN THE RECONCILIATION OF GAS COSTS?

13 A. KeySpan believes that this issue has been adequately argued in Docket DG 07-033, Northern Utilities' 2007 Summer COG proceeding, and therefore declines to address it further. In short, KeySpan appears to signal that it will accept whatever policy decision the Commission issues in Docket DG 07-033. KeySpan does, however, take issue with the manner in which Staff proposes to implement accrued revenue accounting.

19

20 Q. DID THE COMMISSION ADOPT ACCRUED REVENUE ACCOUNTING IN DOCKET DG 07-033?

22 A. Yes, although that decision is currently the subject of a motion for rehearing filed

23 by Northern.

24

1 Q. WHAT IS KEYSPAN'S CONCERN WITH STAFF'S PROPOSED
2 IMPLEMENTATION OF ACCRUED REVENUE ACCOUNTING?
3 A. Ms. Leary asserts in her rebuttal testimony that the change to accrued revenue
4 accounting could result in a mismatch between accrued costs and accrued
5 revenues that would unfairly lower the interest due to the Company. Specifically,
6 Ms. Leary asserts that in the first month of the transition to accrued revenue
7 accounting (November 2005) one and a half months of revenue may be matched
8 with only one month's of gas costs. If true, this would lower the monthly under
9 collection balances on which interest is earned.
10
11 Q. DOES STAFF AGREE WITH THIS ASSERTION?
12 A. No. The sole purpose of replacing billed revenues in the reconciliation
13 calculation with accrued revenues is to eliminate the mismatch between gas costs
14 and gas revenues caused by the billing cycle.[1] Since this change is to take effect
15 beginning November 2005, there should be no mismatch of gas costs and gas
16 revenues in that month.
17
18 Q. WHY THEN DOES MS. LEARY CLAIM OTHERWISE?
19 A. It is unclear why Ms. Leary makes this claim because none of the schedules
20 attached to her testimony show this mismatch.
21

[1] The Company is compensated for the costs of the billing cycle mismatch through a separate rate mechanism.

1 Q. HAS MS. LEARY CHANGED HER POSITION ON THE MISMATCH OF
2 COSTS AND REVENUES?
3 A. Yes. As noted above, Ms. Leary alleges that in the first month of the transition to
4 accrued revenues (i.e., November 2005) there is a mismatch between costs and
5 revenues under accrued revenue accounting. In response to a request to explain
6 the fundamental cause of the alleged mismatch, Ms. Leary states that the
7 mismatch actually occurs in October 2005 in the Off-Peak account.[2] The cause of
8 this mismatch is the transfer to the month of October 2005 of October unbilled
9 revenue (i.e., revenue associated with gas consumed in October but billed in
10 November) into the Off-Peak account. The transfer occurs because of the switch
11 to accrued revenue accounting. According to Ms. Leary, adding these unbilled
12 revenues to the billed revenues for October 2005 results in one and a half months
13 of revenue in the month. She goes on to say that although this imputation of
14 revenue occurs outside the period impacted by the Commission's Order in DG 07-
15 033, the adjustment will nonetheless impact KeySpan's interest calculation going
16 forward. Ms. Leary explains that the imputation of an extra half month of
17 revenue in October will lower the November 2005 beginning balance in the Off-
18 Peak account, which in turn reduces the interest due to the Company.
19
20 Q. DOES STAFF AGREE WITH THIS EXPLANATION?
21 A. Staff agrees that in transitioning from billed revenue accounting to accrued
22 revenue accounting the Company must record approximately one and a half
23 months of revenue in the month of October in its Off-Peak account. The effect

[2] See KeySpan response to Staff 3-1 shown in Staff Exhibit-1.

will be to reduce the October end-of-month balance in that account and, in turn, lower the average balance for November and all subsequent months. The net effect of these lower monthly balances will be a reduction in interest due to the Company in its Off-Peak account.

Q. IS THIS REDUCTION IN INTEREST APPROPRIATE?

A. Yes, to do otherwise would defeat the purpose of the accounting change. In order to transition to an accounting method where accrued costs are matched with accrued revenues every month, unbilled revenue must be transferred from the month in which it is billed to the month in which it is accrued. Assuming accrued revenue accounting begins November 2005, in every month but one the transfer out of unbilled revenue related to the prior month will be largely offset by the transfer in of unbilled revenue related to the subsequent month. The exception is October 2005. In that month, the transfer in of October unbilled revenue from November is not offset by the transfer out of September unbilled revenue because accrued revenue accounting does not begin until the next month. Even though the resulting month and a half of revenue in October 2005 reduces the interest due to KeySpan going forward, it would be wrong to view this as a penalty. Rather, the inclusion of the extra revenue in October corrects an error made when the billed revenue accounting methodology was first implemented: namely, the inclusion of only half a month's revenue in the initial month. Thus, the correct interpretation of the extra revenue is that it eliminates a benefit (i.e., high interest receipts) that the Company was never entitled to.

Q. HAS STAFF PREPARED A REVISED RECONCILATION CALCULATION THAT REFLECTS THE COMMISSION'S DECISION IN DOCKET 07-033?

A. Yes. Using data in schedule AEL-2, we calculate the interest on gas costs for the peak account, which is a twelve month calculation beginning November 2005 and ending October 2006, to be negative $16,544 instead of the $290,455 proposed by Ms Leary. For the off-peak period, the number is $32,390 instead of $110,641 calculated by Ms. Leary. Staff's calculations are shown in Staff Exhibit-2, pages 1 and 2.

III. COLLECTIONS LAG

Q. MS. LEARY CONTENDS THAT THE FLAWS MR. MCCLUSKEY FOUND IN HER METHODOLOGY FOR CALCULATING COLLECTIONS LAG ARE MISPLACED. PLEASE SUMMARIZE THESE FLAWS.

A. Mr. McCluskey found three fundamental flaws in the methodology used by KeySpan to calculate the collections lag. They are: (i) the use of gas costs as a proxy for gas revenues; (ii) the use of rolling twelve month gas costs instead of monthly gas revenues; and (iii) the use of net write-offs instead of gross write-offs to adjust accounts receivable ("A/R") balances. Each of these flaws causes the collections lag to be longer than it would otherwise be, based on the standard A/R turnover method.

<u>Flaw 1: Gas Costs Are Not A Reasonable Proxy For Gas Revenues</u>

1 Q. PLEASE RESPOND TO THE ARGUMENT MADE BY MS. LEARY FOR
2 USING GAS COSTS INSTEAD OF GAS REVENUES TO CALCULATE
3 COLLECTIONS LAG.
4 A. Because the methodology used by KeySpan to calculate collections lag employs
5 rolling twelve month data rather than individual monthly data, support for Ms.
6 Leary's claim that gas costs are a reasonable proxy for gas revenues must rest on
7 a comparison of rolling twelve month gas costs and rolling twelve month gas
8 revenues. According to Ms. Leary, "over time these two amounts will be quite
9 close to one another and therefore do serve as reasonable proxy for one another."
10
11 The problem with this statement is that the data prove otherwise, as Mr.
12 McCluskey convincingly demonstrated in Exhibit GRM-2 to his direct testimony.
13 Specifically, using the same data sources that produced the rolling twelve month
14 gas costs found in the Company's lead/lag study, Mr. McCluskey calculated for
15 each month in 2005 the corresponding rolling twelve month gas revenues. A
16 comparison of these two data streams is provided in Staff Exhibit-3, which is a
17 variant of Exhibit GRM-2 attached to my original testimony. The exhibit shows
18 that rolling twelve month gas revenues exceeded rolling twelve month gas costs in
19 every month and by more than $5 million in January 2005 alone. Over 2005 as a
20 whole, gas revenues exceeded gas costs by more than $37 million. Based on
21 these results, gas costs are not a reasonable proxy for gas revenues.
22

1 Q. WAS MS. LEARY ABLE TO REFUTE THE REVENUE ESTIMATES IN
2 EXHIBIT GRM-2?
3 A. On the contrary, Ms. Leary accepted as reasonable the monthly and rolling twelve
4 month gas revenue estimates shown in that exhibit.[3]
5
6 Q. GIVEN THE RESULTS OF THE ANALYSIS PRESENTED IN STAFF
7 EXHIBIT-3, HOW COULD MS. LEARY CLAIM THAT OVER TIME
8 ANNUAL GAS COSTS ARE A GOOD PROXY FOR ANNUAL GAS
9 REVENUES?
10 A. When confronted with these results, Ms. Leary chose to skirt the question by
11 claiming that because the results of the lead/lag study do not change if gas
12 revenues are substituted for gas costs, the analysis presented in Exhibit GRM-2
13 has no bearing on the case.[4]
14
15 Q. DOES STAFF AGREE THAT THE VARIANCE BETWEEN REVENUES AND
16 COSTS HAS NO EFFECT ON COLLECTIONS LAG?
17 A. No, replacing the monthly revenues in Exhibit GRM-3 with monthly gas costs
18 from Exhibit GRM-2 does change the collections lag. As can be seen in Staff
19 Exhibit-5, the collections lag increases from 37.68 days using gas revenues to
20 38.42 days using gas costs, a change of 0.74 days.
21

[3] See KeySpan response to Staff 3-18(1) shown in Staff Exhibit-4.
[4] See KeySpan response to Staff 3-18(2) shown in Staff Exhibit-4.

1 Flaw 2: Rolling Twelve Month Gas Costs Create A Mismatch With Monthly Accounts
2 Receivables
3 Q. MS. LEARY CRITICIZES THE A/R TURNOVER METHOD USED BY
4 STAFF TO CALCULATE COLLECTIONS LAG. PLEASE RECAP THE
5 TERMS A/R AND A/R TURNOVER METHOD.
6 A. A utility's A/R account tracks the amount owed by customers that the utility
7 expects to receive.[5] As such, the balance in this account may reflect invoices that
8 have been outstanding for as short as a few days and for as long as a year or more.
9 If we know the average daily revenue billed to customers, we can estimate the
10 average number of days that bills have been over due by dividing the A/R balance
11 by the daily revenue. This statistic is the basis of the standard A/R turnover
12 method employed by Staff to estimate collections lag. However, instead of using
13 a single A/R balance, the A/R turnover method employs an average of monthly
14 A/R balances for a representative period, usually twelve months. This average
15 balance is then divided by the average daily revenue, calculated over the same
16 time period. The result of this division is the average number of days per month
17 that bills have been outstanding, also known as the collections lag.
18
19 Q. PLEASE EXPLAIN WHY STAFF REFERS TO THE ABOVE METHOD AS
20 THE STANDARD A/R TURNOVER METHOD.
21 A. Staff believes the method is standard for two reasons. First, it is used in New
22 Hampshire to estimate supply-related collections lag for both gas and electric
23 utilities. This is so because the currently effective supply-related cash working

[5] A/R amounts written off as uncollectible reduce the balance in the A/R account.

capital allowances for Northern, Unitil and National Grid are based on this method. Because PSNH does not collect a supply-related cash working capital allowance, it does not use this method. Second, the method is commonly used in other states. In California, for example, the Commission's Standard Practice U-16 specifies two basic approaches for computing collections lag: namely, statistical sampling and the ratio of A/R to credit sales method (also known as accounts receivable turnover method). It is also used in Massachusetts by Fitchburg Gas and Electric to calculate collections lag for that company's electric and gas divisions.

Q. MS. LEARY DISPUTES MR. MCCLUSKEY'S CLAIM THAT THE REPLACEMENT OF MONTHLY REVENUES IN THE A/R TURNOVER METHOD WITH ROLLING TWELVE MONTH GAS COSTS CREATES A MISMATCH WITH THE MONTHLY A/R BALANCES. HOW DOES STAFF RESPOND?

A. In his direct testimony, Mr. McCluskey asserted that the great majority of the revenues that make up A/R balances relate to accounts that have been outstanding for less than 30 days.[6] This means that almost all of the 2005 monthly A/R balances used by both Ms. Leary and Mr. McCluskey to calculate collections lag reflect in large part 2005 gas prices. However, if each of these A/R balances is divided by the average daily revenue for the previous twelve months, as advocated by KeySpan, a mismatch will be created if gas prices in 2004 are

[6] That is, most customers pay their bills on time.

significantly different from gas prices in 2005. For this reason, Mr. McCluskey recommended that the use of rolling twelve month gas costs be rejected.

Ms. Leary responded to this recommendation by claiming that the mismatch is insignificant because only 55% of the A/R balances, not the great majority as Mr. McCluskey alleged, relate to accounts that have been outstanding for fewer than 30 days. Using this percentage, Ms. Leary then asserted that "in the first month" of Mr. McCluskey's calculation (i.e., January 2005) "45% of the accounts receivable balance relates to the prior months' revenues..... In other words, 45% of the A/R balance for the month of January 2005 reflects revenues that were billed sometime in 2004." Clearly, Ms. Leary's purpose in making this claim is to justify the use of revenues in the divisor that reflect some level of consumption in 2004. The problem with this claim, however, is that it is based on bogus data, as the table below clearly demonstrates.

Table 1

KeySpan Accounts Receivable
Aging Analysis (%)

	Days Outstanding				Percent
	0-30	31-60	61-120	Over 121	Prior Year
2006					
January	74%	13%	5%	9%	26.14%
February	64%	19%	8%	9%	17.11%
March	63%	15%	14%	9%	15.60%
April	52%	20%	17%	11%	11.12%
May	40%	18%	26%	17%	
June	36%	13%	27%	23%	
July	37%	11%	21%	31%	
August	34%	10%	16%	41%	
September	43%	8%	12%	37%	
October	52%	8%	9%	31%	
November	62%	8%	6%	24%	
December	68%	10%	6%	16%	
Annual Avg	**56%**	**14%**	**13%**	**18%**	

Although the table does show that on average 45% (actually 44%) of over due accounts in 2006 were outstanding for more than 30 days, that percentage cannot be applied to January 2005 for two reasons. First, the table says nothing about 2005 because the data relates to 2006. Because the Company chose to discard all of its pre-2006 data on the aging of A/R, neither Staff nor the Company has any way of knowing whether the percentages in the table are reasonably representative of 2005 conditions. Second, even if we make the assumption that 2006 is reasonably representative of 2005, it is simply inappropriate to apply the annual average percentage (i.e., 44%) to the month of January when the table shows the appropriate percentage for that month to be 26%. Furthermore, as we move further and further away from 2005 the percentage of the monthly A/R balance that reflects revenues billed sometime in 2005 gets progressively smaller. For example, the percentage falls to just 17% by the end of February 2005 and to 11% by the end of April 2005. In succeeding months, the actual percentage could

be zero. Indeed, if we assumed that the percentage of the A/R balance for each month from May through December 2005 that reflects revenues billed in 2005 is zero, then the average for the whole of 2005 would be just 6%. For these reasons, Staff rejects Ms. Leary's argument that a significant percentage of the 2005 monthly A/R balances in Exhibit GRM-3 are reflective of 2004 gas prices.

Q. IF THE COMPANY CANNOT SUPPORT ITS CLAIM THAT A SIGNIFICANT PERCENTAGE OF THE MONTHLY A/R BALANCES IN EXHIBIT GRM-3 REFLECT 2004 GAS PRICES, WHAT DOES THAT SAY FOR THE USE OF ROLLING TWELVE MONTH GAS COSTS TO CALCULATE COLLECTIONS LAG?

A. If the Company cannot support its claim, the use of rolling twelve month gas costs in the A/R turnover method will cause the collections lag to be overstated during a period of rising gas prices.

Q. MS. LEARY ALSO ALLEGES THAT THE STANDARD A/R TURNOVER METHOD IS CONFISCATORY DURING A PERIOD OF GENERALLY RISING GAS PRICES. WHAT IS STAFF'S RESPONSE?

A. Ms. Leary's allegation is based on the claim that the 2005 A/R balances are substantially reflective of low 2004 gas prices. Because the Company can not support that claim, it cannot demonstrate that the standard A/R turnover method is confiscatory.

Flaw 3: Adjusting A/R Balances For Net Write-Offs Instead Of Gross Write-Offs Overstates Collections Lag

3 Q. MS. LEARY CLAIMS THAT MR. MCCLUSKEY INCORRECTLY REDUCED
4 A/R BALANCES BY AN AMOUNT EQUAL TO THE SUM OF THE
5 PAYMENTS RECEIVED FROM CUSTOMERS AFTER ACCOUNTS HAD
6 BEEN WRITTEN OFF. WHAT IS THE BASIS FOR THIS CLAIM?
7 A. Ms. Leary's claims that KeySpan calculates its end-of-month A/R balances by
8 taking the prior month's ending balance, adding the revenues billed for that month
9 (i.e., new accounts receivable), and subtracting: (i) existing receivables written off
10 during the month; and (ii) cash receipts received in that month (i.e., bills paid plus
11 recoveries from previously written off accounts). Because the monthly cash
12 receipts include recoveries of previously written off accounts, Ms. Leary contends
13 that the existing receivables written off must be net of recoveries from previously
14 written off accounts (i.e., net write-offs) in order to avoid double counting.
15
16 Q. DOES STAFF AGREE?
17 A. Yes.
18
19 Q. WAS STAFF AWARE THAT THE A/R BALANCES USED BY THE
20 COMPANY IN ITS LEAD/LAG STUDY WERE NET OF RECOVERIES
21 FROM PREVIOUSLY WRITTEN OFF ACCOUNTS?

1 A. No. In response to a discovery request enquiring whether the A/R balances had
2 been adjusted for any reason other than the write-off of overdue accounts, the
3 Company responded that they had not.[7]
4
5 Q. HOW DOES THIS CHANGE YOUR COLLECTIONS LAG
6 RECOMMENDATION?
7 A. Adjusting the A/R balances for net write-offs instead of gross write-offs increases
the collections lag from 37.68 days to 37.79 days, an increase of 0.11 days. The
calculation is provided in Staff Exhibit-7.

10
11 Q. MS. LEARY CONTENDS THAT MR. MCCLUSKEY, WHEN
12 CALCULATING GAS COST RELATED A/R BALANCES, MULTIPLIED
13 THE TOTAL ACCOUNTS RECEIVABLE BALANCE BY THE RATIO OF
14 GAS COSTS TO TOTAL FIRM REVENUES INSTEAD OF THE RATIO GAS
15 REVENUES TO TOTAL FIRM REVENUES. DOES STAFF AGREE WITH
16 THIS CRITICISM?
17 A. Staff agrees that using gas costs instead of gas revenues introduces an element of
18 inconsistency into the calculation of collections lag. Staff points out, however,
19 that the gas cost related A/R balances used by Mr. McCluskey to calculate
20 collections lag were not calculated by him but taken directly from Page 7 of the
21 KeySpan lead/lag study. Thus, Ms. Leary rather than Mr. McCluskey erred in
22 mixing gas costs and total firm revenues. Nonetheless, correcting for this error

[7] See KeySpan response to Staff 1-9 shown as Staff Exhibit-6.

1 increases the collections from 37.68 days to 38.75 days inclusive of 0.11 days for
2 the change from gross to net write-offs discussed above. The two changes
3 combined increase Staff's recommended collections lag by 1.07 days. The
4 calculation is provided in Staff Exhibit-8.
5 Q. HOW DOES THIS CHANGE YOUR RECOMMENDED NET LAG?
6 A. My revised collections lag is 36.75 days. When this lag is added to a 15.21 days
7 service lag and a 1.51 days billing lag, it produces a revised revenue lag of 53.47
8 days. Subtracting an expense lead of 39.99 days from the revised revenue lag
9 produces a net lag of 13.48 days.
10
11 **IV. BAD DEBT PERCENTAGE**
12 Q. MR. MCCLUSKEY RECOMMENDED IN HIS DIRECT TESTIMONY THAT
13 KEYSPAN'S BAD DEBT PERCENTAGE BE BASED ON ACTUAL WRITE-
14 OFFS INSTEAD OF THE UNCOLLECTIBLE ACCOUNTS EXPENSE. THIS
15 RECOMMENDATION, IF ADOPTED, WOULD BRING KEYSPAN IN LINE
16 WITH NORTHERN, UNITIL, PSNH AND ITS PARENT NATIONAL GRID.
17 DID THE COMPANY ADDRESS THAT RECOMMENDATION?
18 A. Neither Ms. Leary nor Ms. Ahern address this issue in rebuttal testimony. Ms.
19 Ahern, however, continues to recommend a bad debt percentage (i.e., 2.98%)
20 based on KeySpan's uncollectible accounts expense for 2005. Thus, because
21 KeySpan did not rebut the arguments put forth by Mr. McCluskey in support of a
22 bad debt percentage based on net write-offs, the Commission should find that the
23 Company failed to meet its burden of showing that use of uncollectible accounts
24 expense is just and reasonable.

2 Q. IN ADDITION TO RECOMMENDING THAT THE BAD DEBT
3 PERCENTAGE BE BASED ON ACTUAL NET WRITE-OFFS, MR.
4 MCCLUSKEY RECOMMENDED THAT KEYSPAN BE ALLOWED TO
5 COLLECT ONLY A PORTION OF THE ACTUAL NET WRITE-OFF IN 2005.
6 WHAT WAS THE BASIS OF THAT RECOMMENDATION?
7 A. Mr. McCluskey's recommendation was made in recognition of two basic facts.
8 First, KeySpan's collections performance, as measured by the ratio of net write-
9 offs to revenues (i.e., the bad debt percentage), was substantially below that of
10 any other New Hampshire utility in 2005 and 2006.[8] Second, allowing 100%
11 recovery of the net write-off would simply flow the costs of KeySpan's sub-
12 standard collection practices through to paying customers without providing an
13 incentive to improve.
14
15 Q. DID THE COMPANY ADDRESS THIS RECOMMENDATION?
16 A. Yes, Ms. Leary responded with three arguments. First, she contends that
17 comparing gas utilities with electric utilities is not appropriate. Second, she
18 claims that differences in the bad debt percentage for KeySpan and Northern are
19 explained by demographic differences between the two service territories rather
20 than differences in collection performance. Third, she notes that KeySpan has
21 historically experienced a greater collection lag than Northern.
22 As regards the first argument, Staff notes that the Company provided no evidence
23 to support its contention that electric utility data is not relevant when drawing

[8] See direct testimony of George McCluskey, page 12, Table 2.

conclusions regarding the collection performance of gas utilities. Rather, the
2 Company makes the assumption that consumers are likely to give a significantly
3 higher priority to payment of their electric bills than their gas bills. Absent
4 reliable information in support of that assumption, Staff recommends that the
5 Commission weigh equally electric and gas utility data on collections
6 performance.
7 Q. WHAT DOES THAT DATA SHOW?
8 A. The data in Table 2 to Mr. McCluskey's direct testimony shows that KeySpan's
9 bad debt percentage, a reliable measure of collections performance, is
10 approximately seven times the average for electric utilities and approximately
11 three times the percentage for Northern.
12

Q. HOW DOES STAFF RESPOND TO MS. LEARY'S SECOND ARGUMENT?

A. Based on a single fact[9] (i.e, that KeySpan has twice as many customers receiving the low income discount as a percent of residential heating customers as Northern), Ms. Leary claimed that demographic differences exist between the KeySpan and Northern service territories While Staff does not dispute this fact, it does dispute the conclusion drawn by Ms. Leary. Rather than explain KeySpan's poor collections performance compared to Northern, Staff believes that Keyspan's collections performance should be marginally better than Northern's if the only difference between the two companies is that KeySpan has twice as many customers receiving the low income discount as Northern. This is so because

[9] See KeySpan response to Staff 3-47 shown in Staff Exhibit-9.

there is a greater likelihood that low income customers would pay their bills if they receive low income discounts.

Q. IS THERE ANY DIRECT OR INDIRECT SUPPORT FOR STAFF'S POSITION?

A. Yes, we believe there is. The fact that the Company was unable to explain why its collections performance would be adversely impacted simply because a larger percentage of its customers receive a discount on their bills raises serious concerns as to the validity of the argument.[10] It is also important to note that the Company declined to quantify the effect of the alleged impact on KeySpan's collections lag.

Q. WHAT IS STAFF'S RESPONSE TO MS. LEARY'S THIRD ARGUMENT?

A. Ms. Leary argued that because KeySpan has historically experienced a greater collections lag than Northern the differences must be attributable to differences in service territory demographics, specifically the percentage of residential customers enrolled on the low income discount rate. For the reasons provided above, Staff believes that this difference should improve rather than worsen KeySpan's collections performance. Our testimony will also later explain why the difference in enrollment in the low income discount rate is not sufficient evidence to support the view that there are different income demographics in the two companies' service areas.

[10] See KeySpan response to Staff 3-13 shown in Staff Exhibit-10.

1 Q. DID THE COMPANY ALSO ARGUE THAT THE INCREASE IN THE BAD
2 DEBT PERCENTAGE EXPERIENCED BY KEYSPAN OVER THE PERIOD
3 2001-2006 IS NOT NECESSARILY AN INDICATOR OF DECLINING
4 COLLECTIONS PERFORMANCE?
5 A. Yes, Ms. Leary argued that the bad debt percentage is not a good indicator of
6 collections performance during periods of increasing gas prices and that the
7 increase in the percentage could be explained by "the fact that during periods of
8 increasing gas costs the number of customers who can not pay their bills
9 increases." Staff disagrees with this argument for two reasons. First, Ms. Leary
10 provides no evidence to support her contention that increasing gas prices result in
11 higher levels of bad debt and, by implication, increase in the bad debt percentage.
12 We point this out because Northern experienced the same increase in gas prices
13 over the period 2001-2006 but reported relatively little increase in its bad debt
14 percentage. In addition, if disposable income increased at the same rate as gas
15 prices, it would not be unreasonable to expect little if any increase in bad debt
16 levels. Second, even if bad debt levels did increase during the period 2001-2006,
17 it does not follow that the bad debt percentage would increase also. As Ms. Leary
18 indicated, the increase in bad debt levels is attributable to increasing gas prices,
19 which translates into increasing revenues. Since the bad debt percentage is the
20 ratio of net write-offs to revenues, it is possible that both the numerator and
21 denominator could increase without a change in the percentage.
22

1 Q. IN ADDITION TO ARGUING THAT THE INCREASE IN BAD DEBT IS NOT
2 NECESSARILY AN INDICATION OF DECLINING COLLECTIONS
3 PERFORMANCE, KEYSPAN ALSO ARGUED THAT HIGHER GAS PRICES
4 HAVE BEEN THE MOST SIGNIFICANT FACTOR IN ITS INCREASING
5 BAD DEBT PERCENTAGE. WHAT IS STAFF'S POSITION?
6 A. It is not reasonable to claim that higher gas prices are the most significant factor
7 in the increase in KeySpan's bad debt percentage when there is strong evidence
8 that other factors have also contributed significantly to the increase.
9
10 Staff has already provided testimony that KeySpan's collection efforts are less
11 robust than those of Northern Utilities. Specifically, Ms. Noonan compared the
12 monthly disconnection data of KeySpan and Northern in Exhibit AON-3 to her
13 June 22, 2007 testimony and noted that Northern sent out more disconnection
14 notices as a percentage of active residential customers between November 2005
15 and March 2007 than did KeySpan.
16
17 In her response to Ms. Noonan's testimony, Ms. Ahern explains KeySpan's lower
18 number of disconnection notices by noting that it is KeySpan's practice to focus
19 more attention in its collections process on larger overdue accounts. During
20 discovery, when questioned about Northern's collection practice, Ms. Ahern
21 noted that, while she was not directly aware of Northern's collection practice, it
22 was common collection practice to focus more attention on the oldest, highest

balance receivables.[11] From this, Staff concludes it is a reasonable to expect that Northern also focuses more attention on its largest overdue accounts and, therefore, the difference in disconnection notices issued is attributable to something else.

Staff looked at the parameters that KeySpan uses when issuing disconnection notices.[12] Between April 1 and November 15, KeySpan issues disconnection notices to heating customers with balances greater than $500 and non-heating customers with balances greater than $125. Between November 15 and March 31, disconnection notices are not issued to heating customers; however, disconnection notices are issued to non-heating customers with balances greater than $125. Given that a typical gas heat bill is between $200 and $300[13] a month during the heating season, it is reasonable to expect that customers carrying arrears would be very likely to have balances in excess of $500 and thus be eligible to receive a disconnection notice when KeySpan begins to issue notices in April.

Q. GIVEN THE ABOVE, WHAT EXPLANATION IS THERE FOR THE LOWER PERCENTAGE OF DISCONNECTION NOTICES ISSUED BY KEYSPAN

---

[11] See KeySpan response to Staff 3-52 shown in Staff Exhibit-11.

[12] See KeySpan response to Staff 3-52 and Tech 1-2 shown in Staff Exhibit-12

[13] Staff Exhibit-13 is a copy of Schedule 8 to KeySpan's 2007-2008 winter cost of gas filing. The schedules provides the estimated typical residential heating bill for the period November 1, 2007 – April 30, 2008 as well as the actual typical residential heating bill for the period November 1, 2006 – April 31, 2007. For the former period, the bills range between $172 and $281; and for the latter period, the bills ranged from $161 to $276.

1 AND WHY IS HAVING A LOWER NUMBER OF DISCONNECTIONION
2 NOTICES AS A PERCENTAGE OF CUSTOMERS SIGNIFICANT?
3 A. Without information about the number of accounts in arrears during the same time
4 period, it is difficult to provide a definitive explanation. While this information
5 was requested during discovery, KeySpan stated that it did not have historical
6 data regarding the number of accounts in arrears.[14] One possible explanation for
7 the lower percentage of disconnection notices, however, is that KeySpan is not
8 sending notices to every customer with a balance in excess of $500 and, therefore,
9 not following its own collection policies.
10
11 Disconnection notices are generally the first step in the utility collection process.
12 A disconnection notice informs the customer that the bill needs their attention or
13 service could be shut off. For customers that are experiencing difficulty paying
14 their bills, it notifies them to contact the utility to discuss payment and payment
15 arrangements. Additionally, it is the trigger for many sources of financial
16 assistance. Municipal welfare officials typically will not provide assistance to
17 customers unless the customer is facing a potential disconnection of utility
18 service. Emergency assistance is available from the Department of Health and
19 Human Services, Division of Family Services, for customers facing a potential
20 disconnection of utility service. Appointments for fuel assistance are prioritized
21 based on whether the customer has an active disconnection notice. The
22 disconnection notice serves as documentation for all of these agencies that the

[14] See KeySpan response to Staff 3-42 shown in Staff Exhibit-14.

customer is facing a potential disconnection of service. Assistance from all of these agencies is a guaranteed payment to KeySpan.

If KeySpan is not sending disconnection notices as outlined in its collections policy, it is likely that its lower income customers are either not seeking financial assistance with their bills or are unable to receive assistance as they cannot demonstrate that service is in jeopardy of being disconnected. As a result, KeySpan loses a source of payments that it could otherwise be receiving.

Q. IF KEYSPAN COULD HAVE DOCUMENTED THAT IT IS SENDING OUT THE APPROPRIATE NUMBER OF DISCONNECTION NOTICES, WOULD YOU AGREE WITH KEYSPAN'S POSITION THAT INCREASES IN GAS PRICES ARE THE REASON BAD DEBT LEVELS HAVE RISEN?

A. No. As is discussed in Ms. Noonan's June 22, 2007 testimony, calls from KeySpan customers clearly indicate problems with the collections process. While the disconnection notice is the first step, it is not the only step in the collections process. In her testimony, Ms. Ahern states that KeySpan's collection system is a risk-based program and that accounts receivables are managed through field activity and high risk collections. Ms. Ahern further indicates that accounts for disconnection are assigned to the field collectors by highest balance and oldest aged account and that collections staff are assigned to work all accounts greater than $2500. It is not until collections efforts for higher balance accounts have been exhausted that the company focuses attention on lower balance accounts.

1 From this description, it appears that little collection activity occurs on accounts
2 with balances lower than $2,500 other than the possible issuance of a
3 disconnection notice.
4
5 Q. WHAT IS THE POTENTIAL EFFECT OF THIS PRACTICE ON KEYSPAN'S
6 BAD DEBT PERCENTAGE?
7 A. Insufficient collection activity on an account once a disconnection notice is issued
8 can and often does result in higher arrearages. If a customer receives a
9 disconnection notice, and does not contact KeySpan regarding a payment
10 arrangement or make a payment, and nothing happens to his or her utility service,
11 the notices received the following month and every month thereafter become less
12 and less effective in collecting payment.
13
14 Customers on fixed or limited incomes will direct their scarce resources to their
15 most pressing needs. The customer e-mail contained in Ms. Noonan's June 22,
16 2007 testimony provides an example of the declining effectiveness of
17 disconnection notices when there is not sufficient collection activity beyond the
18 notice itself.[15]
19
20 In addition, a common complaint that the Commission's Consumer Affairs
21 Division receives from social service agencies dealing with KeySpan customers is
22 that by the time the KeySpan bill becomes a pressing need and a customer comes

[15] Page 4 of Ms. Noonan's June 22, 2007 testimony contains an e-mail to the Consumer Affairs Division from a KeySpan customer documenting the decline in the effectiveness of disconnection notices when no further collection activity occurs.

to them for assistance, the balance is so large that they cannot provide any meaningful assistance to the customers.

Q. IS THERE OTHER EVIDENCE THAT KEYSPAN'S COLLECTION PROCESS IS LESS ROBUST THAN NORTHERN'S?

A. Yes. Staff reviewed the billing and collection related contacts it received from customers of KeySpan and Northern in 2005, 2006 and 2007. As part of its review, Staff looked at the average dollar amount owed in 2005, 2006 and 2007 as well as the average of those three years. On average over the three year period, KeySpan customers who contacted the Commission had balances that were 90% higher than those of Northern customers who contacted the Commission, as shown in the table below.

Table 2

	KeySpan	Northern Utilities
Average Balance 2005	$3412.41	$2116.64
Average Balance 2006	$2253.48	$945.25
Average Balance 2007	$2687.86	$1243.48
3 Year Average	$2755.73	$1451.82

Q. WHY IS THIS EVIDENCE THAT KEYSPAN'S COLLECTION EFFORTS ARE LESS ROBUST THAN NORTHERN'S?

A. Customers who contact the Commission's Consumer Affairs Division about billing and collection issues generally do so in response to a disconnection notice

1 from their utility or the physical disconnection of their utility service. From the
2 data above, it is clear that Northern is either issuing its disconnection notices
3 earlier than KeySpan, performing disconnection of service earlier than KeySpan
4 or both. As a result, Northern's potential bad debt exposure would be lower than
5 that of KeySpan.
6
7 Q. MS. LEARY AND MS. AHERN CONTEND THAT A COMPARISON OF
8 KEYSPAN'S PERFORMANCE TO THAT OF NORTHERN UTILITIES IS
9 NOT APPROPRIATE. DOES STAFF AGREE WITH THIS ASSERTION?
10 A. No. Ms. Leary and Ms. Ahern both maintain that the demographics of KeySpan's
11 service area are different from the demographics of Northern service area.
12 Despite U.S. Census data provided by Staff showing that the income
13 demographics for the communities served are essentially identical, the Company's
14 witnesses point to the enrollment levels in the gas residential low income
15 assistance program as evidence that the demographics are different. Ms. Ahern
16 testified that 7.5% of KeySpan's residential heating customers enrolled in the
17 discount program in 2006 as compared to an enrollment level of 3.5% of
18 residential heating customers for Northern and therefore concludes that
19 KeySpan's service territory has a substantially higher level of families whose
20 limited incomes make it difficult to pay their gas bills.
21
22 In and of itself, a difference in the percentage of customers participating in the
23 residential low income assistance program cannot be attributed to a difference in

1 the income demographics of the service areas. As is demonstrated by applications
2 made to the Fuel Assistance Program, there is a significant population of
3 customers who do not apply for assistance. Experience with the Fuel Assistance
4 Program reveals that approximately one half of the eligible households apply for
5 assistance from the program. There are a number of reasons why a customer may
6 not apply for assistance. Elderly customers are generally less likely to seek
7 assistance than other customers. Some percentage of customers is too proud to
8 ask for help. Other customers perceive the fuel assistance program as a welfare
9 program and are resistant because of the stigma they attach to welfare. Without
10 surveying the customers within each service area, it would be unwise to attribute
11 meaning to the differences in the enrollment levels in the two companies
12 programs.
13
14 Ms. Ahern further argues that it is not appropriate to compare KeySpan to
15 Northern alone without any consideration of other gas utilities in the country.
16 While it is interesting to see how gas utilities across the country have performed,
17 we do not believe that is the most appropriate comparison. Unlike utilities across
18 the country, Northern and KeySpan operate in the same regulatory and economic
19 climate making a comparison of their performance very appropriate.
20
21 Q. ARE THERE OTHER PROBLEMS WITH THE COMPANY'S POSITION
22 THAT THE INCREASE IN THE BAD DEBT RATIO IS CAUSED BY
23 INCREASED GAS PRICES?

1 A. Yes. In response to the three customer examples provided in Ms. Noonan's
2 testimony, Ms. Ahern stated that to shut off one of the customers "the Company
3 went so far as to install a curb valve, which is a significant expense that is hard to
4 justify in all but the most extreme cases." In subsequent discovery, Staff asked
5 KeySpan to provide the costs of performing a service disconnection when there
6 was no access to the meter.[16] Ms. Ahern indicated that the average cost of
7 installing the curb valve necessary to perform a street shut off was $960 and that
8 the service disconnection itself would cost $100.
9
10 Earlier in our testimony, we indicated that the average dollar amount owed by
11 KeySpan customers contacting the Commission during the period 2005- 2007 was
12 $2755.73. Given that the cost of performing a street shut off is less than $1100,
13 this further supports our position that KeySpan's collections activities are not
14 adequate.
15
16 KeySpan maintains that the examples in Ms. Noonan's testimony are atypical in
17 large part due to the size of the balances. While the balances are high, the lack of
18 adequate collection efforts on these three accounts are no different from the
19 majority of the billing and collection calls the Consumer Affairs Division receives
20 from KeySpan customers. Staff does not disagree, however, that at least two of
21 the three balances are atypical. Under the KeySpan collections policy, all three of
22 these accounts would have been identified as high risk and therefore should have

[16] See KeySpan response to Staff 3-51 shown in Staff Exhibit-15.

received more collection activity than other accounts. This raises even more questions about the adequacy of KeySpan's collection activities on its lower balance receivables.

As noted previously in our testimony, allowing 100% recovery of the net write-off simply flow the costs of KeySpan's sub-standard collection practices through to paying customers without providing an incentive to improve. It is possible that this lack of incentive is in fact a contributor to KeySpan's inadequate collection activity. In support of that position, Staff offers the following information. A utility analyst in the Consumer Affairs Division was recently working with KeySpan and a customer to negotiate a payment arrangement for restoration of service. The customer had an outstanding balance of $1400 at her current service location and outstanding balances of $4000 and $250 for service to prior addresses. All three accounts had been held in the same name, and the customer had provided the same social security number each time service was requested.. The Commission's administrative rules, Puc 1200, allow the transfer of balances at prior service locations to a current service location in certain circumstances. In this instance, both of the prior balances could have, and should have, been transferred to the customer's current account when she applied for service. Although KeySpan had failed to identify these two prior balances when establishing subsequent service accounts for this customer, those balances could certainly have still been transferred to her current location and been included in any calculation of an up-front payment from the customer for service restoration

1 and the accompanying payment arrangement. In discussing the account with the
2 KeySpan representative, the analyst was advised that Keyspan would only be
3 pursuing collection of the outstanding balance of $1400 due on current account as
4 the balances on the two old accounts would be put into bad debt and recovered
5 through rates.
6

7 Q. WHAT BAD DEBT PERCENTAGE DOES STAFF RECOMMEND?

8 A. Staff continues to recommend that KeySpan's bad debt percentage be based on
9 actual net write-offs and be set at the level 1.54%.

10

11 Q. DOES THIS CONCLUDE STAFF'S SURREBUTTAL TESTIMONY?

12 A. Yes.

13

14

15

16

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-1

Date of Response: October 5, 2007
Respondent: Ann Leary

Request: Ref. Leary Testimony, page 5. Ms. Leary uses the word "possibility" when discussing the concern that switching to accrued revenues in the reconciliation calculation results in more than a month's revenue in the first month under accrued revenue accounting. Is it the Company's position that the switch to accrued revenue accounting **will result in a** month and a half of revenue in the first month or that it may result in a month and a half of revenue? If the latter, please explain the source of the uncertainty.

Response: As of August 31, 2007 (the date of the Company's prefiled testimony), the Staff had not yet put forth in this docket its position on this transition of utilizing accrued verses billed COG Revenues in the calculation of gas cost reconciliation. Therefore, the Company did not definitely know how the Staff was proposing to transition from using billed to accrued COG revenues in the gas cost reconciliation calculation. However, since that time, the Commission has ordered Northern Utilities in Docket DG 07-033 to adopt accrual accounting in its gas cost reconciliation calculation and has specifically detailed how to transition to this methodology. This methodology will in fact result in a month and a half of revenues in the first month under accrual accounting, which is October 2005. Although the Order in Docket DG 07-033 only affects the interest for the period beginning November 2005, the adoption of accrued revenues actually occurs in the month of October 2005. By adjusting the October 2005 COG revenues to include those revenues associated with gas consumed in October but billed in November, the October 2005 revenues will incorporate 1.5 months of revenues (billed revenues for October 2005 plus the revenues associated with gas consumed in October 2005 but actually billed in November 2005). Although this adjustment occurs outside the period impacted by the Commission's Order in DG 07-033 (November 2005-April 2007), the adjustment does impact the interest calculation for this period. The easiest way to see this is through a simple example. Assume you open a savings account on January 1 and deposit $1,000 each

month and withdraw $500. Assuming you earn interest each month at 5%, at the end of the year you would have earned $152.88 in interest. However, if the bank made an error in your account at the outset and recorded an opening balance of negative $250 instead of $0, you would have earned only $140.09 interest at the end of the year. Under both scenarios you would have deposited $12,000 and withdrawn $6,000 during the 12 month period. However, under the second scenario, because the starting balance was artificially reduced, the interest earned would be $12.79 less than under the first scenario. This is the same problem that will occur if the methodology set forth in the Commission's Order in DG 07-033 is implemented to transition from billed to accrued revenues. The methodology adopted by the Commission imputes an extra half month of revenues in the November 2005 beginning balance for the Off Peak Reconciliation Account, which will result in a reduction of interest for the Company.

ENERGYNORTH NATURAL GAS, INC.
NOV 05 THROUGH OCT 06
PEAK DEMAND AND COMMODITY
SCHEDULE 1

1	FOR THE MONTH OF:	Nov-05'	Dec-05'	Jan-06'	Fel -06'	Mar-06'	Apr-0	May-06'	Jun-06'	Jul-06'	Aug-06'	Sep-06'	Oct-06'	Total
2	DAYS IN MONTH:	30	31	31	28	31	30	31	30	31	31	30	31	
3	BEGINNING BALANCE	$4,152,233	$4,693,049	$2,244,092	$62,179	$2,633,080	($81,806)	($2,480,885)	($2,215,064)	($2,010,963)	,796,778)	($1,581,342)	($1,343,191)	
4														
5	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	$94,236,772
6														
7	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	$903,272
8														
9	Add: MISC	$492,771	$492,771	$492,771	$492,771	$492,771	$492,771	$0	$0	$0	$0	$0	$0	$2,956,626
10														
11	Less: COLLECTED COST	($4,380,801)	($18,353,237)	($23,854,071)	($18,921,391)	($19,743,660)	($12,451,381)	($4,410,950)	$0	$0	$0	$0	$0	($102,115,491)
12	Unbilled	($8,632,661)	($14,094,855)	($13,754,911)	($11,208,983)	($7,942,515)	($4,410,950)		$0	$0	$0	$0	$0	($60,044,875)
13	Reverse Prior Month Unbilled	$0	$8,632,661	$14,094,855	$13,754,911	$11,208,983	$7,942,515	$4,410,950	$0	$0	$0	$0	$0	$60,044,875
14	Total Accrued Rev	($13,013,462)	($23,815,431)	($23,514,127)	($16,375,463)	($16,477,192)	($8,919,816)	$0	$0	$0	$0	$0	$0	($102,115,491)
15														
16	Less: BROKERS REVENUES	($62,628)	($38,708)	($28,532)	($33,376)	($11,988)	($6,382)	($13,058)	($31,738)	($59,321)	($25,696)	($14,834)	($5,263)	($331,524)
17														
18	Less: REFUND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	Prior Period Adjustment -Reverse Non-Firm													
20	Prior Period Adjustment -Interest													
21	ADJUSTMENT	$0	$0	$37,736	$0	$0	$0	$0	$0	$0	$0	$0	$0	$37,736
22														
23	NON-FIRM MARGIN AND CREDITS	($69,615)	($26,341)	($16,325)	($21,572)	($21,233)	($404,744)	($24,388)	($45,993)	($79,470)	($76,992)	($66,486)	($23,137)	$876,296)
24														
25	ENDING BALANCE PRE INTEREST	$4,669,484	$2,224,996	$55,344	$2,625,863	($89,368)	($2,473,010)	($2,199,303)	($1,997,115)	($1,783,485)	($1,569,548)	($1,333,309)	($1,044,850)	
26														
27	MONTH'S AVERAGE BALANCE	$4,410,859	$3,459,022	$1,149,718	$1,344,021	$1,271,856	($1,277,408)	($2,340,094)	($2,106,089)	($1,897,224)	($1,683,163)	($1,457,326)	($1,194,020)	
28														
29	INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.00%	8.25%	8.25%	8.25%	8.25%	
30														
31	INTEREST APPLIED	$23,565	$19,096	$6,835	$7,217	$7,561	($7,874)	($15,761)	($13,848)	($13,294)	($11,794)	($9,882)	($8,366)	($16,544)
32														
33	ENDING BALANCE	$,693,049	$2,244,092	$62,179	$2,633,080	($81,806)	($2,480 85)	($2,215,064)	$2,010,963)	($1,796,778)	($1,581,342)	$1,343,191)	$1,053,216)	

ENERGYNORTH NATURAL GAS, INC.
NOV 05 THROUGH OCT 06
OFF-PEAK DEMAND AND COMMODITY
SCHEDULE 1

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
2	DAYS IN MONTH:	30	31	31	28	31	30	31	30	31	31	30	31	
3	BEGINNING BALANCE	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$1,306,899	$471,783	($394,825)	($770,752)	($668,655)	($751,796)	
4														
5	Add: ACTUAL COSTS							$4,357,050	$2,531,489	$2,176,722	$2,718,282	$2,638,693	$6,100,800	$20,523,036
6														
7	Add: FUEL FINANCING COSTS							$0	$0	$0	$0	$0	$0	$0
8														
9	Add: MISC							$20,974	$20,974	$20,974	$20,974	$20,974	$20,974	$125,844
10														
11	Less: COLLECTED COST	$0	$0	$0	$0	$0	$0	($2,358,079)	($4,337,112)	($2,715,569)	($2,319,299)	($2,617,603)	($3,911,825)	($18,259,487)
12	Unbilled							($2,861,031)	($1,943,242)	($1,797,227)	($2,110,062)	($2,230,467)	($4,039,941)	($14,981,970)
13	Reverse Prior Month Unbilled							$0	$2,861,031	$1,943,242	$1,797,227	$2,110,062	$2,230,467	$10,942,029
14	Total Accrued Rev	$0	$0	$0	$0	$0	$0	($5,219,110)	($3,419,323)	($2,569,554)	($2,632,134)	($2,738,008)	($5,721,299)	($22,299,428)
15														
16	Less: BROKERS REVENUES	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
17														
18	Less: REFUND	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	Prior Period Adjustment -Reverse Non-Firm													
20	Prior Period Adjustment -Interest													
21	ADJUSTMENT	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
22														
23	NON-FIRM MARGIN AND CREDITS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
24														
25	ENDING BALANCE PRE INTEREST	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$465,813	($395,077)	($766,683)	($663,630)	($746,996)	($351,321)	
26														
27	MONTH'S AVERAGE BALANCE	$1,262,972	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$886,356	$38,353	($580,754)	($717,191)	($707,826)	($551,558)	
28														
29	INTEREST RATE	6.50%	6.50%	7.00%	7.00%	7.00%	7.50%	7.93%	8.00%	8.25%	8.25%	8.25%	8.25%	
30														
31	INTEREST APPLIED	$6,747	$7,010	$7,590	$6,897	$7,677	$8,007	$5,970	$252	($4,069)	($5,025)	($4,800)	($3,865)	$32,390
32														
33	ENDING BALANCE	$1,269,719	$1,276,729	$1,284,319	$1,291,216	$1,298,893	$1,306,899	$471,783	($394,825)	($770,752)	($668,655)	($751,796)	($355,186)	

KeySpan
Comparison of Gas Costs
and Gas Revenues

STAFF EXHIBIT-3

	Actual Gas Costs	Deferred Gas Costs	Total Firm Gas Costs	TME Actual Gas Costs	Gas Cost Revenues with interest	Gas Cost Revenues w/o interest	Total Gas Cost Revenues	TME Firm Revenues	Difference TME Revenues/TME Gas Costs
Jan-04	$19,862,340		$19,862,340		$15,598,123	$989,202	$16,587,325		
Feb-04	$12,681,513		$12,681,513		$18,661,235	$1,141,617	$19,802,852		
Mar-04	$10,025,527		$10,025,527		$13,608,880	$815,475	$14,424,355		
Apr-04	$6,083,805		$6,083,805		$9,540,558	$594,215	$10,134,773		
May-04	$3,069,817	$460,578	$3,530,395		$4,330,156	$281,078	$4,611,234		
Jun-04	$2,723,646	$438,533	$3,162,179		$2,533,638	$157,644	$2,691,282		
Jul-04	$2,336,210	$504,734	$2,840,944		$2,032,335	$111,811	$2,144,146		
Aug-04	$2,178,077	$473,774	$2,651,851		$2,007,510	$103,818	$2,111,328		
Sep-04	$2,172,127	$472,937	$2,645,064		$2,079,780	$106,921	$2,186,701		
Oct-04	$5,080,922	$472,472	$5,553,394		$2,809,760	$152,155	$2,961,915		
Nov-04	$8,674,360		$8,674,360		$6,086,688	$338,530	$6,425,218		
Dec-04	$15,777,101		$15,777,101	$93,488,473	$10,942,088	$588,644	$11,530,732	$95,611,861	$2,123,388
Jan-05	$17,938,217		$17,938,217	$91,564,350	$16,902,486	$922,383	$17,824,869	$96,849,405	$5,285,055
Feb-05	$14,572,489		$14,572,489	$93,455,326	$17,655,061	$971,150	$18,626,211	$95,672,764	$2,217,438
Mar-05	$13,100,373		$13,100,373	$96,530,172	$15,392,850	$842,747	$16,235,597	$97,484,006	$953,834
Apr-05	$5,924,511		$5,924,511	$96,370,878	$11,078,288	$575,395	$11,653,683	$99,002,916	$2,632,038
May-05	$4,501,473	$513,669	$5,015,142	$97,855,625	$6,693,766	$207,141	$6,900,907	$101,292,589	$3,436,964
Jun-05	$2,899,510	$489,485	$3,388,995	$98,082,441	$4,265,445		$4,265,445	$102,866,752	$4,784,311
Jul-05	$2,734,362	$488,358	$3,222,720	$98,464,217	$2,410,054		$2,410,054	$103,132,660	$4,668,443
Aug-05	$2,171,422	$488,812	$2,660,234	$98,472,600	$2,072,653		$2,072,653	$103,093,985	$4,621,385
Sep-05	$3,281,445	$483,624	$3,765,069	$99,592,605	$2,552,052		$2,552,052	$103,459,336	$3,866,731
Oct-05	$7,124,375	$490,377	$7,614,752	$101,653,963	$3,576,679		$3,576,679	$104,074,100	$2,420,137
Nov-05	$13,097,244		$13,097,244	$106,076,847	$8,842,166		$8,842,166	$106,491,048	$414,201
Dec-05	$20,823,227		$20,823,227	$111,122,973	$18,353,237		$18,353,237	$113,313,553	$2,190,580
								12 Month Total	$37,491,117

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-18

Date of Response: October 5, 2007
Respondent: Ann Leary

Request: Ref. Leary Testimony, page 10. Ms. Leary states that "the Company relied on *annual* gas costs .... as a proxy for gas supply revenues, and ... over time these two amounts will be quite close to one another and therefore do serve as reasonable proxies for one another." Is Ms. Leary aware that in Exhibit GRM-2 Mr. McCluskey compared rolling twelve month ending (TME) gas costs with rolling TME gas revenues and not individual monthly gas costs and revenues? If yes, please respond to the following questions:

1. Does Ms. Leary accept as reasonable the monthly and rolling TME gas revenue estimates shown in Exhibit GRM-2? If Ms. Leary believes those estimates are not reasonable, please explain why.
2. Assuming Ms. Leary believes Staff's rolling TME revenue estimates are reasonable, please explain why the Company concluded that over time annual gas costs are a good proxy for annual gas revenues if the cumulative difference between the two (as calculated using Exhibit GRM-2) over the 13 month period of the Company's analysis exceeds $39 million.

Response:

1. Yes, Ms. Leary accepts as reasonable the monthly and rolling TME gas revenue estimates shown in Exhibit GRM-2.

2. As explained in Ms. Leary's testimony on pages 10-11 and illustrated on Schedule AEL-4, the results of the lead/lag study do not change, if the gas revenues are substituted for gas costs. This is because the gas cost information has only been used to estimate the gas cost portion of the total accounts receivable balance, not for any other purpose. This is done by multiplying the total accounts receivable balance by the ratio of gas cots to total firm revenues. The result (i.e., the portion of the total accounts receivable that relates to gas costs) is then divided by total gas costs to

determine the revenue lag. This methodology is based on the reasonable assumption that the both the base distribution revenues and gas supply revenues have the same lag, i.e. that there is the same delay between the time that distribution service is rendered and the distribution portion of the bill is paid as there is between when the gas is consumed by the customer and the gas supply portion of the bill is paid. As demonstrated in Schedule AEL-4, using COG revenues in lieu of actual gas costs does not change the outcome of the analysis. Therefore, the analysis presented in Exhibit GRM-2 has no impact or bearing on the results of the lead lag study.

Staff Exhibit-5

KeySpan
Collections Lag
Accounts Receivable Turnover Method
(Based on Gas Costs)

		Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable Less Gross Write-offs	Total Gas Costs	Collections Lag (Days)
2005	January	$21,793,379	$21,781,964	$14,334,683	$17,938,217	
	February	$26,462,190	$26,461,590	$18,057,242	$14,572,489	
	March	$25,272,690	$25,272,490	$17,506,480	$13,100,373	
	April	$23,593,178	$23,579,719	$16,122,087	$5,924,511	
	May	$20,290,960	$20,290,960	$13,834,329	$5,015,142	
	June	$16,360,626	$16,324,453	$10,987,215	$3,388,995	
	July	$13,958,597	$13,944,984	$9,411,547	$3,222,720	
	August	$10,754,556	$10,533,578	$7,110,711	$2,660,234	
	September	$9,466,652	$9,438,172	$6,422,664	$3,765,069	
	October	$8,228,023	$8,228,023	$5,692,540	$7,614,752	
	November	$9,960,750	$9,755,043	$6,914,838	$13,097,244	
	December	$19,672,827	$19,641,902	$13,969,456	$20,823,227	

Average Accounts Receivable Balance	$11,696,983	
Average Daily Revenue		$304,447
Average Collections Lag-Gas Costs		38.42
Average Collections Lag-Gas Revenues		37.68
Difference		0.74

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England

DG 07-050

Indirect Gas Costs

Data Request Received: April 13, 2007
Request No.: Staff 1-9

Date of Response: April 27, 2007
Respondent: Ann Leary

Request: Ref. ENGI 2006-07 Winter COG Filing, DG 06-121, Tab 24, Lead/Lag Study, Page 11. Please state whether the monthly firm accounts receivable balances shown in column (d) have been adjusted for any reason other than the write-off of overdue accounts (e.g., terminated accounts). If yes, please identify the adjustments, their magnitude, and state how often they are made.

Response: No, the monthly firm accounts receivable balances shown in column (d) have not been adjusted for any reason other than write-off of overdue accounts.

STAFF EXHIBIT-7

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 (GrossWrite-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

STAFF EXHIBIT-8

KeySpan
Collections Lag
Accounts Receivable Turnover Method

	Total Accounts Receivable	Firm Accounts Receivable	Gas Accounts Receivable (Net Write-offs)	Gas Accounts Receivable (GrossWrite-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	$16,122,557	$16,063,175	$16,902,486	$922,383	$17,824,869	$59,382	
February	$26,462,190	$26,461,590	$19,775,321	$19,754,485	$17,655,061	$971,150	$18,626,211	$20,836	
March	$25,272,690	$25,272,490	$18,659,870	$18,610,594	$15,392,850	$842,747	$16,235,597	$49,276	
April	$23,593,178	$23,579,719	$17,068,106	$17,026,890	$11,078,288	$575,395	$11,653,683	$41,216	
May	$20,290,960	$20,290,960	$14,247,386	$14,215,678	$6,693,766	$207,141	$6,900,907	$31,708	
June	$16,360,626	$16,324,453	$10,696,248	$10,649,886	$4,265,445		$4,265,445	$46,362	
July	$13,958,597	$13,944,984	$7,982,886	$7,953,031	$2,410,054		$2,410,054	$29,855	
August	$10,754,556	$10,533,578	$5,959,497	$5,931,481	$2,072,653		$2,072,653	$28,016	
September	$9,466,652	$9,438,172	$5,606,070	$5,578,895	$2,552,052		$2,552,052	$27,175	
October	$8,228,023	$8,228,023	$5,501,640	$5,474,426	$3,576,679		$3,576,679	$27,214	
November	$9,960,750	$9,755,043	$7,337,748	$7,295,022	$8,842,166		$8,842,166	$42,726	
December	$19,672,827	$19,641,902	$15,385,308	$15,377,153	$18,353,237		$18,353,237	$8,155	

Average Accounts Receivable Balance	$12,028,553	
Average Daily Revenue	$310,448	
Average Collections Lag		38.75
Difference - Staff v Company		4.81

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007 Date of Response: October 5, 2007
Request No.: Staff 3-47 Respondent: Kim Ahern/Ann Leary

Request: Ref. Ahearn Testimony, page 7. Ms. Ahearn states that "the Company believes there are demographic or other differences in the service territories by these two companies that have caused this historical disparity" in experienced bad debt ratios. Please respond to the following questions:

1. Define the term "experienced bad debt ratios."
2. Identify all demographic factors that the Company believes contributed to the disparity and provide all support for this believe
3. Identify all other factors that the Company believes contributed to the disparity and provide all support for this belief.

Response:

1. Experienced bad debt ratios refers to the bad debt percentage approved by the NH PUC in the revenue neutral rate cases for KeySpan and Northern and the bad debt ratios for 2005.

2. As described in both Ms. Ahern's and Ms. Leary's testimony, the Company believes that the variation in service territory demographics results in the variation in bad debt percentage between KeySpan and Northern. The Company demonstrated that the demographics do vary by comparing the percentage of residential customers who are enrolled on its low income discount rate. For KeySpan, 7.5% of residential heating customers enrolled on the discount rate, while only 3.5% of Northern's customers enrolled. This provides strong support that KeySpan's service territory has a substantially higher level of families who are gas customers and whose limited incomes make it difficult to pay their gas bills. See Staff 1-47(3).

3. At this time, the Company does not know of any other factors that contribute to this disparity. The Company has not undertaken a

comprehensive demographic analysis to determine if there are other factors that contribute to the historical difference between the two companies' service territories.

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-13

Date of Response: October 5, 2007
Respondent: Ann Leary

Request: Ref. Leary Testimony, page 8. Assuming the percentage of residential customers receiving the low income discount can be substantiated, explain why this would negatively impact KeySpan's collections performance compared to Northern. In addition, please quantify the effect this difference has on KeySpan's collection lag. Provide all supporting data and workpapers.

Response: In Ms. Noonan's testimony, she stated that according to 2000 Census data the percentage of families for both Northern and KeySpan that are living in poverty is similar. From this data she concludes that there are no demographic differences between KeySpan's and Northern's service territory and therefore the difference in the bad debt experience must be a result of differences in its collections processes. However, the data that Ms. Noonan cites is not fuel specific and therefore is not necessarily reflective of the experience of the gas companies being compared. As described in Ms. Ahern's testimony on page 7, the percentage of residential customers receiving the low income discount in KeySpan's territory (7.5%) (the number should be 7.7% not 7.5%- see response to Staff 3-12) is twice that of Northern's (3.5%), thereby disproving Ms.Noonan's assumption that the demographics of the two service territories are the same. This difference provides strong support for the conclusion that KeySpan's service territory has a substantially higher level of families whose limited incomes make it difficult to pay their gas bills.

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-52

Date of Response: October 5, 2007
Respondent: Kimberly Ahern

Request: Ref. Ahern Testimony, page 10. Ms. Ahern notes that the difference between the number of disconnect notices sent out by KeySpan versus those sent out by Northern is not surprising given KeySpan's practice of focusing more attention in its collection process on larger overdue accounts.

i) Are disconnect notices only sent to those customers with balances over a certain amount? If so, what is the amount?

ii) If disconnect notices are only sent to those customers with balances over a certain amount, how likely is it that a customer who is behind on his or her bill but has not received a disconnect notice will contact KeySpan to make an arrangement for repayment of their arrears or contact the Commission regarding their bill?

iii) Does Ms. Ahern know if Northern Utilities follows a similar process, that is to focus more attention in its collection process on larger overdue account?

Response:

i) Refer to KeySpan's response to Tech 1-2 in Docket DG 06-121 for a description of KeySpan's Collection Procedures and Policies. The Company uses several different disconnect notice criteria based on the type of account and time of year. There are set minimum dollar amounts assigned to each category.

ii) It is not the company's intention, nor is it cost effective, to disconnect every customer who does not pay their bill on time. The Company believes that many customers will pay their bill, including overdue balances, without first being disconnected. As stated on Page 11 of Ms. Ahern's testimony, Keyspan's collection system is a risk-based system and risk scores are assigned to each account based on age of the unpaid bill, amount of arrears, payment history and other factors. The purpose of this approach is to apply a cost-effective procedure, rather than pursuing all accounts with the same level

of effort regardless of the amount due. Collection actions are progressive beginning with dunning calls and letters, and ultimately leading to disconnection. Thresholds must be set to appropriately manage the process for both cost effectiveness and to ensure that customers are not disconnected for minor past due amounts. Disconnect notices must be sent with minimum thresholds to comply with regulations and to reflect current economic conditions. For example Keyspan has assessed that $500 is appropriate for a disconnect threshold on a typical residential heating account with current monthly gas costs and heating averages.

iii) Although it is common collection practice to focus more attention on the oldest aged, highest balance receivables, Ms. Ahern is not directly aware of Northern Utilities' collection process.

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England

DG 06-121

Commission Staff Discovery Requests – Technical Conference

Data Request Received: September 28, 2006 Date of Response: October 13, 2006
Request No.: Tech 1-2 Witness: Ann Leary

Request: What were the Company's collection policies for delinquent accounts in 1999 and what are they today?

Response: Please see attached tables that compare the Company's collections procedures in 2006 to those in 1999. Although the collection process has not significantly changed since 1999, the Company has instituted numerous measures to improve its ability to perform the activities necessary to collect past due amounts from its customers. These improvements include:

- Training Supplemental workforce to perform collections;
- Purchasing hand-held computers to be used by field collectors, so that collection information is input to the system on a real-time basis
- Implementing an automated programmable outbound calling system to contact customers in arrears. This system will track the calls that are not answered and will recall these customers at later times throughout the day.
- Installation of new software tools to increase back-office efficiency;
- Enhancements to customer information system to assign daily work to field collectors on a more cost-effective and strategic basis.

Although the Company has implemented measures to enhance its ability to collect past due amounts from its customers, there are instances where the goal of protecting financial hardship customers can negatively impact the Company's efforts to collect overdue amounts. For example, the Company is required to send letters and post advertisements in local

newspapers informing customers of the Company's reconnection policies for those customers qualifying for a financial hardship or medical emergency. In addition, the winter moratorium on termination of residential heating accounts, which covered the period December 1 through March 31 in 1999 and has since been extended to cover the period November 1 through March 31, delays the Company's ability to terminate service when all other collection activities have failed. Also, in 1999, the Company was allowed to terminate residential heating accounts with a past due balance greater than $300. Today, the Company can only disconnect those residential heating customers with a past due balance greater than $450.

The Company recognizes the need for an appropriate balance between policies that protect financial hardship customers from termination of service, especially in the winter season with the Company's aggressive attempt to control in bad debt. However, restrictions on the Company's ability to pursue collection activities from its customers do impact the Company's ability to collect balances owed.

New Hampshire Collections
Summer Period

	2006 Procedures & Policies	1999 Procedures & Policies
Residential Heating		
Preferred / Regular Customers	($35.00 + Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated program dialer.	($50.00 + Arrears) Actions Performed – Separate Reminder Notices, Calls by Rep.
Collectible Customers	($500.00 Termination Balance) Actions Performed - Disconnect Notice , Outbound Calls , Field Collections.	($300.00 Termination Balance) worked highest balances 1st Actions Performed – Separate Disconnect Notice , call by Reps, Field Collections.
Residential Non – Heat		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Separate Reminder Notices, Outbound Calls by Reps.
Collectible Customers	($125.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($175.00 Termination Balance) Actions Performed – Separate Disconnect Notice , Outbound Calls by Reps, Field Collections
Commercial / Industrial (Year-Round)		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Separate Reminder Notices, Outbound Calls by Reps.
Collectible Customers	($300.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($300.00 Termination Balance) Actions Performed – Separate Disconnect Notice , Outbound Calls by Reps, Field Collections

Winter Period

	2006 Procedures & Policies	1999 Procedures & Policies
Residential Heating		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer, No Field locking	($300.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls by Rep's. No Field locking
Residential Non – Heat		
Preferred / Regular Customers	($35.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls per automated dialer	($50.00 Arrears) Actions Performed - Reminder Notices, Outbound Calls by Rep's.
Collectible Customers	($125.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls , Field Collections	($175.00 Termination Balance) Actions Performed – Disconnect Notice , Outbound Calls by Rep's, Field Collections

PUC Regulations Changes:

	2006	1999
PUC 1204 – Winter Period	November 15 – March 31st 2005- Keyspan invoked winter period on Nov. 1 courtesy	December 1 – March 31st
PUC 1204.02 - Protection from Disconnection (Winter Period)	Non-Heating $125 Heating $450	Non-Heating $175 Heating $300
PUC 1204.04 a.2. – Financial Hardship Payment Arrangements (Winter Period)	Pay 10% of monthly total balance due for winter period, then arrears paid over 6 months at end of winter	No financial hardship was defined – Same regulation applied to all customers: Pay current bills + arrears paid over 6 month payment plan following the conclusion of winter period
PUC 1204.06 Review of Pre-Winter Period Disconnections – New in 2005	Letters are sent to all customers disconnected from April 15-October 15 whose service remains disconnected as of November 1st. Letters are sent 11/7 to customer stating our reconnection policy and contact information	———

Protected Accounts - Winter

	Restore Service Criteria-2006	Restore Service Criteria 1999	PUC Regulation
Financial Hardship	10%	None existed	
Medical Emergency	No $ - Renew every 60 days	No $ - Renew every 30 days	1203.11 d)4
Fuel Assistance	10%		
Municipal Welfare Office	Welfare pays current bill	Welfare pays current bill	1203.11 d)5)
Elderly Over 65	Protected	Protected	

All of the above also requires payment arrangement from customer for balance remaining

Timeline of Collection Activity

2006 Procedure	2006 Procedure	2006 Procedure	2006 Procedure	1999 Procedure	1999 Procedure
Customer in Good Standing	Customer in Good Standing	Customer not in Good standing	Customer not in good standing		
Day 1	Create Bill	Day 1	Create Bill	Day 1	Create Bill
Day 31	Reminder Notice and Outbound Call with automated dialer	Day 31	Reminder Notice and Outbound Call with automated dialer	Day 31	Late Charge applied. Call by Rep.
Day 61	Reminder Notice and Outbound Call with automated dialer	Day 60	Reminder Notice and Outbound Call with automated dialer	Day 61	Lates charges applied. Separate Past Due notice in winter/ separate shut off notice in summer, call by Rep.
Day 91	Shut off Notice and Outbound call with automated dialer	Day 67	Demand notice to customer via separate letter.	Day 66	Shut off noticed mailed and 14 days to work acct. Call by rep and field collections.
Day 98	Create termination notice and Outbound call with automated dialer	Day 81	Create Field job to disconnect	Day 80	Account disconnected.
Day 112	Create Field job to disconnect and outbound call				

1 ENERGY NORTH NATURAL GAS, INC.
2 d/b/a KeySpan Energy Delivery N.E.
3 Peak 2007 - 2008 Winter Cost of Gas Filing
4 Annual Bill Comparisons, Nov 06 - Apr 07 vs Nov 07 - Apr 08 - Residential Heating Rate R-3
5
6
7 November 1, 2007 - April 30, 2008
8 Residential Heating (R3)

May 1, 2007 - October 31, 2007

9																
10			Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	Winter Nov-Apr	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Summer May-Oct	Total Nov-Oct
11	Typical Usage (Therms)		109	150	187	188	166	132	932	90	55	30	30	42	71	318	1,250
12																	
13	Winter:																
14	Cust. Chg	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28								
15	Headblock	$0.2945	$29.45	$29.45	$29.45	$29.45	$29.45	$29.45	$176.70								
16	Tailblock	$0.1711	$1.54	$8.56	$14.89	$15.06	$11.29	$5.48	$56.81								
17	HB Threshold	100															
18																	
19	Summer:																
20	Cust. Chg	$9.88								$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28	$118.56
21	Headblock	$0.2945								$5.89	$5.89	$5.89	$5.89	$5.89	$5.89	$35.34	$212.04
22	Tailblock	$0.1711								$11.98	$5.99	$1.71	$1.71	$3.76	$8.73	$33.88	$90.68
23	HB Threshold	20															
24																	
25	Total Base Rate Amount		$40.87	$47.89	$54.22	$54.39	$50.62	$44.81	$292.79	$27.75	$21.76	$17.48	$17.48	$19.53	$24.50	$128.50	$421.28
26																	
27	CGA Rate - (Seasonal)		$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.1843	$1.0388	$1.0775	$1.0352	$0.8972	$0.8522	$0.8522	$0.9655	$1.1286
28	CGA amount		$129.09	$177.65	$221.48	$222.65	$196.59	$156.33	$1,103.77	$93.49	$59.26	$31.06	$26.92	$35.79	$60.51	$307.03	$1,410.79
29																	
30	LDAC		$0.0192	$0.0192	$0.0192	$0.0192	$0.0192	$0.0192	0.0192	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0243
31	LDAC amount		$2.09	$2.87	$3.58	$3.60	$3.18	$2.53	$17.85	$3.55	$2.17	$1.18	$1.18	$1.65	$2.80	$12.53	$30.38
32																	
33	Total Bill		$172.05	$228.40	$279.26	$280.64	$250.40	$203.66	$1,414.40	$124.79	$83.19	$49.72	$45.58	$56.98	$87.80	$448.05	$1,862.45

34
35 NOVEMBER 1, 2006 - April 31, 2007
36 Residential Heating (R3)

May 1, 2006 - October 31, 2006

37																
38			Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	Winter Nov-Apr	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Summer May-Oct	Total Nov-Oct
39	Typical Usage (Therms)		109	150	187	188	166	132	932	90	55	30	30	42	71	318	1,250
40																	
41	Winter:																
42	Cust. Chg	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28								
43	Headblock	$0.2945	29.45	29.45	29.45	29.45	29.45	29.45	$176.70								
44	Tailblock	$0.1711	$1.54	$8.56	$14.89	$15.06	$11.29	$5.48	$56.81								
45	HB Threshold	100															
46																	
47	Summer:																
48	Cust. Chg	$9.88								$9.88	$9.88	$9.88	$9.88	$9.88	$9.88	$59.28	$118.56
49	Headblock	$0.2945								$5.89	$5.89	$5.89	$5.89	$5.89	$5.89	$35.34	$212.04
50	Tailblock	$0.1711								$11.98	$5.99	$1.71	$1.71	$3.76	$8.73	$33.88	$90.68
51	HB Threshold	20															
52																	
53	Total Base Rate Amount		$40.87	$47.89	$54.22	$54.39	$50.62	$44.81	$292.79	$27.75	$21.76	$17.48	$17.48	$19.53	$24.50	$128.50	$421.28
54																	
55	CGA Rate - (Seasonal)		$1.1513	$1.1642	$1.1451	$1.1124	$1.2339	$1.1976	$1.1656	$1.0022	$0.9701	$0.9637	$0.9514	$0.9833	$0.9355	$0.9708	$1.1160
56	CGA amount		$125.49	$174.63	$214.13	$209.13	$204.83	$158.08	$1,086.30	$90.20	$53.36	$28.91	$28.54	$41.30	$66.42	$308.73	$1,395.02
57																	
58	LDAC		$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	$0.0394	0.0394	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0281	$0.0365
59	LDAC amount		$4.29	$5.91	$7.37	$7.41	$6.54	$5.20	$36.72	$2.53	$1.55	$0.84	$0.84	$1.18	$2.00	$8.94	$45.66
60																	
61	Total Bill		$170.66	$228.43	$275.72	$270.93	$261.99	$208.09	$1,415.80	$120.47	$76.66	$47.24	$46.87	$62.01	$92.91	$446.16	$1,861.96
62																	
63	DIFFERENCE:																
64	Total Bill		$1.39	($0.02)	$3.54	$9.71	($11.60)	($4.43)	($1.40)	$4.31	$6.53	$2.48	($1.29)	($5.03)	($5.11)	$1.89	$0.49
65	% Change		0.81%	-0.01%	1.29%	3.58%	-4.43%	-2.13%	-0.10%	3.58%	8.52%	5.26%	-2.75%	-8.11%	-5.50%	0.42%	0.03%
66																	
67	Base Rate		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
68	% Change		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
69																	
70	CGA & LDAC		$1.39	($0.02)	$3.54	$9.71	($11.60)	($4.43)	($1.40)	$4.31	$6.53	$2.48	($1.29)	($5.03)	($5.11)	$1.89	$0.49
71	% Change		1.11%	-0.01%	1.65%	4.64%	-5.66%	-2.80%	-0.13%	4.78%	12.24%	8.59%	-4.51%	-12.18%	-7.70%	0.61%	0.04%

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-42

Date of Response: October 5, 2007
Respondent: Kimberly Ahern/Ann Leary

Request: Ref. Ahern Testimony, page 5. In her testimony, Ms. Ahern cites an August 2007 report from the US Department of Energy, Energy Information Association as support for her assertion that many utilities have experienced rising arrears and write offs over the past five years. The cite provided by Ms. Ahern states that the average percentage of accounts in arrears and the number of terminations as a percentage of total residential accounts increased by 4.5 percent and 2.0 percentage points between 2001 and 2006. Please provide KeySpan's percentage increase of accounts in arrears and percentage increase in the number of terminations for the same period. Also please provide all cites from the report which support Ms. Ahern's assertion that write offs, as opposed to arrears and terminations, have increased during the 2001 -2006 timeframe.

Response: The Company's records do not allow it to distinguish between Residential and Non-Residential accounts for the information requested.

Reference to DG 07-050 Staff 2-10

NH 2001 Terminations 1,096 1.7% of total customers
NH 2006 Terminations 1,818 2.5 % of total customers
Net Change 0.8 %

The Company does not have the historical data for the number of accounts in arrears and therefore can not do the remainder of the comparison requested.

The following excerpt from the report referred to in the question further supports the Company's assertion that write-offs have increased during the 2001-2006 timeframe. According to Page 9 of the report, "When LDCs cannot recover their costs, they have to write off these accounts. According to anecdotal evidence, net write-offs for LDCs have increased as natural gas prices rose. Furthermore, industry sources report that the

percentage of utility industry write-offs to overall revenue has exhibited concurrent increases with rising prices."

ENERGYNORTH NATURAL GAS, INC.
d/b/a KeySpan Energy Delivery New England
Indirect Gas Costs

DG 07-050

Staff Discovery Requests Set 3

Data Request Received: Sept. 14, 2007
Request No.: Staff 3-51

Date of Response: October 12, 2007
Respondent: Kim Ahern

Request: Ref. Ahern Testimony, page 10. Ms. Ahern notes that KeySpan "went so far as to install a curb valve, which is a significant expense that is hard to justify in all but the most extreme cases" when describing KeySpan's collection efforts on one of the customer accounts cited in Ms. Noonan's testimony. Please provide the average cost of performing a service disconnection when there is no access to the meter and 1) a curb valve exists and 2) when a curb valve does not exist. Please also provide the percentage of customers with services that have an existing curb valve.

Response: The Company does not track the cost of performing a service disconnection based upon whether or not a curb valve is present. However, the Company was able to determine that the average cost of installing a curb valve was $960. If a curb valve is present, the Company estimates that the service disconnection would cost only $100 based upon a 2 man crew working for one hour.

The Company only maintains manual records of the location and quantity of existing curb valves and therefore can not determine the percentage of customers with existing curb valves.