



February 24, 2011

**BY OVERNIGHT MAIL AND E-MAIL**

Debra A. Howland, Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429



RE: DG 06-098 Northern Utilities, Inc. IRP Filing:  
Request for Extension of Time

Dear Director Howland:

Please accept this letter on behalf of Northern Utilities, Inc. ("Northern") requesting additional time to file its Integrated Resource Plan ("IRP") with the New Hampshire Public Utilities Commission ("Commission").

In a Secretarial Letter issued on January 21, 2011 in this docket, the Commission granted Northern an extension of time until February 18, 2011 to file its 2010 IRP plan. Due a variety of previously unanticipated critical requirements (described below) however, Northern is not prepared to file its IRP on that date. Northern has developed a revised timeline for this filing based upon several considerations, including activity in major pipeline rate cases, Northern's seasonal gas supply activities, which presently are at their height, recent demand data, and the timing of the Commission Staff's review of major IRP filings from other companies. Accordingly, Northern requests a revised filing date of August 31, 2011. The Company's Maine division will be making a parallel request for an identical extension with the Maine Public Utilities Commission.

Several matters have diverted Northern's internal resources away from development of the IRP. These include the Company's active participation in major pipeline rate cases at the Federal Energy Regulatory Commission ("FERC"), but also include being responsive to inquiries regarding the Granite State Gas Transmission (GSGT) study in docket DG 08-048 and supporting emergency storm response efforts. The combination of these activities as well as Northern's winter season supply management activities and retail choice program administration has left insufficient time to develop the IRP.

Northern is currently involved in major pipeline rate cases at FERC filed by Portland Natural Gas Transmission System (PNGTS) and by Tennessee Gas

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Pipeline Company (TGP)<sup>1</sup>. Taken together, the PNGTS rate cases propose a combined rate increase of sixty percent (60%) over rates that were implemented pursuant to a settlement in their 2002 rate case. In its first rate case in 15 years, TGP proposes to double its demand charges, and to restructure its rate design to reduce variable transportation charges, which taken together represent a rate increase of approximately eighty percent (80%). Transportation charges across TGP's various zones are proposed to change at different rates, thus impacting cost allocation among shippers. TGP is also proposing several tariff changes. In addition, TransCanada Pipelines Limited (TCPL) has proposed annual toll increases and also seeks to restructure its rate design.<sup>2</sup>

These major pipeline rate case proceedings will establish the relative costs to deliver service into the region for many years to come. They may also introduce tariff changes that will impact the value of the transportation capacity. Such rate cases are not frequent occurrences, notwithstanding PNGTS' back-to-back rate cases, and this level of activity was not anticipated when the IRP schedule was established. Northern participates in these proceedings as a member of shipper's groups in order to pool financial resources and industry expertise. Nonetheless, these pipeline rate cases have become very demanding,,but our actively participation is necessary to sufficiently represent the interests of our customers. As an example of activity, the PNGTS shippers group was served with hundreds of data requests, many directed to individual shippers, under a very tight procedural schedule, with limited time to object to and/or respond to these questions.

The purpose of Northern's IRP is "to allow Northern to describe and explain the resource planning processes and procedures that it uses to develop an adequate, reliable and economic portfolio of supply and demand-side resources to serve firm customer demand and to allow the MPUC and NHPUC to evaluate the reasonableness of those planning processes and procedures." The planning process manifests itself in the form of contracting

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<sup>1</sup> Portland Natural Gas Transmission System filed a rate case on April 1, 2008, which was docketed as RP08-306 and, before an order was issued in that proceeding, filed another rate case on May 12, 2010, which was docketed as RP10-729. Tennessee Gas Pipeline Company filed a rate case on November 30, 2010, which was docketed as RP11-1566.

<sup>2</sup> Under the National Energy Board (NEB) process, TCPL may file for an increase in tolls (rates) every year and may also file to change their rate design. Annual toll increases are typically approved so long as the tolls were calculated pursuant to their currently approved rate design, while proposed rate design changes are subject to more rigorous review absent a settlement or broad support. In late 2010, TCPL filed to change their rate design, which was met with strong opposition and denied by the NEB. Currently, TCPL has proposed new tolls pursuant to their existing rate design.

decisions. However, presently Northern's portfolio consists largely of: (i) long-term pipeline and storage contracts for which renewal decisions are not imminent for many years, with the bulk of decisions coming 6 to 9 years from now, and (ii) two delivered peaking supply contracts that are at end of term.

Given Northern's portfolio, there are no contract decisions that would be informed by the IRP process in the near term. The pipeline and storage contracts are not up for renewal until many years from now, and the peaking supplies need to be renewed very soon – before an IRP could be reviewed and approved. Northern seeks to replace the peaking supplies this spring, and will not enter into peaking contracts longer than 2 years in duration prior to receiving IRP approval.

Northern also notes that the initial IRP schedule agreed to in the settlement was intended to allow analysis of DSM programs on the basis of an integrated analysis of demand and supply costs. Currently, Northern's New Hampshire division is operating under an approved 2-year DSM plan that began in January 2011, and the Maine division is operating under an approved 3-year DSM plan that began in June 2010. Since both divisions are operating under multi-year DSM plans, and in light of the long term contract commitments discussed above, the urgency to have an integrated analysis of the relative value of demand resources in terms of supply resources they might avoid is diminished. Moreover, the outcome of the pipeline rate proceedings mentioned above will impact the avoided cost estimates.

Another significant consideration in proposing to extend Northern's IRP filing date relates to demand data. On January 24, 2011, Northern hit a new system peak under weather conditions that would not have suggested a new peak based on Northern's prior analysis. This provides an opportunity to revisit Northern's design day requirements in light of the new data. The design day requirement is a critical result of the IRP process as it drives the total capacity requirement.

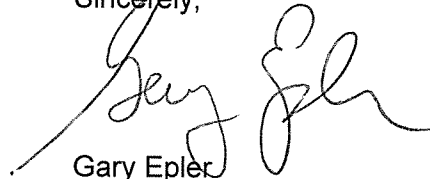
The forecast Northern has prepared for the IRP (which is currently part of an incomplete package) is based upon actual data ending June 2010. If the requested extension is granted, Northern would update its forecast based on actual data through March 2011. Northern believes there is value in utilizing more recent data, particularly since there was a new peak day, and since more of the data utilized would have been collected using Unitil's systems. In its forecasting process, Northern utilizes quarterly economic and demographic data which would be available for the first quarter in mid-May. Northern factored the amount of time required to develop a new forecast based on actual data through March 2011 in proposing the August 31, 2011 date.

Finally, the proposed filing date of August 31, 2011, takes into account Northern's expected annual gas supply management and retail choice program administration activity. Northern also reviewed the timing of other major IRP filings that have been or are expected to be submitted to Commission. Specifically, these included IRPs from Energy North and from Public Service Company of New Hampshire ("PSNH"). Northern's proposed filing date is offset from Energy North's by one and a half years, with each company filing every three years. Northern's proposed filing date is also 11 months after PSNH's filing date.

Northern has discussed this matter with Commission Staff, as well as the Staff of the MPUC and the Maine Office of Public Advocate, and it is our understanding that they do not object to this request.

Please do not hesitate to contact me if you have any questions regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler", written over a horizontal line.

Gary Epler  
Attorney for Northern Utilities, Inc.

cc: Marcia Thunberg, Staff Counsel