

Natural Gas Update

**Presented to the New Hampshire Energy Planning
Advisory Board**

Energy Stakeholder Forum

June 2006

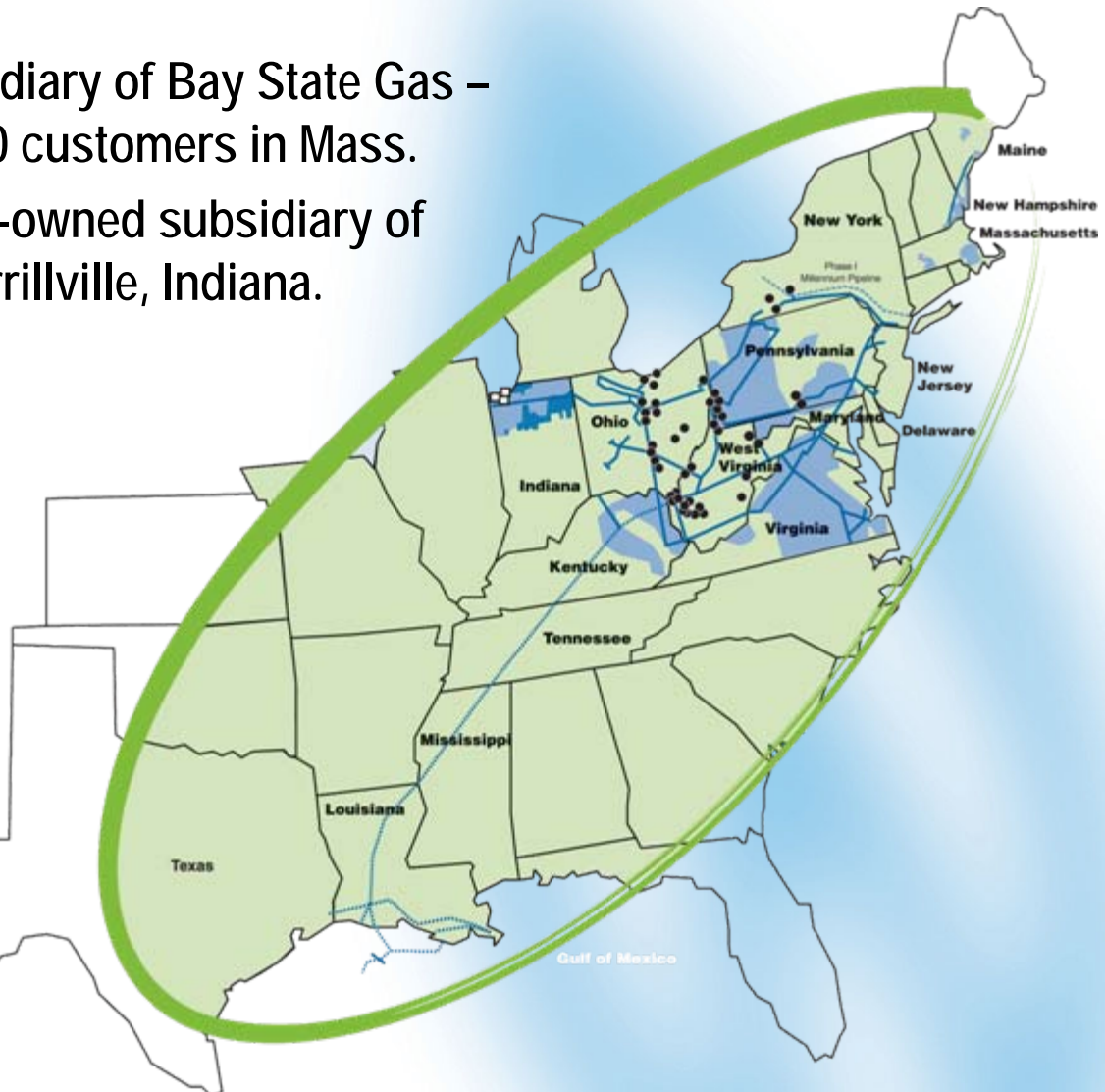
**Stephen H. Bryant, President
Northern Utilities, Inc.**



- One of the oldest natural gas utilities in New England, serving customers for over 150 years.
- Serving approximately 20,000 residential and 6,000 business customers in New Hampshire.
- Operating in 21 communities from Pelham, Portsmouth to Rochester.
- Also serving roughly 26,000 customers in southern Maine.

Part of a larger network of resources...

- Northern Utilities is a subsidiary of Bay State Gas – which serves about 260,000 customers in Mass.
- Together, they are a wholly-owned subsidiary of NiSource Inc., based in Merrillville, Indiana.
- NiSource companies engage in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution.
- Serving over 3.3 million natural gas and electric customers in 9 states;

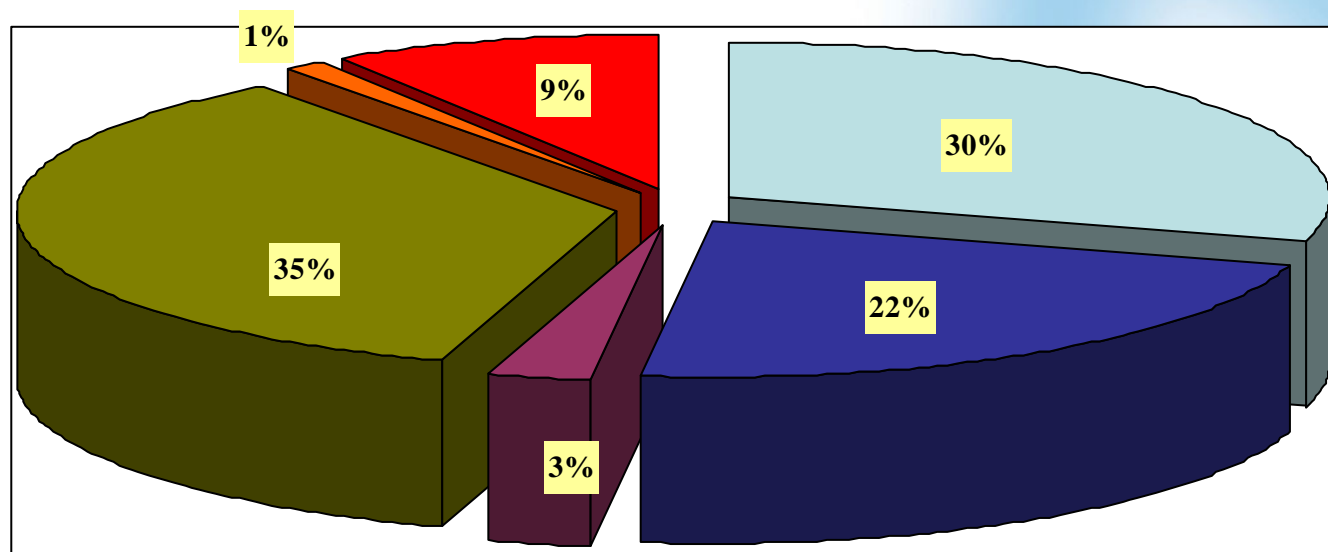




- Delivering natural gas to all customers, regardless of their supplier;
 - Investing \$5 million annually to improve its underground infrastructure;
 - Buying gas on behalf of residential, commercial and industrial customers.
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- Selling natural gas to customers at cost – on a dollar-for-dollar basis – which represents about 80% of a customer’s bill;
 - Hedging gas prices by diversifying the timing, sources, and quantity purchased, and maximizing use of its storage facilities;
 - Adjusting cost-of-gas rates at least twice a year (May and November) to reflect wholesale market conditions.

NU maintains a gas supply portfolio that provides...

- Access to new supply options that flow west to east vs traditional south to north path;
- Supply diversity that increases portfolio reliability leading to price diversity and price stability.



* 2006 Gas supply portfolio



- Record high energy prices – consuming a larger portion of disposable income;
- Sluggish economy in some areas – unemployment and underemployment tightening income;
- Many residential customers looking for fuel assistance or other assistance programs for first time ever;
- All customers looking to higher efficiency heating equipment and other conservation methods.



- Possibility of fixed price options or additional hedging programs to address price volatility;
- Need for continued infrastructure replacement programs to keep delivering natural gas safely and efficiently;
- Potential longer term supply contracts to secure LNG deliveries into New England;
- Better use of more technology to serve customers (e.g., work management initiative); and
- Use of additional third-party vendors to support a number of corporate and customer-facing functions.



- Support economic investments in maintaining and upgrading natural gas supply and delivery infrastructure – in and out of NH;
- Encourage economic expansion of energy supplies and new technologies;
- Promote cost-effective and innovative energy efficiency and conservation initiatives, such as loan programs, private-public partnerships, utility programs, regional GasNetworks programs, and federal programs;
- Assist low income customers through bill assistance and energy efficiency programs.

Northern Utilities is committed to working with policymakers and industry leaders to continue to secure and deliver safe, reliable and affordable natural gas service to New Hampshire and the region.

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